

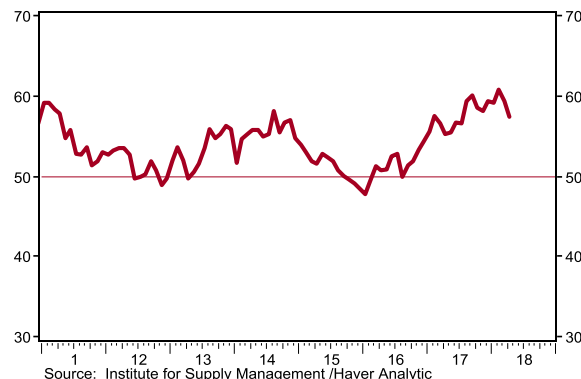
April ISM Manufacturing Index

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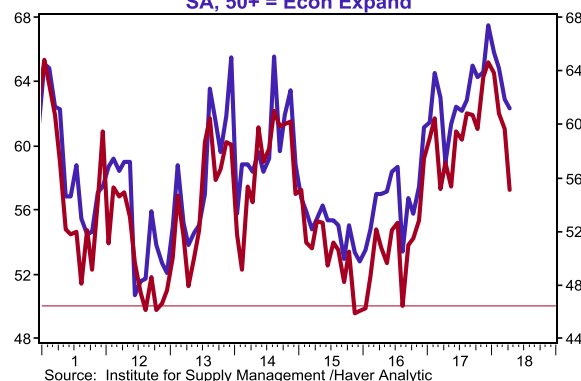
- The ISM Manufacturing Index declined to 57.3 in April, lagging the consensus expected 58.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly lower in April, but all remain comfortably above 50, signaling growth. The production index fell to 57.2 from 61.0 in March, while the employment index declined to 54.2 from 57.3. The new orders index moved lower to 61.2 from 61.9. The supplier deliveries index rose to 61.1 from 60.6 in March.
- The prices paid index rose to 79.3 in April.

Implications: Manufacturing activity continued to hum along in April, though at a slightly slower pace than in March. Most importantly, growth remains broad-based, with seventeen of eighteen industries reporting growth in April (no industries reported contraction), while the two most forward-looking indices - new orders and production – both remain at very healthy levels (remember, levels above 50 signal expansion, so these lower readings represent continued growth, just at a slower pace than in recent months). In other words, the signs continue to point towards robust manufacturing activity in the months ahead. The employment index declined to 54.2 from 57.3 in March, but other data on employment suggests April saw a pickup in the pace of hiring. While our forecasts may change with ADP and initial claims data out later this week, we are currently forecasting employment growth of around 184,000 non-farm jobs in April. Prices, meanwhile, rose once again in April to a reading of 79.3, the highest since 2011. A total of thirteen commodities were reported up in price, while one – soybean oil - showed declining costs. Yet another sign ([see yesterdays reported on the PCE price index](#)) that inflation is picking up pace as economic growth accelerates, and a signal to the Fed that a total of four rate hikes in 2018 are not just appropriate, but warranted. Look for a change in wording in tomorrow’s Fed statement to signal that the Fed sees inflation accelerating above the target of 2%, while unemployment already stands below their estimate of the long-run average. In sum, the manufacturing sector continues to show strength, even if the pace of growth slowed modestly in April. In other news this morning, construction spending declined 1.7% in March (but was up 0.9% including upward revisions to prior months). For March itself, a slowdown in home building and commercial facilities more than offset a pickup in spending on highways and streets.

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>	Apr-18	Mar-18	Feb-18	3-month moving avg	6-month moving avg	Year-ago level
Business Barometer	57.3	59.3	60.8	59.1	59.0	55.3
<i>New Orders</i>	61.2	61.9	64.2	62.4	64.0	57.1
<i>Production</i>	57.2	61.0	62.0	60.1	62.4	58.9
<i>Inventories</i>	52.9	55.5	56.7	55.0	52.2	51.6
<i>Employment</i>	54.2	57.3	59.7	57.1	57.1	53.0
<i>Supplier Deliveries</i>	61.1	60.6	61.1	60.9	59.3	55.9
<i>Order Backlog (NSA)</i>	62.0	59.8	59.8	60.5	57.8	56.9
<i>Prices Paid (NSA)</i>	79.3	78.1	74.2	77.2	72.9	68.3
<i>New Export Orders</i>	57.7	58.7	62.8	59.7	58.8	58.9

Source: National Association of Purchasing Management