

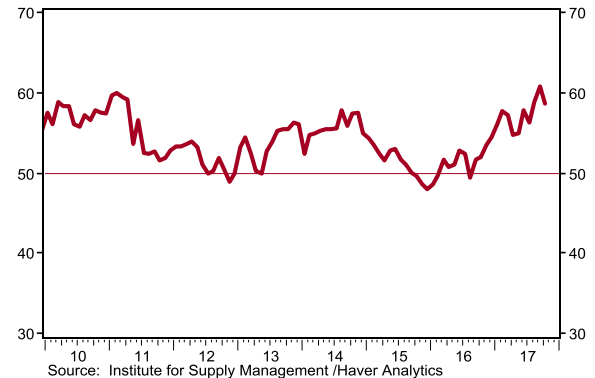
October ISM Manufacturing Index

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- The ISM Manufacturing Index declined to 58.7 in October, coming in below the consensus expected 59.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all lower in October, but all remain comfortably above 50, signaling growth. The supplier deliveries index declined to 61.4 from 64.4 in September, while the new orders index fell to 63.4 from 64.6. The production index moved lower to 61.0 from 62.2, while the employment index declined to 59.8 from 60.3 in September.
- The prices paid index declined to 68.5 in October.

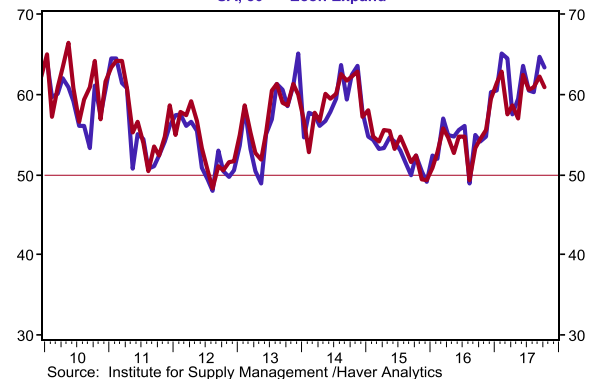
Implications: The pace of manufacturing growth slowed in October, but continues to show healthy expansion. Some of the slowing in pace from September to October can be attributed to post-hurricane ordering that boosted activity in September and returned to more “normal” levels in October. In other words, focus less on the change in pace from September and more on the overall levels for the index, which continue to show strength. Sixteen of eighteen manufacturing industries reported growth in October, while no industries reported declines (two industries reported no change from September). Meanwhile, the two most forward-looking indices - new orders and production – both continue to shine with readings above 60. This suggests a continuation of the strength shown by the manufacturing sector throughout 2017. 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 declined to 59.8 in October from 60.3 in September. This slower pace of employment growth contrasts with data released this morning from ADP, which shows 235,000 jobs added in October, up from 110,000 in September. Our forecast may change as we get initial claims data tomorrow morning, but we are currently forecasting non-farm job gains of 320,000 in October, compared to the 33,000 job decline reported for September. This is a short-term boost following the hurricane-related decline in September, and should start to even out in the months ahead with job creation remaining robust. In other news this morning, construction spending rose 0.3% in September (+0.1% including revisions to prior months). A pickup in spending on education facilities and transportation more than offset a decline in spending on manufacturing projects. On the housing front, the national Case-Shiller price index increased 0.5% in August and is up 6.1% from a year ago, an acceleration from the 5.1% gain in the year ending in August 2016. The increase in the last year has been led by Seattle, but with all 20 major metropolitan regions up in the past twelve months.

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>	Oct-17	Sep-17	Aug-17	3-month moving avg	6-month moving avg	Year-ago level
Business Barometer	58.7	60.8	58.8	59.4	57.9	52.0
New Orders	63.4	64.6	60.3	62.8	62.0	54.1
Production	61.0	62.2	61.0	61.4	60.7	54.4
Inventories	48.0	52.5	55.5	52.0	51.1	47.5
Employment	59.8	60.3	59.9	60.0	57.7	51.8
Supplier Deliveries	61.4	64.4	57.1	61.0	58.1	52.2
Order Backlog (NSA)	55.0	58.0	57.5	56.8	56.3	45.5
Prices Paid (NSA)	68.5	71.5	62.0	67.3	63.3	54.5
New Export Orders	56.5	57.0	55.5	56.3	57.3	52.5

Source: National Association of Purchasing Management