

## March ISM Manufacturing Index

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- The ISM manufacturing index rose to 53.4 in March from 52.4 in February, coming in above the consensus expected 53.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in March, but all are above 50, signaling growth. The production index rose to 58.3 from 55.3 and the employment index increased to 56.1 from 53.2. The supplier deliveries index slipped to 48.0 from 49.0 and the new orders index fell to 54.5 from 54.9.
- The prices paid index fell slightly to 61.0 in March from 61.5 in February.

**Implications:** Manufacturing came in better than expected in March and remains solidly above 50, signaling continued expansion in the factory sector. The ISM manufacturing index has now remained above 50 for 32 straight months and just in case you still think a double-dip is possible, the new orders index, although lower than last month, came in at a healthy 54.5 suggesting more growth in production ahead. The employment index rose to 56.1, the highest level since June last year, confirming other positive news on the labor market. Inventories, after shrinking for five straight months, were unchanged in March. The reluctance of manufacturers to accumulate inventories may hold back GDP in the short term, but we view this reluctance as temporary and indicative of better future growth. On the inflation front, the prices paid index fell slightly to a still elevated 61.0 in March. Monetary policy is very loose. As a result, this index should move higher in the year ahead. In other news this morning, construction declined 1.1% in February (-2.2% including revisions to prior months). The drop was due to public construction, primarily bridges and public colleges, and commercial construction, led by power plants. Despite the decline in February, we expect gains for the year ahead. Residential construction is up 5.6% from a year ago, while commercial construction is up 14.5%. State and local government construction is down from a year ago, but only 0.5%.

**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



| Institute for Supply Management Index                      | Mar-12      | Feb-12 | Jan-12 | 3-month moving avg | 6-month moving avg | Year-ago level |
|--|-------------|--------|--------|--------------------|--------------------|----------------|
| <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i> |             |        |        |                    |                    |                |
| <b>Business Barometer</b>                                  | <b>53.4</b> | 52.4   | 54.1   | 53.3               | 52.8               | 59.7           |
| <b>New Orders</b>  | <b>54.5</b> | 54.9   | 57.6   | 55.7               | 55.0               | 61.9           |
| <b>Production</b>  | <b>58.3</b> | 55.3   | 55.7   | 56.4               | 56.1               | 65.9           |
| <b>Inventories</b>   | <b>50.0</b> | 49.5   | 49.5   | 49.7               | 47.9               | 49.0           |
| <b>Employment</b>  | <b>56.1</b> | 53.2   | 54.3   | 54.5               | 54.1               | 62.1           |
| <b>Supplier Deliveries</b>                                 | <b>48.0</b> | 49.0   | 53.6   | 50.2               | 50.9               | 59.8           |
| <b>Order Backlog (NSA)</b>                                 | <b>52.5</b> | 52.0   | 52.5   | 52.3               | 49.6               | 52.5           |
| <b>Prices Paid (NSA)</b>                                   | <b>61.0</b> | 61.5   | 55.5   | 59.3               | 51.9               | 85.0           |
| <b>New Export Orders</b>                                   | <b>54.0</b> | 59.5   | 55.0   | 56.2               | 53.9               | 56.0           |

Source: National Association of Purchasing Management