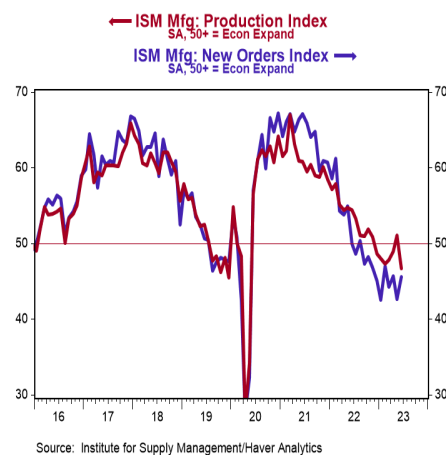
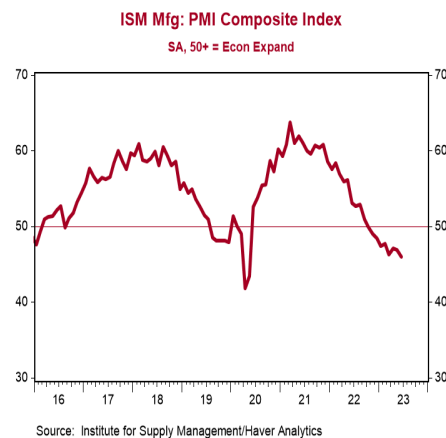


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June ISM Manufacturing Index

- The ISM Manufacturing Index declined to 46.0 in June, lagging the consensus expected 47.1. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in June. The new orders index increased to 45.6 from 42.6 in May, while the production index declined to 46.7 from 51.1. The supplier deliveries index rose to 45.7 from 43.5 in May and the employment index declined to 48.1 from 51.4.
- The prices paid index fell to 41.8 in June from 44.2 in May.

Implications: Today’s report on the US factory sector showed that activity continued to slow in June, with the overall index remaining in contraction territory for the eighth month in a row. Looking at the details, only four of eighteen industries reported growth in June. We continue to believe a recession is on the way and today’s report shows the goods sector of the economy is likely to lead the way. Survey respondents in June noted worries about a slowing US economy as well as less demand from customers on the horizon. For example, while the new orders index did post a small rebound in June, it remained in contraction territory for a tenth consecutive month. The production index also fell back into contraction territory in June as well. Consumers have been shifting their preferences away from goods and back toward services. A combination of less demand from consumers and built-up inventories at retailers means factory output is likely to remain sluggish. One piece of good news is that fewer new orders and improvements in supply chains has allowed factories to catch up on order backlogs, with that index rising slightly in June but remaining near the lowest readings since the 2008 Financial Crisis. However, the slowdown in orders and reduction in backlogs has begun to affect the employment index, which fell back into contraction at 48.1 in June. Finally, on the inflation front, the prices index dropped to 41.8 in June, the second decline in a row following a recent upward trend. In other news this morning, construction spending increased 0.9% in May. The larger than expected gain was driven by an increase in home building, which more than offset declines in commercial and healthcare projects.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Jun-23	May-23	Apr-23	3-month moving avg	6-month moving avg	Year-ago level
Business Barometer	46.0	46.9	47.1	46.7	46.9	53.1
New Orders	45.6	42.6	45.7	44.6	44.6	50.0
Production	46.7	51.1	48.9	48.9	48.3	54.4
Inventories	44.0	45.8	46.3	45.4	47.3	55.7
Employment	48.1	51.4	50.2	49.9	49.4	48.1
Supplier Deliveries	45.7	43.5	44.6	44.6	44.9	57.3
Order Backlog (NSA)	38.7	37.5	43.1	39.8	42.0	53.2
Prices Paid (NSA)	41.8	44.2	53.2	46.4	47.4	78.5
New Export Orders	47.3	50.0	49.8	49.0	49.0	50.7

Source: National Association of Purchasing Management