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March ISM Manufacturing Index

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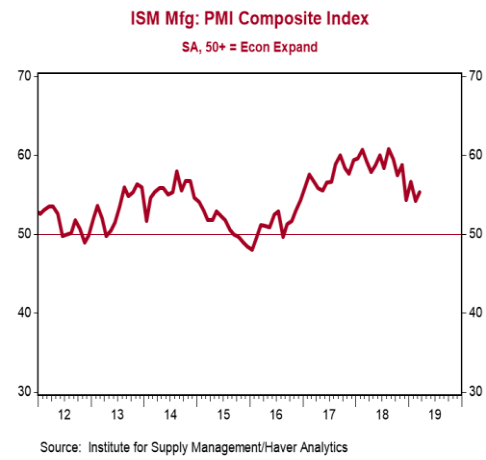
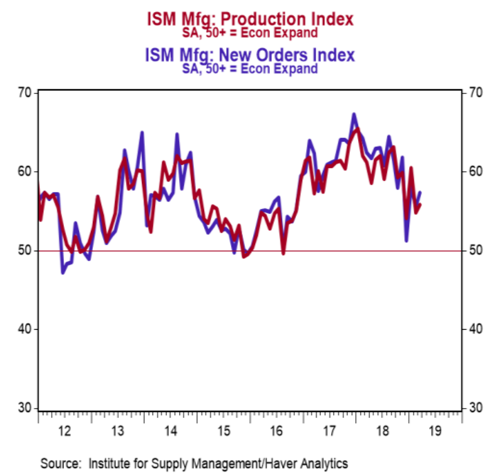
- The ISM Manufacturing Index rose to 55.3 in March, beating the consensus expected 54.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)

- The major measures of activity were mostly higher in March, and all stand above 50, signaling growth. The employment index surged to 57.5 from 52.3 in February, while the new orders index rose to 57.4 from 55.5. The production index increased to 55.8 from 54.8. The supplier deliveries index declined to 54.2 from 54.9 in February.

- The prices paid index rose to 54.3 in March from 49.4 in February.





Implications: Growth in the manufacturing sector picked up pace in March, and the expansion remains broad-based. Sixteen of eighteen industries reported growth in March, while two (paper products and apparel, leather and allied products) reported contraction. Meanwhile survey respondents highlighted "strong" customer orders and one respondent noted that the strength comes "amid rumors of a slowdown, but forecasts don't indicate this." In other words, talks of a slowdown have taken more investor mind-share than the data justify. Uncertainty related to both the ongoing tariff and Brexit negotiations remains a talking point while weather – a temporary factor – also dampened activity during the month. The best news in today's report was that the two most forward-looking indices – new orders and production – both continue to show growth at a healthy pace. The faster pace of growth in production is particularly notable, as production and supplier deliveries were the two areas most negatively impacted by poor weather. The supplier deliveries index ticked modestly lower in March, but remains above 50, signaling slower delivery times than in prior months. The reason? In addition to the weather, deliveries have been constrained by a lack of available inventories. Demand – as seen with strong new orders growth – has outpaced companies' abilities to produce, providing an incentive to hire and invest. This can be seen in the employment index, which jumped to 57.5 from 52.3 in February. And employment growth could be even faster but for difficulties finding qualified labor. Based on today's reading, along with other data on the employment market, we are forecasting manufacturing job growth of around 5,000 in March (compared to 4,000 jobs added in February). If this holds true, that would still put manufacturing employment growth at a very healthy 227,000 jobs in the past year. Finally, on the inflation front, the prices paid index rose to 54.3 in March from 49.4 in February. This marks a return to higher prices after two months of decline. But the much of the recent volatility in prices has been led by steel prices, which have seen a larger impact due to tariffs than most other categories. These price fluctuations could persist in the short-term until trade issues are resolved, but don't pose a concern for the strength in manufacturing that looks set to continue in 2019. The trend in the manufacturing sector remains strong, with no sign of a "looming recession." In other news this morning, construction spending rose 1.0% in February (+3.2% including significant upward revisions to prior months). The increase in spending in February was led by a jump in spending on highways and streets, and sewage and waste disposal projects, which more than offset a slowdown in single-family homebuilding. While construction spending ended 2018 on a weak note, it's off to strong start in 2019.

Institute for Supply Management Index *Seasonally Adjusted Unless Noted: 50+ = Econ Growth*	Mar-19	Feb-19	Jan-19	3-month *moving avg*	6-month *moving avg*	Year-ago *level*
Business Barometer	**55.3**	54.2	56.6	55.4	56.1	59.3
New Orders	**57.4**	55.5	58.2	57.0	57.0	62.4
Production	**55.8**	54.8	60.5	57.0	57.4	61.2
Inventories	**51.8**	53.4	52.8	52.7	52.1	55.5
Employment	**57.5**	52.3	55.5	55.1	55.9	57.0
Supplier Deliveries	**54.2**	54.9	56.2	55.1	58.2	60.7
Order Backlog *(NSA)*	**50.4**	52.3	50.3	51.0	52.5	59.8
Prices Paid *(NSA)*	**54.3**	49.4	49.6	51.1	56.8	78.1
New Export Orders	**51.7**	52.8	51.8	52.1	52.3	58.7

Source: National Association of Purchasing Management