

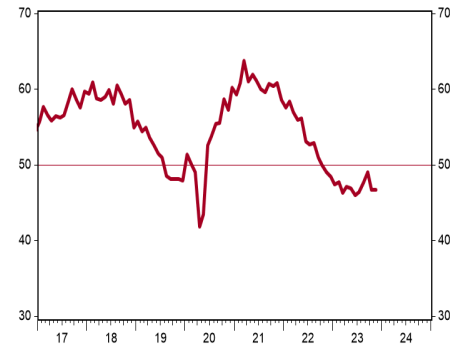
# November ISM Manufacturing Index

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- The ISM Manufacturing Index remained at 46.7 in November, lagging the consensus expected 47.8. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly lower in November. The production index declined to 48.5 from 50.4 in October, while the new orders index increased to 48.3 from 45.5. The employment index dropped to 45.8 from 46.8 in October and the supplier deliveries index declined to 46.2 from 47.7.
- The prices paid index rose to 49.9 in November from 45.1 in October.

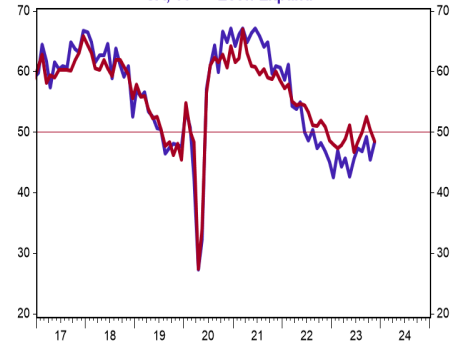
**Implications:** Another lousy report on the US manufacturing sector as activity contracted once again in November for the thirteenth consecutive month, the longest streak since the aftermath of the 2000-2001 recession. Looking at the big picture, during COVID, a combination of shelter-in-place orders and extra compensation from the government (in the form of stimulus checks and abnormally large unemployment benefits) artificially boosted goods-related activity. Then the economy reopened, and consumers began shifting their spending preferences back to a more normal mix, away from goods and back to services. The ISM index peaked in March 2021 (the last month federal stimulus checks were sent out) and has been on a precipitous downward trajectory since. We continue to believe a recession is lurking ahead and the details of today’s report suggest the goods sector of the economy is likely to lead the way. On the surface level, just three out of eighteen major industries reported growth in November. One survey comment from the Computer & Electronic Products sector notably wrote “[the] economy appears to be slowing dramatically.” This was most easily seen in the new orders index, which remained in contraction territory for a fifteenth consecutive month. Meanwhile, the production index dropped below 50 in November for the first time since this Summer. Part of the divergence between new orders and production is due to companies reducing their backlog of orders. Case in point, the backlog of orders index fell deeper into contraction territory in November at 39.3 and remains near the lowest readings since the 2008 Financial Crisis. Meanwhile, on the inflation front, the prices index rose to 49.9 in November but has been sitting in contraction territory for the last seven months, showing that tighter money since 2022 is gaining some traction against inflation. In other news this morning, construction spending increased 0.6% in November. The gain was driven by a large increase in home building, which more than offset a decline in commercial projects. On the housing front, pending home sales, which are contracts on existing homes, declined 1.5% in October after a gain of 1.0% in September. Plugging these figures into our model suggests existing home sales will be roughly unchanged in November.

**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

<b>Institute for Supply Management Index</b> <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	<b>Nov-23</b>	<b>Oct-23</b>	<b>Sep-23</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>Year-ago level</b>
<b>Business Barometer</b>	<b>46.7</b>	46.7	49.0	47.5	47.1	49.0
<b>New Orders</b>	<b>48.3</b>	45.5	49.2	47.7	47.1	46.8
<b>Production</b>	<b>48.5</b>	50.4	52.5	50.5	49.4	50.9
<b>Inventories</b>	<b>44.8</b>	43.3	45.8	44.6	44.7	51.1
<b>Employment</b>	<b>45.8</b>	46.8	51.2	47.9	47.5	48.9
<b>Supplier Deliveries</b>	<b>46.2</b>	47.7	46.4	46.8	46.8	47.2
<b>Order Backlog (NSA)</b>	<b>39.3</b>	42.2	42.4	41.3	41.6	40.0
<b>Prices Paid (NSA)</b>	<b>49.9</b>	45.1	43.8	46.3	45.3	43.0
<b>New Export Orders</b>	<b>46.0</b>	49.4	47.4	47.6	47.1	48.4

Source: National Association of Purchasing Management