## First Trust

## Data Watch

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## OCTOBER ISM MANUFACTURING INDEX

• The ISM Manufacturing index increased to 56.9 in October from 54.4 in September, easily beating the consensus expected drop to 54.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)

- The major measures of activity were mostly up in October and all remain above 50.0, signaling continued growth. The employment index increased to 57.7 from 56.5, the production index rose to 62.7 from 56.5, and the new orders index increased to 58.9 from 51.1. The supplier deliveries index fell to 51.2 from 52.3.
- The prices paid index rose to 71.0 in October from 70.5 in September.

Implications: Manufacturing activity surged in October, easily beating consensus expectations. Growth in manufacturing had been trending lower since hitting a peak back in April, but today's report shows renewed acceleration. The indexes for new orders, production, and employment are all at high levels. According to the Institute for Supply Management, which publishes the report, an overall index level of 56.9 is consistent with real economic growth at a 5% annual rate. On the inflation front, the prices paid index ticked up to 71.0 from an already elevated 70.5 in September. This reading shows that regardless of what the Federal Reserve is saying right now, inflation is likely to become a problem in the year ahead. In other news this morning, construction increased 0.5% in September. However, including downward revisions to prior months, construction fell 1.2%. The gain in September was due to government projects (schools and mass transit) and home building (improvements, not new homes). Commercial construction fell, largely due to manufacturing plants and hotels.

**ISM Mfg Index** SA, 50+ = Econ Expand 70 70 60 60 50 50 40 40 30 30 06 10 03 04 05 07 08 09 Source: Institute for Supply Management /Haver Analytics : Production Index Economic Expansion lew Orders Index



Institute for Supply Management Index	Oct-10	Sep-10	Aug-10	3-month	6-month	Year-ago
Seasonally Adjusted Unless Noted: 50+ = Econ Growth				moving avg	moving avg	level
Business Barometer	56.9	54.4	56.3	55.9	56.5	55.2
New Orders	58.9	51.1	53.1	54.4	56.8	58.3
Production	62.7	56.5	59.9	59.7	60.7	62.2
Inventories	53.9	55.6	51.4	53.6	50.4	47.3
Employment	57.7	56.5	60.4	58.2	58.5	51.8
Supplier Deliveries	51.2	52.3	56.6	53.4	56.1	56.3
Order Backlog (NSA)	46.0	46.5	51.5	48.0	52.5	53.5
Prices Paid (NSA)	71.0	70.5	61.5	67.7	65.8	65.0
New Export Orders	60.5	54.5	55.5	56.8	57.5	55.5

Source: National Association of Purchasing Management

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