

January ISM Manufacturing Index

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- The ISM manufacturing index declined to 51.3 in January from 56.5 in December. The consensus expected 56.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly down in January although most also remain above 50. The new orders index declined to 51.2 from 64.4, while the employment index declined to 52.3 from 55.8. The supplier deliveries index rose to 54.3 in January from 53.7 in December. The inventories index declined to 44.0 from 47.0.
- The prices paid index rose to 60.5 in January from 53.5 in December.

Implications: Feel free to shovel this month’s ISM report to the side of your driveway and forget it. After a strong end to 2013, the ISM index, a measure of manufacturing sentiment around the country, dropped 5.2 points in January, the largest single month decline in over two years, and came in substantially below even the lowest forecast for the month. But don’t start believing this is a sign of a weak economy. Weather in January was unusually brutal, with the Polar Vortex pushing normally moderate southern US cities into single digit temperature ranges. We expect a sharp rebound in the months ahead. According to the Institute for Supply Management, an overall index level of 51.3 is consistent with real GDP growth of 2.7% annually. We expect real GDP to grow at a slightly faster pace of around 3.0% for 2014, above the 2.7% pace we saw in 2013. The new orders index declined dramatically in January, dropping 13.2 percentage points, the largest single monthly decline in over 30 years, but still remains in expansion territory. On the inflation front, the prices paid index rose to 60.5 in January from 53.5 in December. This is the third consecutive month of increases in the price index, and suggests inflation is picking up. In other news this morning, construction increased 0.1% in December, narrowly beating consensus expectations that it would be unchanged. Including revisions for October/November, construction declined 0.4%. The slight gain in construction in December itself was all due to home building, which offset losses in commercial construction and government projects. On net, the construction data suggest real GDP growth in Q4 will be revised to a still solid 3.1% annual rate from an original report last week of 3.2%.

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>	Jan-14	Dec-13	Nov-13	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	51.3	56.5	57.0	54.9	55.6	52.3
New Orders	51.2	64.4	63.4	59.7	60.9	50.8
Production	54.8	61.7	62.4	59.6	60.7	53.8
Inventories	44.0	47.0	50.5	47.2	48.6	51.0
Employment	52.3	55.8	55.4	54.5	54.6	53.8
Supplier Deliveries	54.3	53.7	53.3	53.8	53.4	51.9
Order Backlog (NSA)	48.0	51.5	54.0	51.2	50.2	47.5
Prices Paid (NSA)	60.5	53.5	52.5	55.5	55.4	56.5
New Export Orders	54.5	55.0	59.5	56.3	55.6	50.5

Source: National Association of Purchasing Management