

November ISM Manufacturing Index

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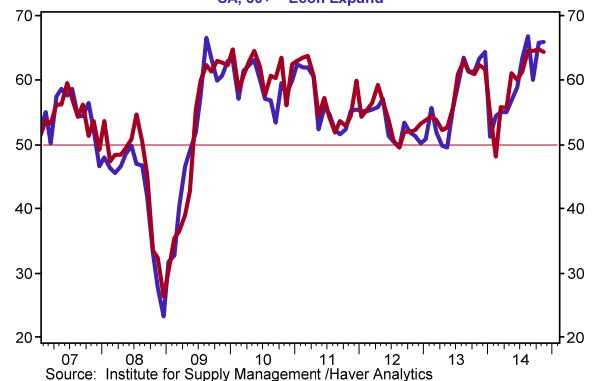
- The ISM manufacturing index declined to 58.7 in November from 59.0 in October, beating the consensus expected level of 58.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in November, but all remain above 50, signaling growth. The employment index fell to 54.9 from 55.5, while the production index dipped to 64.4 from 64.8. The supplier deliveries index rose to 56.8 from 56.2, and the new orders index increased slightly to 66.0 from 65.8 in October.
- The prices paid index fell to 44.5 in November from 53.5 in October.

Implications: The ISM manufacturing index, which measures factory sentiment around the country, declined slightly in November but came in much better than the consensus expected. The 58.7 reading in November showed growth for the 18th consecutive month and remains at a robust level, signaling that the manufacturing sector continues to improve at a healthy clip. The best piece of news this morning was the new orders index rose to 66.0, which points to continuing increases in manufacturing activity in the year ahead. And we are not worried about the decline in the employment index, which has had the strongest six month stretch in three years. According to the Institute for Supply Management, an overall index level of 58.7 is consistent with real GDP growth of 5.1% annually. However, the ISM report has tended to over-estimate real GDP growth in the past several years. Our models are now projecting a 2.5% real GDP growth rate for Q4. On the inflation front, the prices paid index fell to 44.5 in November from 53.5 in October, the first decline (level below 50) in the index since July of last year. This is most likely due to the massive drop in oil prices over the past couple of months. So although we think inflation will move higher in the next couple of years, it's going to be a long slow slog upward. Taken as a whole, this month's report shows the plow horse continues to move forward as we close out 2014.

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-14	Oct-14	Sep-14	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	58.7	59.0	56.6	58.1	57.6	57.0
<i>New Orders</i>	66.0	65.8	60.0	63.9	63.5	63.4
<i>Production</i>	64.4	64.8	64.6	64.6	63.3	62.4
<i>Inventories</i>	51.5	52.5	51.5	51.8	51.5	50.5
<i>Employment</i>	54.9	55.5	54.6	55.0	55.7	55.4
<i>Supplier Deliveries</i>	56.8	56.2	52.2	55.1	54.2	53.3
<i>Order Backlog (NSA)</i>	55.0	53.0	47.0	51.7	50.8	54.0
<i>Prices Paid (NSA)</i>	44.5	53.5	59.5	52.5	55.5	52.5
<i>New Export Orders</i>	55.0	51.5	53.5	53.3	53.8	59.5

Source: National Association of Purchasing Management