

# November ISM Manufacturing Index

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist  
**Strider Elass** – Economist

- The ISM manufacturing index increased to 57.3 in November from 56.4 in October, easily beating the consensus expected 55.2. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mainly higher in November and all remain well above 50. The new orders index increased to 63.6 from 60.6, while the production index increased to 62.8 from 60.8. The employment index rose to 56.5 from 53.2. The supplier deliveries index declined to 53.2 from 54.7 in October.
- The prices paid index declined to 52.5 in November from 55.5 in October.

**Implications:** The ISM index, a measure of manufacturing sentiment around the country boomed in November coming in at the highest level since April 2011, easily beating consensus expectations, and rising for the sixth consecutive month. According to the Institute for Supply Management, an overall index level of 57.3 is consistent with real GDP growth of 4.7% annually. We don't expect real GDP to grow anywhere near that pace in Q4, but we do expect much faster growth in 2014. The new orders index boomed to 63.6 in November, coming in at the highest level since early 2011. The employment index moved higher to 56.5 from 53.2, the highest level since April 2012. This is consistent with the plow horse growth we have been getting out of the labor market over the past few years and signals another positive report on payrolls this Friday. On the inflation front, the prices paid index declined to 52.5 in November from 55.5 in October. Still, little sign of inflation, but we don't expect this to last given loose monetary policy. In other news this morning, construction increased 0.8% in October, led by government projects, such as schools. Nonetheless, revisions to prior months and delayed data due to the partial government shutdown show some weakness, especially in home building, during September and August. We expect that weakness to be temporary. New home construction is up 20.8% from last year while home improvements are up 13.2%. Population growth and scrappage should generate enough demand for new housing that similar gains unfold in the year ahead. The Plow Horse Economy continues to move forward.

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	Nov-13	Oct-13	Sep-13	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>57.3</b>	56.4	56.2	56.6	55.3	49.9
New Orders	63.6	60.6	60.5	61.6	59.7	51.1
Production	62.8	60.8	62.6	62.1	61.2	53.1
Inventories	50.5	52.5	50.0	51.0	49.7	45.0
<b>Employment</b>	<b>56.5</b>	53.2	55.4	55.0	53.6	50.1
Supplier Deliveries	53.2	54.7	52.6	53.5	52.5	50.1
Order Backlog (NSA)	54.0	51.5	49.5	51.7	48.8	41.0
Prices Paid (NSA)	52.5	55.5	56.5	54.8	53.3	52.5
New Export Orders	59.5	57.0	52.0	56.2	55.3	47.0

Source: National Association of Purchasing Management