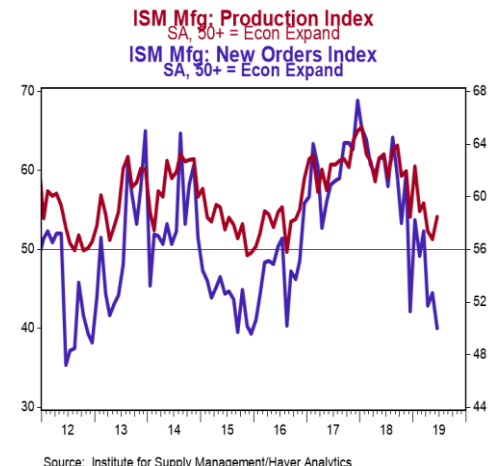
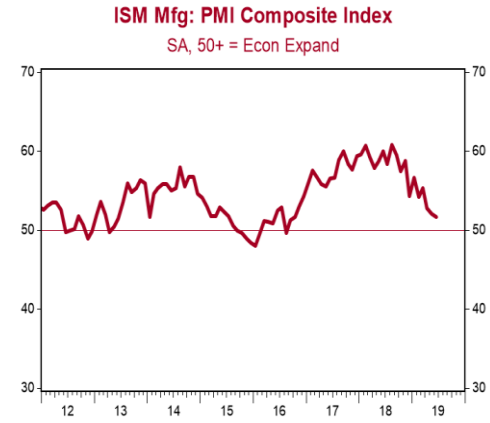


June ISM Manufacturing Index

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- The ISM Manufacturing Index declined to 51.7 in June, beating the consensus expected 51.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in June, but all stand at or above 50. The new orders index fell to 50.0 from 52.7 in May, while the supplier deliveries index declined to 50.7 from 52.0. The production index rose to 54.1 from 51.3 and the employment index increased to 54.5 from 53.7 in May.
- The prices paid index declined to 47.9 in June from 53.2 in May.

Implications: A mixed bag from today’s ISM report, as growth continues in the manufacturing sector, although at a slower rate. Twelve of eighteen industries reported growth in June, while trade disputes with China and Mexico 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 (remember, the ISM indices are surveys, and apt to reflect fears as well as facts.) That being said, manufacturing has slowed from the faster pace of growth seen 2018. A look at the details of today’s report shows that, while production picked up pace in June, new orders were flat. As a result, order backlog levels continue to ease. Sure, we would prefer to see a rising pace of growth in both orders and production, but the June slowdown isn’t cause to sound alarm bells. The ISM manufacturing index has now shown expansionary readings for 34 consecutive months – that’s nearly three straight years of constant growth. There will be ebbs and flows along the way, that’s 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 54.5 from 53.7 in May, as companies work to replace retiring staff and look to bring in additional summer help. This hiring activity represents confidence from businesses in the outlook for the months to come. Despite the increase in the employment index, other data on the employment market suggests manufacturing jobs declined by around 2,000 in June. If that forecast holds true, that would still leave manufacturing employment growth at a healthy 150,000 jobs in the past year. Finally, on the inflation front, the prices paid index fell to 47.9 in June, led lower by metals (namely copper, steel, and aluminum) and natural gas. With [the dovish tone of the last Fed meeting](#), the pouting pundits take any sign of weakness – actual or apparent – as a signal to rally their cause. 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 overall) to continue higher in the months ahead. In other news this morning, construction spending declined 0.8% in May (-0.4% including revisions to prior months). A slowdown in government work on highways and streets, paired with a decline in homebuilding, was partially offset by a pickup in transportation projects from both the private and public sectors.



Institute for Supply Management Index	Jun-19	May-19	Apr-19	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	51.7	52.1	52.8	52.2	53.8	60.0
New Orders	50.0	52.7	51.7	51.5	54.3	63.0
Production	54.1	51.3	52.3	52.6	54.8	62.0
Inventories	49.1	50.9	52.9	51.0	51.8	50.8
Employment	54.5	53.7	52.4	53.5	54.3	56.4
Supplier Deliveries	50.7	52.0	54.6	52.4	53.8	67.6
Order Backlog (NSA)	47.4	47.2	53.9	49.5	50.3	60.1
Prices Paid (NSA)	47.9	53.2	50.0	50.4	50.7	76.8
New Export Orders	50.5	51.0	49.5	50.3	51.2	56.3

Source: National Association of Purchasing Management

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