

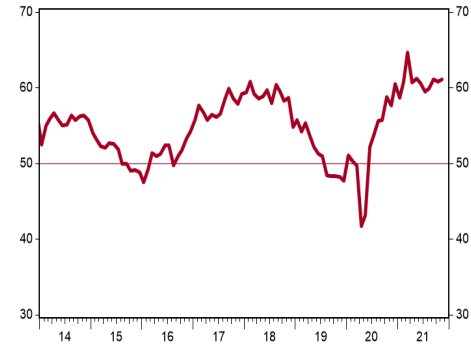
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# November ISM Manufacturing Index

- The ISM Manufacturing Index increased to 61.1 in November, coming in just below the consensus expected 61.2. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in November, but all above 50, signaling growth. The production index rose to 61.5 from 59.3 in October, while the new orders index increased to 61.5 from 59.8. The employment index rose to 53.3 from 52.0, and the supplier deliveries index fell to 72.2 from 75.6 in October.
- The prices paid index fell to 82.4 in November from 85.7 in October.

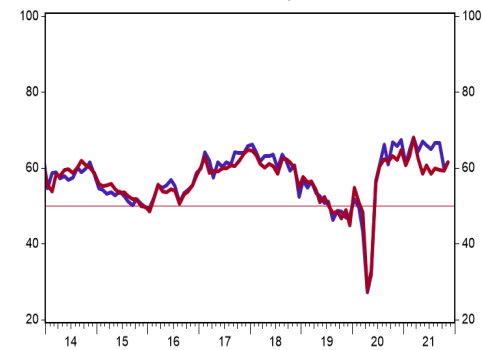
**Implications:** The manufacturing sector continued to expand in November, and at a slightly faster pace, with thirteen of eighteen industries reporting growth. While the new orders and production indices both remain at historically elevated levels, it's clear the factory sector would be expanding even more rapidly if it weren't for a slew of unusual factors holding back output. Respondent comments in November continued to be dominated by widespread worries about rapidly rising costs for inputs, shortages of raw materials across the board, and employers having trouble filling open positions. These issues have all come together to keep manufacturing activity from rising quickly enough to meet the explosion of demand as the US economy reopens. However, there has been recent progress on several fronts. For example, though the supplier deliveries index remains near historical highs (signaling longer wait times) it looks to have peaked in May. That said, sixteen of eighteen industries reported waiting longer for inputs. This, in turn, has resulted in long lead times for the clients of US factories, who continued to see their inventories shrink rapidly in November as retailers continued to rely on the goods they already had in warehouses. Keep in mind, businesses will eventually restock their shelves, which will be a big source of future demand for manufactured goods as well as a tailwind for GDP growth. There has also been recent progress on hiring, with the employment index rising for the third month in a row. However, staffing troubles remain a persistent issue when it comes to ramping up production. Manufacturing is one of the worst hit sectors in the ongoing labor shortage, with job openings twice what they were pre-pandemic. Notably, the recent recovery in the employment index has coincided with the end of generous federal pandemic unemployment benefits which expired in September. With less disincentive effects in the labor market, we expect the shortage of workers to continue to abate in coming months. Finally, price growth for inputs slowed in October, with the prices paid index falling to 82.4. All eighteen industries reported increased prices for raw materials. Looking at the details, five commodities were reported lower in price while thirty-six were reported up. In other news this morning, the ADP employment report showed 534,000 private-sector jobs gained in November. After plugging this into our model, we expect Friday's employment report to show a nonfarm payroll gain of 545,000. We also got data on construction spending this morning, which rose 0.2% in October. Looking at the details, large increases in highways, streets, and conservation projects more than offset a big decline in residential construction. In other recent news, home prices continue to increase rapidly, but not as fast as they were in late 2020 through early 2021. The national Case-Shiller index increased 1.2% in September and is up 19.5% versus a year ago. Price gains were led by Phoenix and Tampa, while Chicago and Minneapolis had the slowest price increases. Meanwhile, the FHFA index, which measures prices for homes financed by conforming loans, increased 0.9% in September and are up 17.8% from a year ago. Pending home sales, which are contracts on existing homes, rose 7.5% in October after a 2.4% drop in September. These figures suggest a November gain in existing home sales, which are counted at closing.

ISM Mfg: PMI Composite Index  
 SA, 50+ = Econ Expand



Source: Institute for Supply Management/Haver Analytics

ISM Mfg: Production Index  
 SA, 50+ = Econ Expand  
 ISM Mfg: New Orders Index  
 SA, 50+ = Econ Expand



Source: Institute for Supply Management/Haver Analytics

Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Nov-21	Oct-21	Sep-21	3-month moving avg	6-month moving avg	Year-ago level
<b>Business Barometer</b>	<b>61.1</b>	60.8	61.1	61.0	60.5	57.7
<b>New Orders</b>	<b>61.5</b>	59.8	66.7	62.7	64.3	65.7
<b>Production</b>	<b>61.5</b>	59.3	59.4	60.1	59.9	62.2
<b>Inventories</b>	<b>56.8</b>	57.0	55.6	56.5	53.9	50.8
<b>Employment</b>	<b>53.3</b>	52.0	50.2	51.8	51.2	48.3
<b>Supplier Deliveries</b>	<b>72.2</b>	75.6	73.4	73.7	73.1	61.7
<b>Order Backlog (NSA)</b>	<b>61.9</b>	63.6	64.8	63.4	64.7	56.9
<b>Prices Paid (NSA)</b>	<b>82.4</b>	85.7	81.2	83.1	84.4	65.4
<b>New Export Orders</b>	<b>54.0</b>	54.6	53.4	54.0	55.1	57.8

Source: National Association of Purchasing Management