

September ISM Manufacturing Index

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- The ISM manufacturing index rose to 51.5 in September from 49.6 in August, coming in well above the consensus expected 49.7. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all higher in September and most were above 50. The new orders index gained to 52.3 from 47.1. The production index rose to 49.5 from 47.2 and the employment index increased to 54.7 from 51.6. The supplier deliveries index rose to 50.3 from 49.3.
- The prices paid index increased to 58.0 in September from 54.0 in August.

Implications: Welcome news on manufacturing today. After three straight months below 50 – signaling contraction – the ISM manufacturing index came in above 50, easily beating consensus expectations for September. According to the Institute for Supply Management, a level of 51.5 is consistent with real GDP growth of 3%. For the third quarter as a whole, the ISM index averaged 50.3, which is consistent with a growth rate of 2.6%. However, these data only cover the manufacturing sector, and so don't correct for the impact of the drought in the farm sector. As a result, we see today's data as consistent with our forecast that real GDP expanded at a 1.5% annual rate in Q3. The best news in today's report was that new orders bounced back into positive territory and the employment index rose to 54.7, the strongest sub-index within the overall ISM. On the inflation front, the prices paid index rose to 58.0 in September from 54.0 in August. We expect prices to continue to gradually move higher. In other news this morning, construction declined 0.6% in August, but was up 0.3% including revisions to prior months. The decline in August was due to less commercial construction, particularly power plants. Home construction was up 0.9% in August, led by new 1-family homes. The construction of new homes – 1-family and multi-family, combined – is up 11 months in a row and up 24% from a year ago.

ISM Mfg: PMI Composite Index
 SA, 50+ = Econ Expand



ISM Mfg: Production Index
 SA, 50+ = Econ Expand
ISM Mfg: New Orders Index
 SA, 50+ = Econ Expand



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Sep-12	Aug-12	Jul-12	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	51.5	49.6	49.8	50.3	51.5	52.5
New Orders	52.3	47.1	48.0	49.1	52.3	51.1
Production	49.5	47.2	51.3	49.3	52.6	52.5
Inventories	50.5	53.0	49.0	50.8	48.5	52.0
Employment	54.7	51.6	52.0	52.8	54.9	55.2
Supplier Deliveries	50.3	49.3	48.7	49.4	49.2	51.6
Order Backlog (NSA)	44.0	42.5	43.0	43.2	45.1	41.5
Prices Paid (NSA)	58.0	54.0	39.5	50.5	49.5	56.0
New Export Orders	48.5	47.0	46.5	47.3	50.3	53.5

Source: National Association of Purchasing Management