

# December ISM Manufacturing Index

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- The ISM manufacturing index fell slightly to 57.0 in December from 57.3 in November. The consensus expected 56.8. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in December but all remain well above 50. The new orders index increased to 64.2 from 63.6, while the employment index increased to 56.9 from 56.5. The Supplier deliveries index rose to 54.7 in December from 53.2 in November. The production index declined to 62.2 from 62.8.
- The prices paid index rose to 53.5 in December from 52.5 in November.

**Implications:** The first report of the New Year was a good one. After booming in November, the ISM index, a measure of manufacturing sentiment around the country fell just slightly in December, coming in at the second highest level since April 2011. According to the Institute for Supply Management, an overall index level of 57.0 is consistent with real GDP growth of 4.6% annually. We don't expect real GDP to grow anywhere near that pace in Q4, but we do expect faster growth in 2014 than 2013. The new orders index boomed to 64.2 in December, coming in at the highest level since early 2010. The employment index moved higher to 56.9 from 56.5, the highest level since mid-2011. 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 on Friday, January 10. On the inflation front, the prices paid index rose to 53.5 in December from 52.5 in November. Still, little sign of inflation, but we don't expect this to last given loose monetary policy. In other news this morning, new claims for unemployment benefits decreased 2,000 last week to 339,000. Continuing claims for regular state benefits fell 98,000 to 2.83 million. Also today, construction increased 1.0% in November and 1.6% including revisions to prior months. This is the highest level for construction spending since March 2009. The increase in construction in November was led by private single-family homebuilding, while private commercial construction showed strong gains as well. In recent news on the housing sector, the Case-Shiller index, a measure of home prices in the 20 largest metro areas, increased 1% in October (seasonally-adjusted) and is up 13.6% in the past year. Recent gains have been led by Atlanta, Los Angeles, and Las Vegas. On the sales front, pending home sales, which are contracts on existing homes, increased 0.2% in November. As a result, we expect a slight increase in existing home closings in December. 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	Dec-13	Nov-13	Oct-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>	57.0	57.3	56.4	56.9	56.3	50.2
<b>New Orders</b>	64.2	63.6	60.6	62.8	61.7	49.7
<b>Production</b>	62.2	62.8	60.8	61.9	62.6	52.6
<b>Inventories</b>	47.0	50.5	52.5	50.0	49.1	43.0
<b>Employment</b>	56.9	56.5	53.2	55.5	55.0	51.9
<b>Supplier Deliveries</b>	54.7	53.2	54.7	54.2	53.3	53.7
<b>Order Backlog (NSA)</b>	51.5	54.0	51.5	52.3	49.7	48.5
<b>Prices Paid (NSA)</b>	53.5	52.5	55.5	53.8	53.5	55.5
<b>New Export Orders</b>	55.0	59.5	57.0	57.2	55.4	51.5

Source: National Association of Purchasing Management