

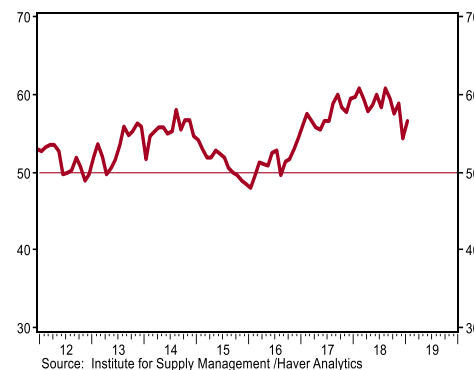
# January ISM Manufacturing Index

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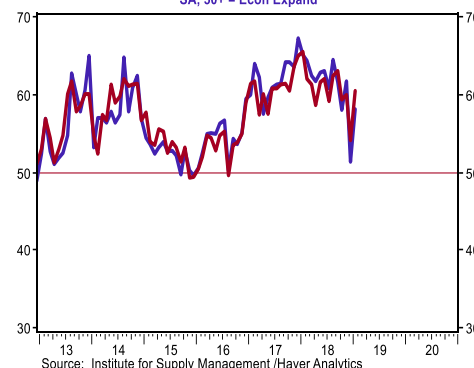
- The ISM Manufacturing Index rose to 56.6 in January, easily beating the consensus expected 54.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in January, but all stand above 50, signaling growth. The new orders index surged to 58.2 from 51.3 in December, while the production index jumped to 60.5 from 54.1. The supplier deliveries index declined to 56.2 from 59.0 and the employment index fell to 55.5 from 56.0 in December.
- The prices paid index declined to 49.6 in January from 54.9 in December.

**Implications:** The manufacturing sector surprised to the upside in January and the details of the report paint a positive picture for the months ahead. Fourteen of eighteen industries reported growth in January, while just one (nonmetallic mineral products - think producers of concrete and glass products) reported contraction. The best news in today's report came from the two most forward-looking indices – new orders and production – which posted large gains. The new orders index jumped 6.9 points to 58.2, the largest monthly increase since 2014, and returning the index back towards the readings in the 60s we saw through much of 2018. The production index rose 6.1 points to 60.5, the largest monthly increase since 2010. Survey respondents painted a mixed picture, with some industries reporting that the start to 2019 is a pickup in pace compared to the start of last year, while others pointed towards rising oil prices, trade tariffs, and the government shutdown as current headwinds. But with the shutdown resolved (at least for now) and continued progress on trade, we expect those headwinds to ease, pushing manufacturing activity back towards the strong trend pace we have seen over the past two years. On the jobs front, the employment index fell slightly to 55.5 from 56.0 in December. At first glance, that appears to contrast with the booming 304,000 jobs gained in January according to [this morning's employment report](#). However, employment growth in the manufacturing sector did temper some in January, with 13,000 jobs added versus 20,000 in December. Regardless, this is certainly not a slowdown to be worrying about. A look at delivery times – as reflected in the supplier deliveries index – shows those, too, grew at a slower pace in January, though they remain elevated. Probably the biggest surprise in today's report was the prices paid index falling to 49.6 in January, the first time that index has dipped below 50 since early 2016. But the dip – in fact much of the recent volatility in prices – has been led by steel prices, which have seen a larger impact due to tariffs than most other categories. This volatility in prices could remain in the short-term until trade issues are resolved but doesn't pose a concern for the strength in manufacturing that looks set to continue in 2019. In other news this morning, we finally got the delayed construction spending for November, which showed a 0.8% rise (-0.7% including revisions to prior months). The increase in spending in November was led by home building which more than offset a decline in commercial office projects. Construction spending is up 3.4% in the past year, an acceleration from the 1.8% increase in the year ending November 2017.

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-19	Dec-18	Nov-18	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
<b>Business Barometer</b>	<b>56.6</b>	54.3	58.8	56.6	57.9	59.6
<b>New Orders</b>	<b>58.2</b>	51.3	61.8	57.1	59.2	65.2
<b>Production</b>	<b>60.5</b>	54.1	59.9	58.2	59.9	65.5
<b>Inventories</b>	<b>52.8</b>	51.2	52.9	52.3	52.7	52.3
<b>Employment</b>	<b>55.5</b>	56.0	57.7	56.4	57.0	55.2
<b>Supplier Deliveries</b>	<b>56.2</b>	59.0	61.5	58.9	60.9	59.8
<b>Order Backlog (NSA)</b>	<b>50.3</b>	50.0	56.4	52.2	54.3	56.2
<b>Prices Paid (NSA)</b>	<b>49.6</b>	54.9	60.7	55.1	62.6	72.7
<b>New Export Orders</b>	<b>51.8</b>	52.8	52.2	52.3	53.4	59.8

Source: National Association of Purchasing Management