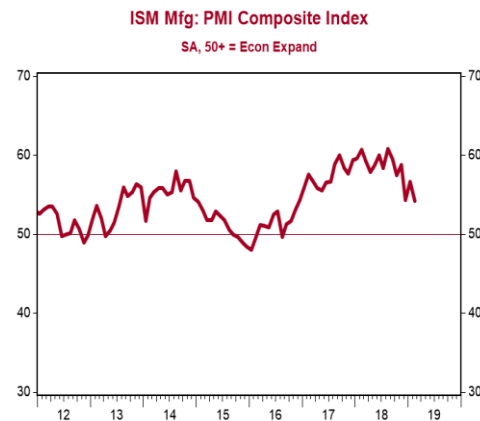


February ISM Manufacturing Index

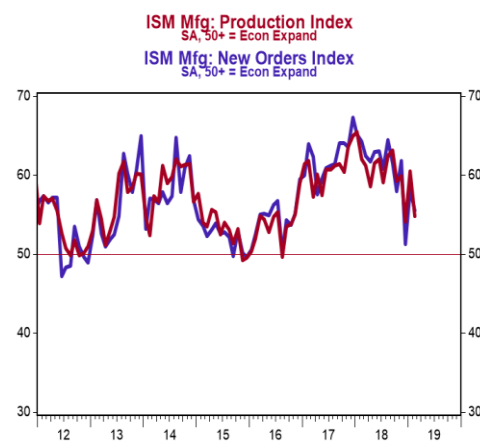
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- The ISM Manufacturing Index declined to 54.2 in February, below the consensus expected 55.8. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all lower in February, but all stand above 50, signaling growth. The production index fell to 54.8 from 60.5 in January, while the new orders index declined to 55.5 from 58.2. The employment index moved lower to 52.3 from 55.5 and the supplier deliveries index declined to 54.9 from 56.2 in January.
- The prices paid index declined to 49.4 in February from 49.6 in January.

Implications: The manufacturing sector continued to grow in February, though at a slightly slower pace. Despite the modest slowdown in the pace of expansion, the detail of today’s report paint a positive picture for the months ahead. Sixteen of eighteen industries reported growth in February, while just one (nonmetallic mineral products - think producers of concrete and glass products) reported contraction. Meanwhile survey respondents highlighted a “strong domestic market” and “strong start to the year.” Tariff uncertainty remains a concern while weather – a temporary factor – dampened activity during the month. The two most forward-looking indices – new orders and production – declined off of strong January gains (the production index showed the largest monthly increase in eight years in January while orders rose the most in five years), but remain comfortably in expansion territory. On the jobs front, the employment index fell to 52.3 from 55.5 in January. Based on other data on the employment market, we are forecasting that the February employment report will show manufacturing job growth of around 10,000 (compared to 13,000 jobs added in January). If this hold true, that would put manufacturing employment growth at a healthy 240,000 jobs in the past year. A look at delivery times – as reflected in the supplier deliveries index – shows those, too, grew at a slower pace in February, bringing the index back in line with the 5-year average following elevated levels through much of 2018. Probably the biggest surprise in today’s report was the prices paid index falling to 49.4 in February, indicating declining prices for raw materials prices for a second consecutive month. 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. These price fluctuations could persist in the short-term until trade issues are resolved, but don’t pose a concern for the strength in manufacturing that looks set to continue in 2019. Despite volatility, the trend in the manufacturing sector remains strong and shows no sign of a “looming recession.”



Source: Institute for Supply Management/Haver Analytics



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Institute for Supply Management Index	Feb-19	Jan-19	Dec-18	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	54.2	56.6	54.3	55.0	56.8	60.7
New Orders	55.5	58.2	51.3	55.0	57.7	64.3
Production	54.8	60.5	54.1	56.5	58.6	62.0
Inventories	53.4	52.8	51.2	52.5	52.4	56.7
Employment	52.3	55.5	56.0	54.6	56.0	59.2
Supplier Deliveries	54.9	56.2	59.0	56.7	59.4	61.1
Order Backlog (NSA)	52.3	50.3	50.0	50.9	53.4	59.8
Prices Paid (NSA)	49.4	49.6	54.9	51.3	58.9	74.2
New Export Orders	52.8	51.8	52.8	52.5	53.0	62.8

Source: National Association of Purchasing Management