

April ISM Manufacturing Index

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- The ISM manufacturing index increased to 54.9 in April from 53.7 in March, beating the consensus expected level of 54.3. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in April but all remain above 50, signaling growth. The employment index rose to 54.7 from 51.1 while the supplier deliveries index increased to 55.9 from 54.0. The production index declined slightly to 55.7 from 55.9. The new orders index was unchanged at 55.1.
- The prices paid index slipped to 56.5 in April from 59.0 in March.

Implications: Following temperatures, the ISM index, a measure of manufacturing sentiment around the country, continued to move higher in April. The index now shows manufacturing activity expanding at the fastest pace since the end of 2013, with seventeen of the eighteen manufacturing industries surveyed reporting growth in April. While not quite back to the levels we saw in mid-to-late 2013, the index has stood in expansion territory for eleven consecutive months, and we expect the index to continue to show strength as companies ramp up production and make up for time lost to bad weather. According to the Institute for Supply Management, an overall index level of 54.9 is consistent with real GDP growth of 3.9% annually. While yesterday's Q1 GDP report showed real growth at a tepid 0.1%, we expect to see a strong rebound in Q2. On the inflation front, the prices paid index fell to 56.5 in April from 59.0 in March. Still, little sign of inflation, but we don't expect this to last given loose monetary policy. The employment index jumped to 54.7 in April from 51.1 in March. Plugging today's data into our models, our forecast for tomorrow's employment report are solid gains of 231,000 and 232,000 for nonfarm and private payrolls, respectively. In other news this morning, construction increased 0.2% in March. The gain in March was primarily due to a rise in home building offsetting a decline in government construction of schools and colleges. However, revisions for January and February were negative. As a result, it now looks like real GDP shrank at a 0.1% annual rate in Q1 versus the official report yesterday that it grew at a 0.1% rate. Either way, Q1 is in the rear-view mirror and real GDP is set to accelerate sharply in Q2.

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>	Apr-14	Mar-14	Feb-14	3-month moving avg	6-month moving avg	Year-ago level
Business Barometer	54.9	53.7	53.2	53.9	54.4	50.0
<i>New Orders</i>	55.1	55.1	54.5	54.9	57.3	49.7
<i>Production</i>	55.7	55.9	48.2	53.3	56.5	52.1
<i>Inventories</i>	53.0	52.5	52.5	52.7	49.9	46.5
Employment	54.7	51.1	52.3	52.7	53.6	50.5
Supplier Deliveries	55.9	54.0	58.5	56.1	55.0	51.1
Order Backlog (NSA)	55.5	57.5	52.0	55.0	53.1	53.0
Prices Paid (NSA)	56.5	59.0	60.0	58.5	57.0	50.0
New Export Orders	57.0	55.5	53.5	55.3	55.8	54.0

Source: National Association of Purchasing Management