

# November ISM Manufacturing Index

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Senior Economist  
**Strider Elass** – Economic Analyst

- The ISM manufacturing index declined to 49.5 in November from 51.7 in October, coming in below the consensus expected 51.4. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in November but most were above 50. The new orders index fell to 50.3 from 54.2 and the employment index declined to 48.4 from 52.1. The supplier deliveries index rose to 50.3 from 49.6 and the production index also gained to 53.7 from 52.4.
- The prices paid index declined to 52.5 in November from 55.0 in October.

**Implications:** A poor report on manufacturing today as super storm Sandy looks to have hurt manufacturing sentiment. After increasing for the past two months, the ISM manufacturing index dropped, coming in at 49.5 for November, the lowest level since July 2009. This is the fourth time in the last six months that the manufacturing index has been below 50. According to the Institute for Supply Management, a level of 49.5 is consistent with real GDP growth of 2.3%. More likely, today's data are consistent with what will be roughly 0.5% real GDP growth in Q4. We do expect manufacturing to rebound over the coming months as policy uncertainty and the affects of Sandy subside. The best news in today's ISM report was that the new orders index, although falling to 50.3, showed expansion for the third straight month. On the inflation front, the prices paid index declined to 52.5 in November from 55.0 in October. We expect prices, and inflation, to continue to gradually move higher. In other, and better, news this morning, despite Sandy, construction increased 1.4% in October (+2.4% including upward revisions for August/September). The gain in October was led by single-family homes and the federal government. Home building is up 21% from a year ago, with new homes up 32% and improvements to existing homes up 9%. Revisions to construction data for August and September probably push third quarter real GDP growth to 2.8% annualized versus last week's estimate of 2.7%.

**ISM Mfg: PMI Composite Index**  
 SA, 50+ = Econ Expand



**ISM Mfg: Production Index**  
 SA, 50+ = Econ Expand  
**ISM Mfg: New Orders Index**  
 SA, 50+ = Econ Expand



<b>Institute for Supply Management Index</b> <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Nov-12	Oct-12	Sep-12	3-month moving avg	6-month moving avg	Year-ago level
<b>Business Barometer</b>	49.5	51.7	51.5	50.9	50.3	52.2
<b>New Orders</b>	50.3	54.2	52.3	52.3	50.0	55.0
<b>Production</b>	53.7	52.4	49.5	51.9	50.9	55.7
<b>Inventories</b>	45.0	50.0	50.5	48.5	48.6	46.5
<b>Employment</b>	48.4	52.1	54.7	51.7	52.6	52.4
<b>Supplier Deliveries</b>	50.3	49.6	50.3	50.1	49.5	51.3
<b>Order Backlog (NSA)</b>	41.0	41.5	44.0	42.2	42.8	45.0
<b>Prices Paid (NSA)</b>	52.5	55.0	58.0	55.2	49.3	45.0
<b>New Export Orders</b>	47.0	48.0	48.5	47.8	47.4	52.0

Source: National Association of Purchasing Management