

October ISM Manufacturing Index

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- The ISM manufacturing index increased to 56.4 in October from 56.2 in September, beating the consensus expected 55.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in October but all remain above 50. The supplier deliveries index increased to 54.7 from 52.6, while the new orders index increased to 60.6 from 60.5. The employment index declined to 53.2 from 55.4. The production index declined to 60.8 from 62.6 in September.
- The prices paid index declined to 55.5 in October from 56.5 in September.

Implications: While Washington offered us plenty of drama in October, the private sector continued to plow forward. Despite supposed fears of a drop in activity from a partial government shutdown, today we got a very strong report for the ISM index, a measure of manufacturing sentiment around the country. The ISM came in at the highest level since April 2011, easily beating consensus expectations. According to the Institute for Supply Management, an overall index level of 56.4 is consistent with real GDP growth of 4.4% annually. We don't expect real GDP grew anywhere near that pace in Q3, probably more like a 1.9% rate instead, but we do expect faster growth in 2014. The new orders index rose to 60.6 for October, and remains near its highest levels since early 2011. The one negative was the employment index which declined to 53.2 from 55.4. This remains consistent with the plow horse growth we have been getting out of the labor market over the past few years. On the inflation front, the prices paid index declined to 55.5 in October from 56.5 in September. Still, little sign of inflation, but we don't expect this to last given loose monetary policy. In other recent news, initial claims for unemployment insurance declined 10,000 last week to 340,000. Continuing claims for regular state benefits increased 31,000 to 2.88 million. Plugging these figures into our payroll models, we're now forecasting October gains of 80,000 nonfarm and 125,000 private. Not bad at all considering the partial government shutdown. If we're right about October, we anticipate a sharp upturn in job growth in November.

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



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



Institute for Supply Management Index	Oct-13	Sep-13	Aug-13	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	56.4	56.2	55.7	56.1	53.9	51.7
New Orders	60.6	60.5	63.2	61.4	57.2	52.8
Production	60.8	62.6	62.4	61.9	58.8	53.3
Inventories	52.5	50.0	47.5	50.0	49.4	50.0
Employment	53.2	55.4	53.3	54.0	52.5	52.3
Supplier Deliveries	54.7	52.6	52.3	53.2	51.7	49.9
Order Backlog (NSA)	51.5	49.5	46.5	49.2	47.8	41.5
Prices Paid (NSA)	55.5	56.5	54.0	55.3	52.8	55.0
New Export Orders	57.0	52.0	55.5	54.8	53.9	48.0

Source: National Association of Purchasing Management

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