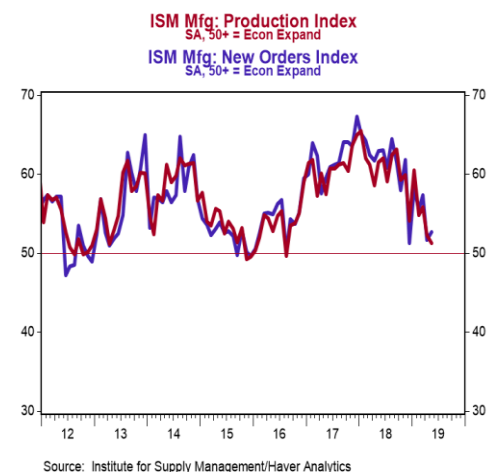
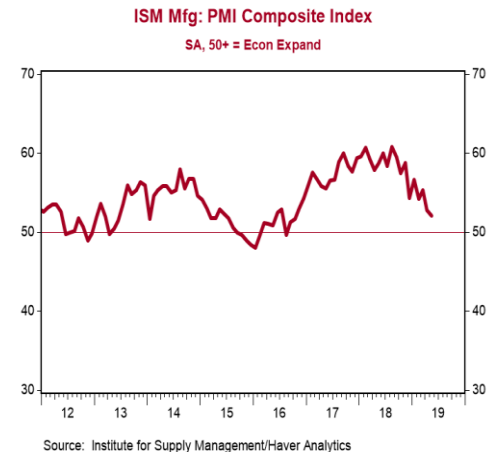


May ISM Manufacturing Index

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- The ISM Manufacturing Index declined to 52.1 in May, below the consensus expected 53.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in May, but all stand above 50, signaling growth. The supplier deliveries index fell to 52.0 from 54.6 in April, while the production index declined to 51.3 from 52.3. The new orders index rose to 52.7 from 51.7 and the employment index increased to 53.7 from 52.4 in April.
- The prices paid index rose to 53.2 in May from 50.0 in April.

Implications: Today’s ISM report, if taken at face value, shows that growth continues in the manufacturing sector, although at a slower rate. Eleven of eighteen industries reported growth in May, while trade disputes with China and a tight labor market peppered comments from survey respondents. Given the prominence of the trade dispute with China in recent weeks, we think negative sentiment helped push down the ISM reading, that being said, manufacturing has definitely slowed from the faster pace of growth seen 2018. A look at the details of today’s report shows that, while growth in production slowed in May, the pace of new orders rose, a positive signal for the months ahead. Sure, we would prefer to see a rising pace of growth in both two categories, but the May slowdown isn’t cause to sound alarm bells. And remember, the ISM manufacturing index has now shown expansionary readings for 33 consecutive months – that’s nearly three straight years of constant growth. There will be ebbs and flows along the way, that is perfectly normal. What matters most is that the economic fundamentals remain in place for growth into the future. On the labor front, the employment index rose to 53.7 from 52.4 in April. And growth would be faster, but companies continue to report difficulty in sourcing qualified labor as well as retaining existing employees. Adding today’s reading to the myriad of other data on the employment market, we are currently forecasting manufacturing job growth of around 4,000 in May (which would match the gain reported in April). If this forecast holds true, that would put manufacturing employment growth at a healthy 187,000 jobs in the past year. Finally, on the inflation front, the prices paid index rose to 53.2 in May, led by electronic components and dairy products. The pointing pundits will almost 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 was flat in April, but up 1.2% including revisions to prior months. A rise in government work on highways and streets was offset by declines in private projects for manufacturing and commercial buildings.



Institute for Supply Management Index	May-19	Apr-19	Mar-19	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	52.1	52.8	55.3	53.4	54.2	58.7
New Orders	52.7	51.7	57.4	53.9	54.5	62.9
Production	51.3	52.3	55.8	53.1	54.8	61.5
Inventories	50.9	52.9	51.8	51.9	52.2	50.2
Employment	53.7	52.4	57.5	54.5	54.6	56.7
Supplier Deliveries	52.0	54.6	54.2	53.6	55.2	62.1
Order Backlog (NSA)	47.2	53.9	50.4	50.5	50.7	63.5
Prices Paid (NSA)	53.2	50.0	54.3	52.5	51.9	79.5
New Export Orders	51.0	49.5	51.7	50.7	51.6	55.6

Source: National Association of Purchasing Management