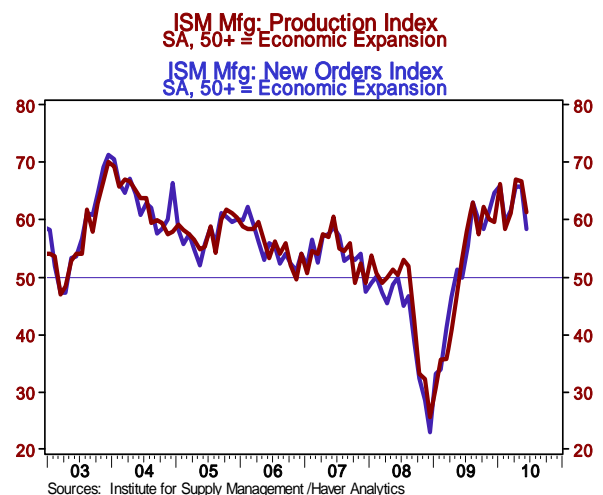
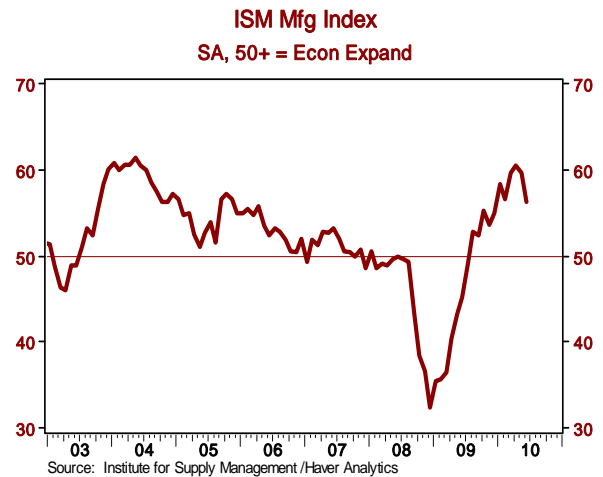


# JUNE ISM MANUFACTURING INDEX

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- The ISM Manufacturing index fell to a still strong 56.2 in June from 59.7 in May. The consensus expected a level of 59.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- All of the major measures of activity declined in June but remain at high levels, signaling growth. The new orders index declined to 58.5, the production index fell to 61.4, and the employment index fell to 57.8. The supplier deliveries index fell to 57.3 from 61.0, but is at a level still well above 50, signaling a need to build out capacity.
- The prices paid index declined to 57.0 in June from 77.5 in May.

**Implications:** The factory sector continued to grow in June, although at not quite as rapid a pace as earlier this year. According to the Institute for Supply Management, June's index of 56.2 is consistent with real GDP growth of 4.8% annually. Manufacturing's future continues to remain bright as new orders are still at a strong 58.5 reading and the employment index is at a very elevated level of 57.8. This suggests manufacturing payrolls probably grew for the sixth straight month in June (reported Friday). In other news this morning, new claims for unemployment insurance increased 13,000 last week to 472,000. Continuing claims for regular state benefits increased 43,000 to 4.62 million. Yesterday's ADP Employment index showed a private-sector payroll gain of 13,000, coming in below the consensus expected pace of 60,000. The official Labor Department report will be released tomorrow morning and the headline will be heavily influenced by a large decline in Census jobs. Construction fell 0.2% in May (-3.1% including revisions going back several years). State and local construction was up in May, mainly due to street paving. Residential building was down 0.4% due to a drop in home improvements. Commercial construction declined 0.6% in May due to manufacturing plants, hotels, and office space. On Tuesday, the Case-Shiller index, a measure of home prices in the 20 largest metro areas, was reported up 0.4% in April (seasonally-adjusted) and up 3.8% versus a year ago. Today it was reported that pending home sales, contracts on existing homes, fell 30% in May, a result of the end of the homebuyer credit at the end of April.



Institute for Supply Management Index	Jun-10	May-10	Apr-10	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
<b>Business Barometer</b>	<b>56.2</b>	59.7	60.4	58.8	58.5	45.3
<i>New Orders</i>	<b>58.5</b>	65.7	65.7	63.3	62.8	49.9
<i>Production</i>	<b>61.4</b>	66.6	66.9	65.0	63.4	53.2
<i>Inventories</i>	<b>45.8</b>	45.6	49.4	46.9	48.3	30.9
<b>Employment</b>	<b>57.8</b>	59.8	58.5	58.7	56.8	42.1
<i>Supplier Deliveries</i>	<b>57.3</b>	61.0	61.3	59.9	61.0	50.5
<i>Order Backlog (NSA)</i>	<b>57.0</b>	59.5	57.5	58.0	58.2	47.5
<i>Prices Paid (NSA)</i>	<b>57.0</b>	77.5	78.0	70.8	70.8	50.0
<i>New Export Orders</i>	<b>56.0</b>	62.0	61.0	59.7	59.3	49.5

Source: National Association of Purchasing Management