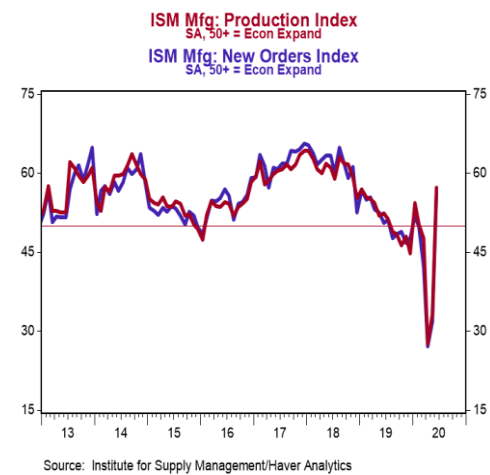
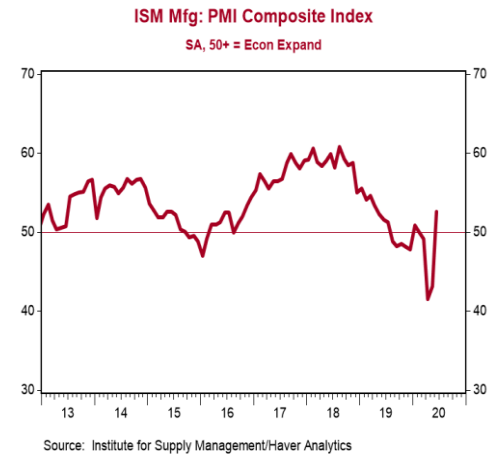


July ISM Manufacturing Index

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- The ISM Manufacturing Index rose to 54.2 in July, beating the consensus expected 53.6. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in July. The new orders index rose to 61.5 from 56.4 in June, while the production index increased to 62.1 from 57.3. The employment index moved higher to 44.3 from 42.1. The supplier deliveries index declined to 55.8 from 56.9 in June.
- The prices paid index rose to 53.2 in July from 51.3 in June.

Implications: Coming off the largest monthly increase in more than forty years, the ISM manufacturing index moved further into expansion territory in July, signaling the US economic recovery from COVID-19 remains comfortably in motion. Manufacturing growth in July was broad-based, with thirteen of eighteen industries reporting expansion while three reported contraction (two reported no change). And the comments from survey respondents were largely positive, with the Institute for Supply Management reporting two positive comments for every one cautious comment. Some industries, such as transportation equipment, remain depressed, as social distancing measures at plants are slowing a return to full production, while others, like computer & electronic products, show businesses reporting that activity has “resumed at nearly 100 percent.” Looking at the major indices, the two most forward looking – new orders and production – led the charge in July, both rising above 60 for the first time since 2018. Employment, meanwhile, is on the “bad, but not as bad” path, rising to 44.3 in July from 42.1 in June. We balance data from a number of labor market indicators, and based on the available data to-date, we are projecting that Friday’s report on nonfarm payrolls will show a gain of 2.000 million jobs in July, which would move the unemployment rate down to around 10.0% from 11.1% in June. The one sub-index that moved lower once again in July 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. Plant shutdowns, transportation challenges, and labor shortages in select markets have provided a sustained headwind to the process of getting back to business. Watch for the supplier deliveries index to continue moving lower, but remain at elevated levels, as orders and production gradually come back online. On the inflation front, the prices paid index rose to 53.2 from 51.3 in June, as rising costs for aluminum, copper, and crude oil 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 those indicators, please watch our blog. In other news this morning, construction fell 0.7% in June (-0.1% including upward revisions to prior months). Continued declines in housing, paired with a drop in public spending on educational projects, more than offset a pickup in spending in the manufacturing sector.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Jul-20	Jun-20	May-20	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	54.2	52.6	43.1	50.0	48.4	51.3
New Orders	61.5	56.4	31.8	49.9	44.8	51.1
Production	62.1	57.3	33.2	50.9	46.4	51.3
Inventories	47.0	50.5	50.4	49.3	48.5	49.3
Employment	44.3	42.1	32.1	39.5	39.5	51.3
Supplier Deliveries	55.8	56.9	68.0	60.2	63.2	53.5
Order Backlog (NSA)	51.8	45.3	38.2	45.1	44.9	43.1
Prices Paid (NSA)	53.2	51.3	40.8	48.4	44.0	45.1
New Export Orders	50.4	47.6	39.5	45.8	45.1	48.1

Source: National Association of Purchasing Management