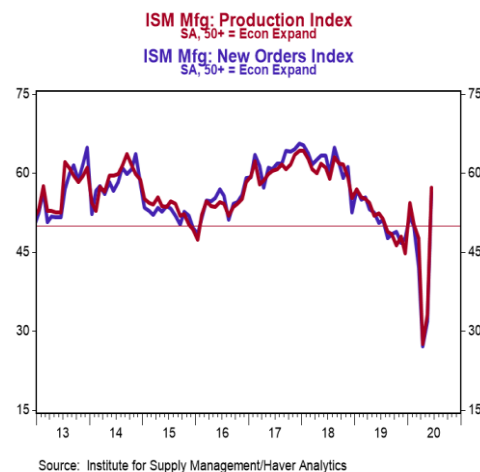
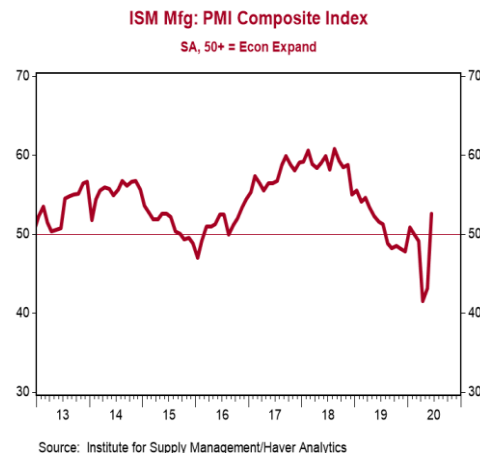


# June ISM Manufacturing Index

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- The ISM Manufacturing Index rose to 52.6 in June, easily beating the consensus expected 49.8. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in June. The new orders index rose to 56.4 from 31.8 in May, while the production index increased to 57.3 from 33.2. The employment index moved higher to 42.1 from 32.1. The supplier deliveries index declined to 56.9 from 68.0 in May.
- The prices paid index rose to 51.3 in June from 40.8 in May.

**Implications:** The largest monthly increase in more than forty years brought the ISM manufacturing index back into expansion territory in June. Granted, we are rising off a low bar set during the shelter in place orders, but data across indicators continue to show the recession is behind us and the recovery has begun. Manufacturing growth in June was broad-based, with thirteen of eighteen industries reporting expansion while four reported contraction (one reported no change). And the comments from survey respondents were largely positive, peppered with phrases like “orders have picked up,” “sales are increasing,” and “order books are rebuilding.” Some industries, such as transportation equipment, remain depressed, as social distancing measures at plants are slowing a return to production, while others, like food, beverage, and tobacco products, have seen a pickup in sales as consumers have shifted their purchasing habits during these unusual times. Looking at the major indices, the two most forward looking – new orders and production – both surged in June, returning to expansion territory. Employment, meanwhile, is on the “bad, but not as bad” path, rising to 42.1 in June from 32.1 in May. Compare the ISM reading on employment to this morning’s ADP report, which showed 2.37 million jobs added in June. We balance data from a number of labor market indicators, and based on the available data to-date we are projecting that tomorrow’s report on nonfarm payrolls will show a gain of 3.350 million jobs in June, which would move the unemployment rate down to around 12.5% from 13.3% in May. The one sub-index that moved lower in June was supplier deliveries, which rises when companies have difficulty meeting demand on a timely basis, and moves lower as delays ease. The coronavirus and related shutdowns have wreaked havoc on supply chains, and that looks likely to continue, resulting in delays in the weeks and months ahead. Watch for the supplier deliveries index to continue moving lower, but remain at elevated levels, as orders and production move back toward growth. On the inflation front, the prices paid index rose to 51.3 from 40.8 in May, as rising costs for energy, hot rolled and scrap steel, and personal protective equipment led the index. While these monthly reports provide valuable insight into the evolution of the virus impact, we continue to keep a pulse on what the high-frequency data tell us about activity evolving on a weekly basis. For tracking on those indicators, please watch our blog. In other news this morning, construction fell 2.1% in May. A large drop in housing and smaller decline in power projects led declines across most major categories. Also on the housing front, pending home sales, which are contracts on existing homes, jumped 44.3% in May after a 21.8% drop in April. This suggests a healthy rebound in existing home closings in May. Finally, in home price news, the Case-Shiller national home price index, which measures prices for existing single-family homes, rose 0.5% in April and was up 4.7% from a year ago. In the past year, prices are up the fastest in Phoenix and Seattle, while up the slowest in Chicago and New York.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Jun-20	May-20	Apr-20	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Business Barometer</b>	<b>52.6</b>	43.1	41.5	45.7	47.9	51.6
<b>New Orders</b>	<b>56.4</b>	31.8	27.1	38.4	43.2	50.5
<b>Production</b>	<b>57.3</b>	33.2	27.5	39.3	45.1	52.4
<b>Inventories</b>	<b>50.5</b>	50.4	49.7	50.2	48.8	49.4
<b>Employment</b>	<b>42.1</b>	32.1	27.5	33.9	39.8	54.3
<b>Supplier Deliveries</b>	<b>56.9</b>	68.0	76.0	67.0	62.7	51.2
<b>Order Backlog (NSA)</b>	<b>45.3</b>	38.2	37.8	40.4	43.9	47.4
<b>Prices Paid (NSA)</b>	<b>51.3</b>	40.8	35.3	42.5	44.0	47.9
<b>New Export Orders</b>	<b>47.6</b>	39.5	35.3	40.8	45.6	50.5

Source: National Association of Purchasing Management

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