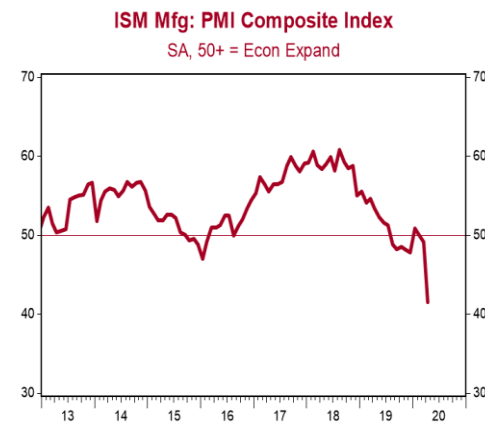


April ISM Manufacturing Index

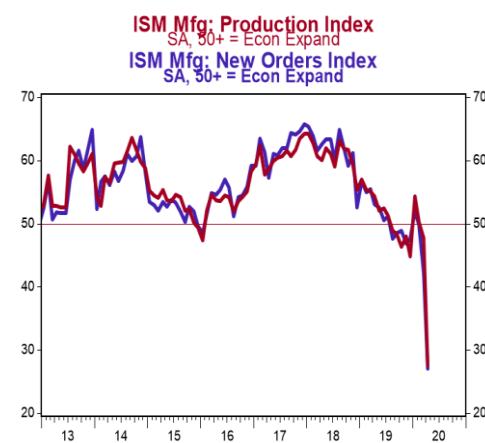
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist

- The ISM Manufacturing Index declined to 41.5 in April, beating the consensus expected 36.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly lower in April. The production index fell to 27.5 from 47.7 in March, while the new orders index declined to 27.1 from 42.2. The supplier deliveries index rose to 76.0 from 65.0, and the employment index declined to 27.5 from 43.8 in March.
- The prices paid index declined to 35.3 in April from 37.4 in March.

Implications: Our first look at monthly April data shows the devastation the Coronavirus shutdown has wrought on the US economy. The ISM manufacturing index declined to 41.5 in April, marking the lowest reading since early 2009, but coming in above the consensus expected drop to 36.0. However, the overall index was boosted by the supplier delivery index rising to 76.0 from 65.0 in March. That sub-index rises when companies have difficulty meeting demand on a timely basis, which has happened due to the Coronavirus and related shutdowns. Supply chains are being upended. The overall slowdown in activity was broad-based in April, with fifteen of the eighteen industries surveyed reporting contraction, while just two (paper products, and food, beverage & tobacco products) reported growth. Comments from survey respondents were largely negative (three negative comments for each positive comment), as the impacts from the virus were compounded by energy sector weakness. The two most forward-looking indices – new orders and production – both moved substantially lower in today’s report. New orders fell to 27.1 in April, the lowest reading since December of 2008. It’s worth noting that the 15.1 point decline from March was the largest single month drop since 1951. Some industries have better survived the shutdown due to their role in fighting the virus, with personal protective equipment (PPE) producers seeing record orders and backlogs, including long-term commitments for orders from the U.S. government. The production index, meanwhile, declined to 27.5 in April from 47.7 in March, as plant closures and a lack of both new orders and labor available to produce hit activity. Finally, the employment index plummeted to 27.5 in April, the second lowest reading in the indices 70+ year history, behind just June of 1949. While it may change modestly with data out next week, we are forecasting a 22.2 million drop in nonfarm payrolls for April, easily eclipsing the current record 1.96 million jobs lost in September of 1945. At present, our forecast for the unemployment rate is 17.0%. On the inflation front, the prices paid index fell to 35.3 from 37.4 in March, as lower energy and metals costs were only partially offset by higher prices for PPE and disinfectants. To keep a pulse on what the [high-frequency data](#) can tell us about activity evolving on a weekly (and at times daily basis), please watch [our blog](#). In other news this morning, construction rose 0.9% in March (but was down 0.5% when including revisions to prior months). A rise in home improvements and highway & street projects more than offset declines in most other major categories.



Source: Institute for Supply Management/Haver Analytics



Source: Institute for Supply Management/Haver Analytics

Institute for Supply Management Index	Apr-20	Mar-20	Feb-20	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	41.5	49.1	50.1	46.9	47.9	53.4
New Orders	27.1	42.2	49.8	39.7	44.3	53.1
Production	27.5	47.7	50.3	41.8	45.4	54.3
Inventories	49.7	46.9	46.5	47.7	48.1	52.4
Employment	27.5	43.8	46.9	39.4	42.8	52.4
Supplier Deliveries	76.0	65.0	57.3	66.1	59.2	54.8
Order Backlog (NSA)	37.8	45.9	50.3	44.7	44.3	53.9
Prices Paid (NSA)	35.3	37.4	45.9	39.5	45.1	50.0
New Export Orders	35.3	46.6	51.2	44.4	46.9	49.5

Source: National Association of Purchasing Management