

March ISM Manufacturing Index

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- The ISM manufacturing index declined to 51.3 in March from 54.2 in February, coming in well below the consensus expected 54.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in March but most remain above 50. The new orders index fell to 51.4 from 57.8 and the production index declined to 52.2 from 57.6, while the supplier deliveries index fell to 49.4 from 51.4. The employment index rose to 54.2 from 52.6.
- The prices paid index dropped to 54.5 in March from 61.5 in February.

Implications: The ISM manufacturing index surprised to the downside in March falling to 51.3, but is still showing expansion in the factory sector. According to the Institute for Supply Management, the average index level from January through March of 52.9 is consistent with real GDP growth of 3.3% annually. However, the Institute’s estimates of real GDP growth have generally been overshooting actual growth, which keeps us comfortable with our forecast for Q1 real GDP growth of 3%. The best news in today’s ISM report was that the employment index moved higher to 54.2, the highest level since June 2012. The gain in the employment index suggests the ISM index, which sometimes moves due to shifts in sentiment, will likely rebound next month. One possibility is that recent events in Cyprus made some manufacturers nervous even though it didn’t affect the actual level of activity. On the inflation front, the prices paid index declined to 54.5 in March from 61.5 in February. Given loose monetary policy, we expect inflation to gradually move higher. In other news this morning, construction increased 1.2% in February. However, including revisions to prior months, construction was only up 0.2%. The gain in February was led by new single-family homes and the paving of streets by state and local governments. The bottom line with today’s reports is more plow horse growth.

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	Mar-13	Feb-13	Jan-13	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	51.3	54.2	53.1	52.9	51.7	53.3
<i>New Orders</i>	51.4	57.8	53.3	54.2	52.7	56.8
<i>Production</i>	52.2	57.6	53.6	54.5	53.7	55.9
<i>Inventories</i>	49.5	51.5	51.0	50.7	48.3	50.0
<i>Employment</i>	54.2	52.6	54.0	53.6	52.5	55.6
<i>Supplier Deliveries</i>	49.4	51.4	53.6	51.5	51.4	48.0
<i>Order Backlog (NSA)</i>	51.0	55.0	47.5	51.2	47.4	52.5
<i>Prices Paid (NSA)</i>	54.5	61.5	56.5	57.5	55.9	61.0
<i>New Export Orders</i>	56.0	53.5	50.5	53.3	51.1	54.0

Source: National Association of Purchasing Management