

September ISM Manufacturing Index

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- The ISM Manufacturing Index rose to 60.8 in September, easily beating the consensus expected 58.1. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all higher in September, and all stand comfortably above 50, signaling growth. The supplier deliveries index surged to 64.4 from 57.1 in August, while the new orders index jumped to 64.6 from 60.3. The production index increased to 62.2 from 61.0, while the employment index moved higher to 60.3 from 59.9 in August.
- The prices paid index increased to 71.5 in September.

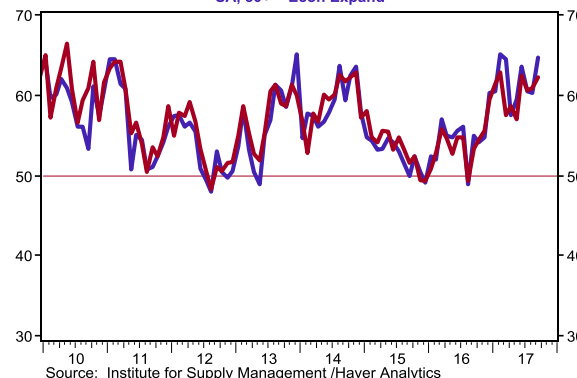
Implications: The ISM manufacturing index boomed in September, hitting the highest level since 2004 as the factory sector showed strength across all major measures. And growth continues to remain broad-based across industries, with seventeen of eighteen reporting growth, while just one (furniture & related products) reported decline. The two most forward looking indices - new orders and production – both continue to shine with readings above 60. While some boost in orders is attributable to Hurricanes Harvey and Irma, the primary impact of the storms can be seen in the pricing data. The price index surged to a reading of 71.5 in September, the highest in more than six years, as multiple survey respondents noted the hurricanes’ impact on the price of inputs. Supply chains have been disrupted as well, pushing the supplier deliveries index higher to 64.4 in September from 57.1. Some will downplay the strong data in September due to the storm effects, but we think that is a mistake. The manufacturing sector has been showing strength throughout 2017. With the third quarter now in the books, the ISM manufacturing survey has averaged the highest year-to-date level since 2010. And we expect growth to continue, with a further pickup in trend growth possible if Washington follows through on tax and regulatory reform. On the jobs front, the employment index increased to 60.3 in September from 59.9. However, storm impacts are likely to have significantly slowed job growth in September. Our forecast may change as we get ADP and initial claims data later this week, but we are currently forecasting non-farm job gains of 69,000 in September, compared to 156,000 added in August. This is a temporary dip in job growth due to the storms, and we should get a sharp rebound over the coming months as those displaced return to work and the workforce as a whole continues to expand. Construction data, also released this morning, showed spending rose 0.5% in August. A pickup in homebuilding and education facilities more than offset a decline in spending on manufacturing projects.

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>	Sep-17	Aug-17	Jul-17	3-month moving avg	6-month moving avg	Year-ago level
Business Barometer	60.8	58.8	56.3	58.6	57.2	51.7
New Orders	64.6	60.3	60.4	61.8	61.0	55.0
Production	62.2	61.0	60.6	61.3	60.3	53.3
Inventories	52.5	55.5	50.0	52.7	51.6	49.5
Employment	60.3	59.9	55.2	58.5	56.4	50.0
Supplier Deliveries	64.4	57.1	55.4	59.0	57.0	50.8
Order Backlog (NSA)	58.0	57.5	55.0	56.8	56.6	49.5
Prices Paid (NSA)	71.5	62.0	62.0	65.2	63.3	53.0
New Export Orders	57.0	55.5	57.5	56.7	57.8	52.0

Source: National Association of Purchasing Management