

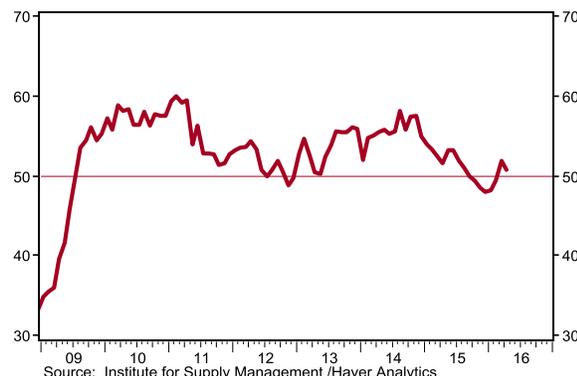
# April ISM Manufacturing Index

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- The ISM manufacturing index declined to 50.8 in April, coming in below the consensus expected level of 51.4. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly lower in April. The new orders index fell to 55.8 from 58.3 while the production index moved lower to 54.2 from 55.3 in March. The supplier deliveries index dipped to 49.1 from 50.2. The employment index rose to 49.2 from 48.1 in March.
- The prices paid index surged to 59.0 in April from 51.5.

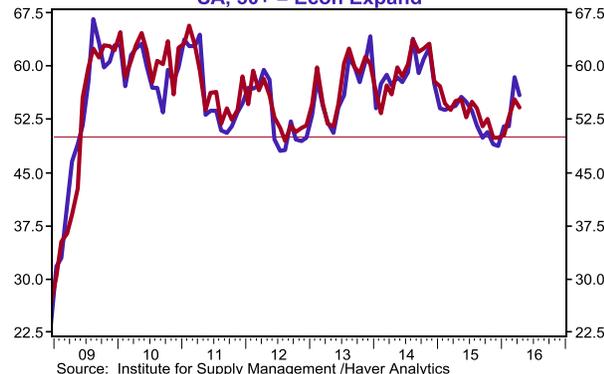
**Implications:** Don't fret the headline decline. The manufacturing sector continued to grow in April, although at a slightly slower pace than in March, and the underlying details point to continued growth in the months ahead. The two most forward looking measures, new orders and production, slowed in April, but remain comfortably above 50, signaling expansion. And growth isn't limited to a few select industries. Fifteen of eighteen industries reported growth in new orders, while just one, textile mills, reported declines. Production tells a similar tale, with fifteen of eighteen industries reporting growth while two, textile mills and petroleum & coal products, reported declines. Unfortunately, recent growth in manufacturing hasn't been reflected in rising employment in that sector. Manufacturing employment declined by 29,000 in March and we are forecasting an additional decline in April. But manufacturing represents just a small portion of total employment and productivity is growing. Meanwhile, total employment continues to expand at a healthy 200,000+ jobs per month clip. On the inflation front, the prices paid index jumped 7.5 points to 59.0 after a 13 point surge in March. Rising energy and metal prices led twelve of eighteen industries to report higher input costs. As a whole, today's data show manufacturing activity moving in the right direction. It isn't booming, but it should continue to plow forward at a modest pace. In other news this morning, construction increased 0.3% in March, but declined 0.6% including revisions to prior months. The gain in March itself was primarily due to home building, led by apartments and improvements to existing homes, which offset a drop in government projects, including passenger terminals, power plants, and sewage & waste facilities.

**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	Apr-16	Mar-16	Feb-16	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>50.8</b>	51.8	49.5	50.7	49.5	51.6
<b>New Orders</b>	<b>55.8</b>	58.3	51.5	55.2	52.5	54.3
<b>Production</b>	<b>54.2</b>	55.3	52.8	54.1	52.0	55.1
<b>Inventories</b>	<b>45.5</b>	47.0	45.0	45.8	44.6	49.5
<b>Employment</b>	<b>49.2</b>	48.1	48.5	48.6	48.4	48.6
<b>Supplier Deliveries</b>	<b>49.1</b>	50.2	49.7	49.7	49.7	50.6
<b>Order Backlog (NSA)</b>	<b>50.5</b>	51.0	48.5	50.0	46.2	49.5
<b>Prices Paid (NSA)</b>	<b>59.0</b>	51.5	38.5	49.7	41.9	40.5
<b>New Export Orders</b>	<b>52.5</b>	52.0	46.5	50.3	49.4	51.5

Source: National Association of Purchasing Management