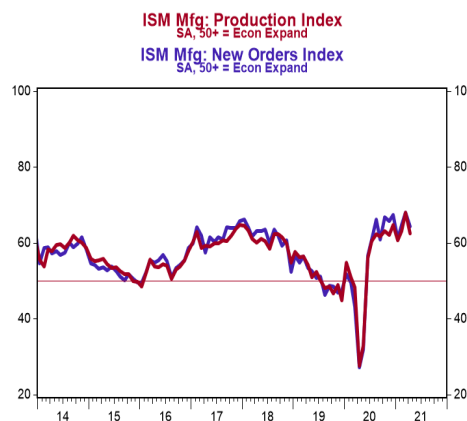
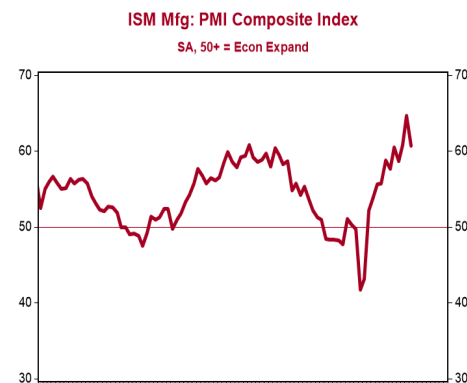


**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist  
**Strider Elass** – Senior Economist  
**Andrew Opdyke** – Senior Economist

## April ISM Manufacturing Index

- The ISM Manufacturing Index fell to 60.7 in April, below the consensus expected 65.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly lower in April, though most stand above 50, signaling growth. The production index fell to 62.5 from 68.1 in March, while the new orders index declined to 64.3 from 68.0. The employment index fell to 55.1 from 59.6, and the supplier deliveries index declined to 75.0 from 76.6 in March.
- The prices paid index rose to 89.6 in April from 85.6 in March.

**Implications:** The manufacturing sector continued to expand rapidly in April, though at a slightly slower pace than March, which posted the best reading for the index since 1983. While most major measures of activity moved lower in April, growth remained broad-based, with all eighteen industries reporting expansion. Respondent comments were broadly positive about the future path of manufacturing output but continue to signal worries about disrupted supply chains and rapidly rising costs for inputs. The ongoing lack of availability of semiconductors, shortages of raw material across the board, and employers having trouble filling open positions are all causing delays in supplier deliveries, with the index for that measure remaining near its highest level since the late 1970s. While companies report demand is healthy, the inability of supply to meet that demand is causing price pressures to build. This pushed the prices paid index up to a reading of 89.6 in April (the highest since 2008), with all eighteen industries reporting increased prices for raw materials. Only one commodity (propylene) was reported as lower in price in April, while fifty-three were reported up in price. One survey respondent summed things up by stating that the only commodity widely available was personal protective equipment. Inflation looks likely to be a key topic in 2021, with the M2 money supply up an incredible 24.2% over the last twelve months, at the same time supply chains struggle to catch up to demand. Speaking of demand, while the two most forward-looking indices – new orders and production – both moved lower in April, both remain above 60 and are well in expansion territory. And given that the customers’ inventories index stands at the lowest reading on record, while at the same time the backlog of orders index (which show orders rising faster than production can fill them) hit the highest reading on record, the data suggest activity should remain robust for the foreseeable future. Finally, the employment index moved lower in March, falling to 55.1, as difficulty finding qualified workers and ongoing absenteeism issues remained headwinds. All-in-all, things look set for a strong Q2 as we continue to get back toward “normal.” In other news this morning, construction spending rose 0.2% in March (-0.3% including revisions to prior months), well below the consensus expected gain of 1.6%. The gain in March was largely due to a big increase in residential construction, which more than offset declines in education, public safety, and highways and streets.



Source: Institute for Supply Management/Haver Analytics

Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Apr-21	Mar-21	Feb-21	3-month moving avg	6-month moving avg	Year-ago level
<b>Business Barometer</b>	<b>60.7</b>	64.7	60.8	62.1	60.5	41.7
<b>New Orders</b>	<b>64.3</b>	68.0	64.8	65.7	65.2	27.3
<b>Production</b>	<b>62.5</b>	68.1	63.2	64.6	63.6	27.6
<b>Inventories</b>	<b>46.5</b>	50.8	49.7	49.0	49.9	49.5
<b>Employment</b>	<b>55.1</b>	59.6	54.4	56.4	53.6	28.2
<b>Supplier Deliveries</b>	<b>75.0</b>	76.6	72.0	74.5	70.2	76.0
<b>Order Backlog (NSA)</b>	<b>68.2</b>	67.5	64.0	66.6	62.6	37.8
<b>Prices Paid (NSA)</b>	<b>89.6</b>	85.6	86.0	87.1	81.1	35.3
<b>New Export Orders</b>	<b>54.9</b>	54.5	57.2	55.5	56.1	35.3

Source: National Association of Purchasing Management