

May ISM Manufacturing Index

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- The ISM manufacturing index increased to 55.4 in May from 54.9 in April, almost exactly the consensus expected level of 55.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in May but all remain above 50, signaling growth. The production index increased to 61.0 from 55.7, while the new orders index rose to 56.9 from 55.1. The employment index declined to 52.8 from 54.7. The supplier deliveries index declined to 53.2 from 55.9.
- The prices paid index rose to 60.0 in May from 56.5 in April.

Implications: After two mistaken reports earlier today, the Institute for Supply Management says its manufacturing index, a measure of factory sentiment around the country, came in at 55.4. This was an increase versus April and almost exactly what the consensus expected. Since the steep weather-related drop in January, the index is up four months in a row. The report for May shows growth in seventeen of the eighteen manufacturing industries (textile mills were the only exception). While not quite back to the levels seen at the end of 2013, the index has stood in expansion territory for twelve consecutive months, and we expect the index to show continued strength as companies ramp up production and continue to make up for time lost to bad weather. According to the Institute for Supply Management, an overall index level of 55.4 is consistent with real GDP growth of 4.1% annually, consistent with what we think will be a sharp rebound in growth in Q2 after the temporary slump in Q1. On the inflation front, the prices paid index rose to 60.0 in May from 56.5 in April. Along with broader measures of consumer and producer prices, inflation is starting to show signs of the loose monetary policy of the past several years. In other news this morning, construction increased 0.2% in April (1.2% including revisions to prior months), reaching the highest level since March 2009. The gain in April itself was led by construction at public colleges. New housing (single-family and multi-family units combined) was up 1.6% in April and is up 17% in the past year. After the harsh winter weather, construction spending has now shown growth for three consecutive months as projects delayed by the cold have gotten underway.

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	May-14	Apr-14	Mar-14	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	55.4	54.9	53.7	54.7	54.2	50.0
New Orders	56.9	55.1	55.1	55.7	56.2	49.6
Production	61.0	55.7	55.9	57.5	56.2	52.5
Inventories	53.0	53.0	52.5	52.8	50.3	49.0
Employment	52.8	54.7	51.1	52.9	53.2	49.0
Supplier Deliveries	53.2	55.9	54.0	54.4	54.9	49.7
Order Backlog (NSA)	52.5	55.5	57.5	55.2	52.8	48.0
Prices Paid (NSA)	60.0	56.5	59.0	58.5	58.3	49.5
New Export Orders	56.5	57.0	55.5	56.3	55.3	51.0

Source: National Association of Purchasing Management