

April ISM Manufacturing Index

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- The ISM Manufacturing Index declined to 52.8 in April, below the consensus expected 55.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly lower in April, but all stand above 50, signaling growth. The new orders index fell to 51.7 from 57.4 in March, while the employment index declined to 52.4 from 57.5. The production index moved lower to 52.3 from 55.8. The supplier deliveries index rose to 54.6 from 54.2 in March.
- The prices paid index declined to 50.0 in April from 54.3 in March.

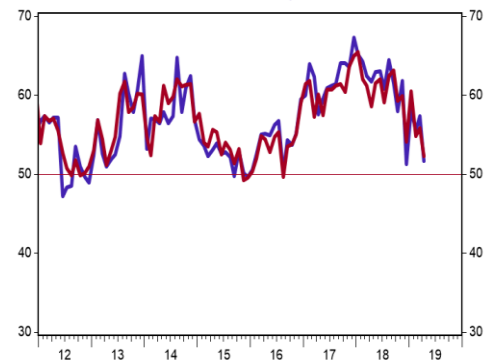
Implications: Growth slowed in the manufacturing sector in April, but it did continue to grow. Thirteen of eighteen industries reported growth in April, while survey respondents highlighted issues related to slowdowns at the Mexico border impacting supply chains. This, we believe, is a short-term headwind that will ease in the months ahead. A look at the details of today’s report shows that, while growth in new orders slowed in April, expansion remains broad-based, with fourteen industries reporting rising orders. Production, too, saw a slower pace of growth, but expansion was reported in thirteen industries. Sure, we would prefer to see a rising pace of growth in these two categories, but the April slowdown isn’t cause to sound alarm bells. The supplier deliveries index ticked modestly higher in April, signaling slower delivery times than in prior months. As noted above, this was in-part due to supply chain issues at the southern border. Add in material shortages, and both order backlogs and delivery delays are likely to persist in the coming months. On the labor front, the employment index fell to 52.4 from 57.5 in March. Companies reported difficulty in sourcing qualified labor as well as retaining existing employees. However, based on today’s reading, along with other data on the employment market, we are currently forecasting manufacturing job growth of around 10,000 in April (compared to the 6,000 job decline reported in March). If this holds true, that would put manufacturing employment growth at a healthy 197,000 jobs in the past year. Finally, on the inflation front, the prices paid index declined to 50.0 in April, meaning that prices were virtually unchanged from March levels. The putting pundits will certainly cling to today’s report as a sign of the economic weakness they have been forecasting for months (and for many, years). From our reading - pairing today’s data with other readings on the economy - there is no sign of a “looming recession.” We expect the manufacturing sector (and the economy) to continue higher in the months ahead. In other news this morning, construction spending fell 0.9% in March (-2.9% including revisions to prior months). The decline in construction spending was led by a slowdown in homebuilding and a drop in spending on commercial properties. On the jobs front, the ADP employment report out this morning showed private payroll gains of 275,000 in April, coming in well above the consensus expected 180,000. While our forecast may change with claims data out tomorrow, we currently expect Friday’s jobs report will show non-farm payroll gains of around 195,000. In housing news, the national Case-Shiller index rose 0.3% in February and is up 4.0% from a year ago, a slowdown from the 6.5% gain in the year ending in February 2018. In the past twelve months, the metro area with the fastest price gain is Las Vegas, in the low-tax state of Nevada. Meanwhile, the five metro areas with the slowest price gains are all in high-tax locations: San Diego, San Francisco, Los Angeles, Chicago, and New York. We expect more of these trends in the year ahead: national average home price gains that are slower than the prior year, and, due to tax reform, a shift away from high tax states toward those with lower taxes. Finally, pending home sales, which are contracts on existing homes, rose 3.8% in March after a 1.0% decline in February. These reports suggest April existing home sales, which are counted at closing, will rise modestly.

ISM Mfg: PMI Composite Index
 SA, 50+ = Econ Expand



Source: Institute for Supply Management/Haver Analytics

ISM Mfg: Production Index
 SA, 50+ = Econ Expand
 ISM Mfg: New Orders Index
 SA, 50+ = Econ Expand



Source: Institute for Supply Management/Haver Analytics

Institute for Supply Management Index	Apr-19	Mar-19	Feb-19	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	52.8	55.3	54.2	54.1	55.3	57.9
<i>New Orders</i>	51.7	57.4	55.5	54.9	56.0	61.7
<i>Production</i>	52.3	55.8	54.8	54.3	56.2	58.6
<i>Inventories</i>	52.9	51.8	53.4	52.7	52.5	52.9
Employment	52.4	57.5	52.3	54.1	55.2	55.2
<i>Supplier Deliveries</i>	54.6	54.2	54.9	54.6	56.7	61.1
<i>Order Backlog (NSA)</i>	53.9	50.4	52.3	52.2	52.2	62.0
<i>Prices Paid (NSA)</i>	50.0	54.3	49.4	51.2	53.2	79.3
<i>New Export Orders</i>	49.5	51.7	52.8	51.3	51.8	57.7

Source: National Association of Purchasing Management