

# June ISM Manufacturing Index

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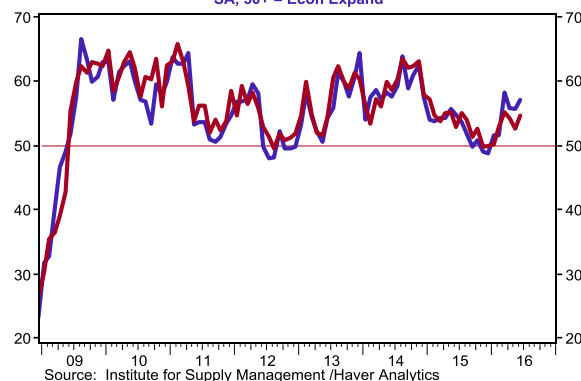
- The ISM manufacturing index rose to 53.2 in June, easily beating the consensus expected level of 51.3. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all higher in June, and all stand above 50. The production index rose to 54.7 from 52.6 in May, while the new orders index increased to 57.0 from 55.7. The supplier deliveries index moved higher to 55.4 from 54.1, and the employment index increased to 50.4 from 49.2 in May.
- The prices paid index declined to a still high 60.5 in June, from 63.5 in May.

**Implications:** It looks like the Fed will have its hands full when it meets later this month. While events in Europe may have the Fed spooked, U.S. economic data continues to signal a hike is warranted. The manufacturing sector expanded for a fourth consecutive month in June, with the ISM manufacturing index rising to the highest reading in more than a year. The two most forward looking measures, new orders and production, both showed accelerating growth in June, and both stand comfortably above 50, signaling expansion. And growth isn't limited to a few select industries; thirteen of eighteen industries reported growth in new orders, while only three reported declines. Production tells a similar tale, with twelve of eighteen industries reporting growth. Unfortunately, recent growth in manufacturing hasn't been reflected in rising employment in that sector. Manufacturing employment has declined by an average of 7,000 jobs per month in 2016, and we are forecasting that next Friday's jobs report will show a further slight contraction of 2,000. But manufacturing represents just a small portion of total employment and productivity is growing, meaning we can get more output even as the sector's employment levels contract. Meanwhile, we're estimating that overall non-farm payrolls should rebound from May's disappointing job number to show a gain of around 189,000 in June. On the inflation front, the prices paid index fell to 60.5 in June, showing prices continued to rise, but at a slower pace than in May. As a whole, today's report shows manufacturing activity moving in the right direction. It isn't booming, but it should continue to plow forward at a modest pace. In other news this morning, construction declined 0.8% in May itself, but grew 0.8% including revisions to prior months. The decline in May was primarily due to a drop in spending on educational and manufacturing facilities, offset in part by a rise in conservation and development projects. In recent employment news, new claims for unemployment benefits rose 10,000 last week to 268,000, marking 69 consecutive weeks below 300,000, the longest stretch in more than forty years. Continuing claims fell 20,000 to 2.12 million.

**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	Jun-16	May-16	Apr-16	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
<b>Business Barometer</b>	<b>53.2</b>	51.3	50.8	51.8	50.8	53.1
<b>New Orders</b>	<b>57.0</b>	55.7	55.8	56.2	55.0	54.9
<b>Production</b>	<b>54.7</b>	52.6	54.2	53.8	53.3	52.8
<b>Inventories</b>	<b>48.5</b>	45.0	45.5	46.3	45.8	53.0
<b>Employment</b>	<b>50.4</b>	49.2	49.2	49.6	48.6	55.3
<b>Supplier Deliveries</b>	<b>55.4</b>	54.1	49.1	52.9	51.4	49.6
<b>Order Backlog (NSA)</b>	<b>52.5</b>	47.0	50.5	50.0	48.8	47.0
<b>Prices Paid (NSA)</b>	<b>60.5</b>	63.5	59.0	61.0	51.1	49.5
<b>New Export Orders</b>	<b>53.5</b>	52.5	52.5	52.8	50.7	49.5

Source: National Association of Purchasing Management