

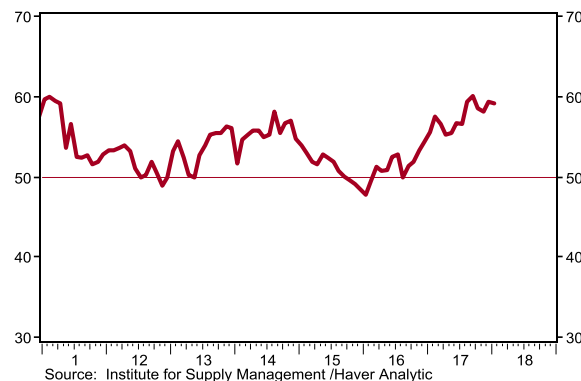
January ISM Manufacturing Index

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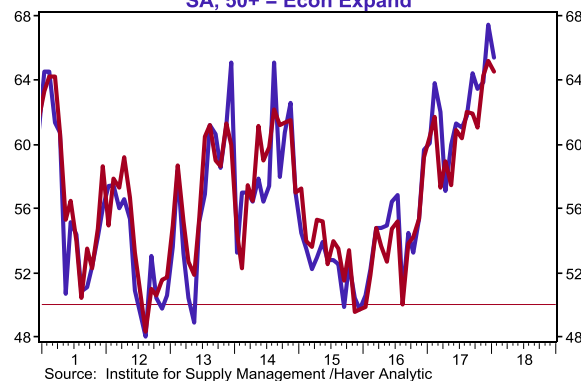
- The ISM Manufacturing Index declined to 59.1 in January, coming in above the consensus expected 58.6. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly lower in January, but all remain comfortably above 50, signaling growth. The employment index fell to 54.2 from 58.1 in December, while the new orders index declined to 65.4 from 67.4. The production index moved lower to 64.5 from 65.2. The supplier deliveries index increased to 59.1 from 57.2 in December.
- The prices paid index rose to 72.7 in January.

Implications: Manufacturers welcomed in the new year with a hum of activity, as the ISM manufacturing index hit the highest January reading in seven years. The headline reading for the index dipped slightly in January, but remains at a very healthy reading of 59.1. Remember, readings above 50 signal expansion, so the reading in January signals continued growth, but at a slightly slower pace than December. And the underlying mix of growth remains positive with strength broad-based. Fourteen of eighteen industries reported growth in January (four reported declines). Meanwhile the two most forward-looking indices - new orders and production –continue to shine with readings in the mid-60’s, well above the five-year average of 57.0 for both indices. The employment index showed the largest decline in January, dropping to 54.2 from 58.1 in December. That said, other indicators on the strength of the labor market suggest that employment growth picked up pace in January, and we are currently forecasting that tomorrow’s employment report will show a nonfarm employment gain of 180,000, up from December’s reading of 148,000. Prices, meanwhile, surged in January to a reading of 72.7, the highest reading since mid-2011. A total of twenty-nine commodities were reported up in price, while no commodities showed declining costs. This serves as yet another sign that inflation is picking up pace as economic growth accelerates. In sum, the strength shown by the manufacturing sector throughout 2017 looks like it is carrying over into 2018. In other news this morning, construction spending rose 0.7% in December (-0.3% including revisions to prior months). A continued rise in spending on housing and offices more than offset modest declines in spending on projects for power and sewage & waste disposal.

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	Jan-18	Dec-17	Nov-17	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	59.1	59.3	58.2	58.9	59.1	55.6
New Orders	65.4	67.4	63.9	65.6	64.4	60.1
Production	64.5	65.2	64.3	64.7	63.2	60.5
Inventories	52.3	48.5	47.1	49.3	50.7	48.5
Employment	54.2	58.1	59.2	57.2	58.3	54.8
Supplier Deliveries	59.1	57.2	56.6	57.6	59.0	53.5
Order Backlog (NSA)	56.2	54.9	54.3	55.1	55.8	49.5
Prices Paid (NSA)	72.7	68.3	64.8	68.6	67.9	69.0
New Export Orders	59.8	57.6	56.3	57.9	56.9	54.5

Source: National Association of Purchasing Management