

October ISM Manufacturing Index

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- The ISM manufacturing index rose to 51.7 in October from 51.5 in September, coming in well above the consensus expected 51.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in October but most were above 50. The new orders index gained to 54.2 from 52.3 and the production index rose to 52.4 from 49.5. The employment index fell to 52.1 from 54.7. The supplier deliveries index also slipped to 49.6 from 50.3.
- The prices paid index declined to 55.0 in October from 58.0 in September.

Implications: Good news on manufacturing today. The ISM manufacturing index came in at 51.7 for October, easily beating consensus expectations and exceeding 50 for the second consecutive month after lagging 50 for the prior three. According to the Institute for Supply Management, a level of 51.7 is consistent with real GDP growth of 3.1%. However, these data only cover the manufacturing sector. As a result, we see today's data consistent with plow horse like 2% growth in the overall economy. The best news in today's report was that the new orders index rose for the second straight month. Although the employment index fell to 52.1, it remains in positive territory. On the inflation front, the prices paid index declined to 55.0 in October from 58.0 in September. We expect prices to continue to gradually move higher. In other news this morning, construction rose 0.6% in September, but was up 1.7% including revisions to prior months. The gain in September was led by single-family home construction which was up 3.9%. The construction of new homes – 1-family and multi-family, combined – is up 6 months in a row and up 25.7% from a year ago. In other recent news, the Case-Shiller index, which measures home prices in the 20 largest metro areas, increased 0.5% in August (seasonally-adjusted) and is up 2% from a year ago. In the past six months, prices are up at an 8.7% annual rate. Prices increased in almost every metro area in August, led by Atlanta and Phoenix; Seattle was the lone exception. All metro areas have had price increases in the past three months.

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>	Oct-12	Sep-12	Aug-12	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	51.7	51.5	49.6	50.9	51.0	51.8
New Orders	54.2	52.3	47.1	51.2	51.6	53.4
Production	52.4	49.5	47.2	49.7	51.2	52.7
Inventories	50.0	50.5	53.0	51.2	48.8	46.5
Employment	52.1	54.7	51.6	52.8	54.0	54.0
Supplier Deliveries	49.6	50.3	49.3	49.7	49.3	52.2
Order Backlog (NSA)	41.5	44.0	42.5	42.7	43.8	47.5
Prices Paid (NSA)	55.0	58.0	54.0	55.7	48.5	41.0
New Export Orders	48.0	48.5	47.0	47.8	48.5	50.0

Source: National Association of Purchasing Management

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