

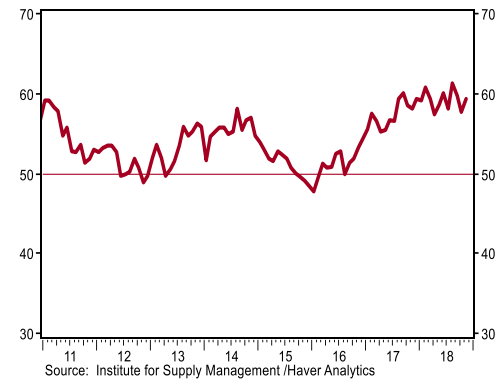
November ISM Manufacturing Index

Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist
 Strider Elass – Senior Economist

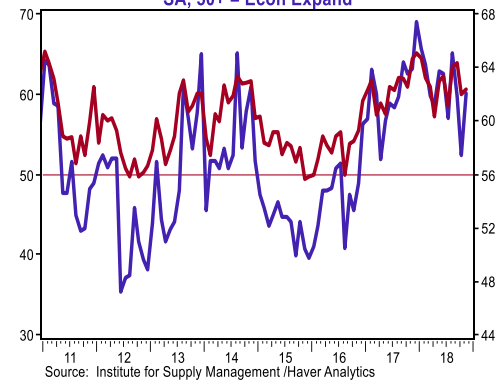
- The ISM Manufacturing Index rose to 59.3 in November, easily beating the consensus expected 57.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in November, and all stand comfortably above 50, signaling growth. The new orders index jumped to 62.1 from 57.4 in October, while the employment index rose to 58.4 from 56.8. The production index increased to 60.6 from 59.9. The supplier deliveries index declined to 62.5 from 63.8 in October.
- The prices paid index fell to 60.7 in November from 71.6 in October.

Implications: The ISM manufacturing activity index has been volatile in recent months, but one constant has remained: growth. In fact, if the December reading stays in line with November, this year (2018) will average the highest reading for the index since 1983! Digging into the details shows thirteen of eighteen industries reported expansion in November, while three reported contraction. And the mix of growth in November was positive, with the two most forward-looking indices – new orders and production – both rising. The new orders index, which dipped below a reading of 60 in October for the first time in seventeen months (the longest stretch above 60 going all the way back the early 1970s) jumped to 62.1 in November. Production also returned to a reading above 60 in November, despite continued labor shortages and respondents noting pressure from tariffs. In other words, the growth in manufacturing is real, and robust enough to grow at the fastest pace in more than thirty years. On the jobs front, the employment index rose to 58.4 from 56.8 in October. Looking towards this Friday’s employment report, we are expecting that private payrolls grew by about 200,000 in November. That would be a slowdown from October’s hurricane-bounce-back pace of nearly 250,000 but stands in-line with the robust jobs growth we have seen over the past year. A look at delivery times – as reflected in the supplier deliveries index – shows those, too, continue to rise. Some may view it as a negative, but the stresses in the manufacturing sector are coming from too much demand, not too little. In short, these are good problems to have, and point to more investment, hiring, and production in the months ahead. On the inflation front, it looks like rapidly falling energy prices led the ISM price index lower in November, although the index remains above 50, signaling continued inflation. This should maintain pressure on the Fed to stick to its course of gradually raising short-term interest rates. Reason for concern? Hardly. For more on how the Fed is (or isn’t) impacting the markets, check out [today’s Monday Morning Outlook](#). In other news this morning, construction spending declined 0.1% in October (-1.5% including revisions to prior months). The decline in October was led by home building and power plants, which were partially offset by a pickup in office construction. Construction spending is up 4.9% in the past year, a clear acceleration from the pace in the year ending October 2017. Finally, our thoughts and prayers are with the family of former President George H.W. Bush as they mourn his passing. We will be observing the National Day of Mourning on Wednesday to honor the former President and his service to our country, and as such will resume reporting with the International Trade and ISM Non-Manufacturing reports on Thursday.

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-18	Oct-18	Sep-18	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	59.3	57.7	59.8	58.9	59.4	58.2
New Orders	62.1	57.4	61.8	60.4	61.7	63.9
Production	60.6	59.9	63.9	61.5	61.4	64.3
Inventories	52.9	50.7	53.3	52.3	52.7	47.1
Employment	58.4	56.8	58.8	58.0	57.5	59.2
Supplier Deliveries	62.5	63.8	61.1	62.5	63.7	56.6
Order Backlog (NSA)	56.4	55.8	55.7	56.0	56.7	54.3
Prices Paid (NSA)	60.7	71.6	66.9	66.4	70.2	64.8
New Export Orders	52.2	52.2	56.0	53.5	54.5	56.3

Source: National Association of Purchasing Management