

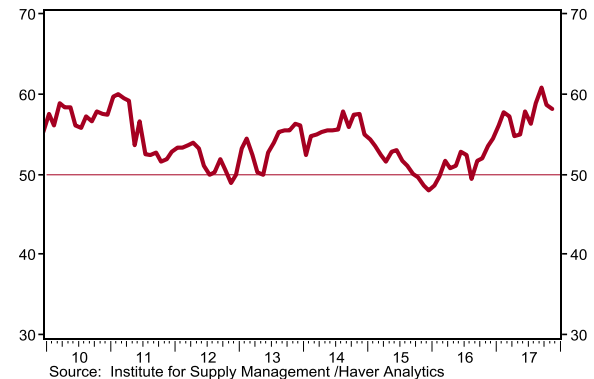
November ISM Manufacturing Index

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- The ISM Manufacturing Index declined to 58.2 in November, coming in slightly below the consensus expected 58.3. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in November, but all remain comfortably above 50, signaling growth. The supplier deliveries index fell to 56.5 from 61.4 in October, while the employment index declined to 59.7 from 59.8. The production index rose to 63.9 from 61.0, while the new orders index moved higher to 64.0 from 63.4 in October.
- The prices paid index declined to 65.5 in November.

Implications: Manufacturing activity continues to hum along as we head into the final month of 2017. And barring a sharp decline in December, the ISM manufacturing index will average the highest for a calendar year going all the way back to 2004. In November, the ISM manufacturing index showed a slight decline from October, but the underlying mix of growth was positive and strength remains broad-based, with fourteen of eighteen industries reporting growth in November (two reported declines). The supplier deliveries index was the primary driver of the modest slowdown in the pace of growth in November (remember, readings above 50 signal expansion, so a decline above 50 represents continued growth, but at a slower pace), but that is a function of boosted readings in September and October as manufacturers worked to fill hurricane related backlogs. The best news in today’s report is that the two most forward-looking indices - new orders and production – both rose and continue to shine with readings above 60. This suggests that the strength shown by the manufacturing sector throughout 2017 should carry over into 2018. If Washington follows through on tax and regulatory reform, the pace of growth could pick up even further. On the jobs front, the employment index declined to 59.7 in November from 59.8 in October. While our final forecast may change with ADP and initial claims data next week, we are currently forecast solid jobs growth of 207,000 for November. In other news this morning, construction spending rose 1.4% in October (+1.8% including revisions to prior months). A jump in spending on education facilities and offices more than offset a decline in spending on commercial projects. These figures support the case that the Plow Horse economy is now on a steady trot.

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	Nov-17	Oct-17	Sep-17	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	58.2	58.7	60.8	59.2	58.4	53.5
New Orders	64.0	63.4	64.6	64.0	62.7	54.8
Production	63.9	61.0	62.2	62.4	61.9	55.6
Inventories	47.0	48.0	52.5	49.2	50.3	49.0
Employment	59.7	59.8	60.3	59.9	58.7	52.5
Supplier Deliveries	56.5	61.4	64.4	60.8	58.6	55.5
Order Backlog (NSA)	55.0	55.0	58.0	56.0	56.3	49.0
Prices Paid (NSA)	65.5	68.5	71.5	68.5	64.1	54.5
New Export Orders	56.0	56.5	57.0	56.5	57.0	52.0

Source: National Association of Purchasing Management