

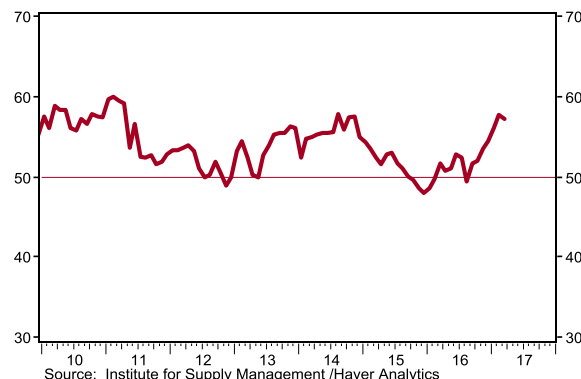
## March ISM Manufacturing Index

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- The ISM manufacturing index declined to 57.2 in March, matching consensus expectations. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in March, but all stand comfortably above 50, signaling growth. The production index declined to 57.6 from 62.9 in February, while the new orders index dipped to 64.5 from 65.1. The employment index surged to 58.9 from 54.2, and the supplier deliveries index rose to 55.9 from 54.8 in February.
- The prices paid index rose to 70.5 in March from 68.0 in February.

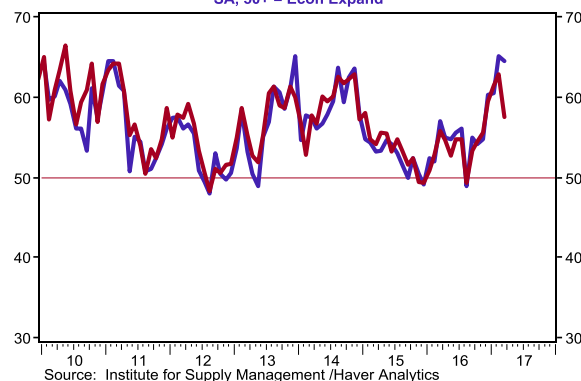
**Implications:** The ISM manufacturing survey hit the second highest reading in two-and-a-half years in March, coming in just shy of February’s reading of 57.7. The details behind March’s very healthy reading of 57.2 suggest broad-based strength in the manufacturing sector, as seventeen of eighteen industries reported growth in March, with no industries reporting declines. The two most forward looking measures – new orders and production – showed a slower pace of expansion in March, but all eighteen industries reported growth in new orders while seventeen of eighteen reported growth in production. In other words, manufacturing activity continues to pick up steam and looks set to continue at a healthy pace in the months ahead. The employment index surged in March, rising to 58.9 from 54.2 in February, showing the strongest monthly reading going back to mid-2011. That said, manufacturing remains a small portion of total employment. For a better picture of labor market health, we tend to focus on broader signals (initial claims, earnings growth, and consumer spending) which have shown constant strength in recent years despite some turbulent times for the manufacturing sector. On the inflation front, the prices paid index rose to 70.5 from 68.0 in February, with more than twenty commodities rising in price. No commodity prices were reported lower. Any suggestion that rising prices are just a reflection of the rebound in oil prices misses the mark. Rising economic activity, the lagged effect of loose monetary policy, is putting pressure on a wide variety of inputs, and putting pressure on the Fed not to fall behind the curve in raising rates that are too low for the current environment. In other economic news this morning, construction spending rose 0.8% in February (+1.1% including revisions to prior months), led by a pickup in homebuilding and commercial power projects.

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 <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Mar-17	Feb-17	Jan-17	3-month moving avg	6-month moving avg	Year-ago level
<b>Business Barometer</b>	<b>57.2</b>	57.7	56.0	57.0	55.2	51.7
<b>New Orders</b>	<b>64.5</b>	65.1	60.4	63.3	59.9	57.1
<b>Production</b>	<b>57.6</b>	62.9	61.4	60.6	58.6	55.7
<b>Inventories</b>	<b>49.0</b>	51.5	48.5	49.7	48.8	47.0
<b>Employment</b>	<b>58.9</b>	54.2	56.1	56.4	54.4	48.5
<b>Supplier Deliveries</b>	<b>55.9</b>	54.8	53.6	54.8	54.2	50.4
<b>Order Backlog (NSA)</b>	<b>57.5</b>	57.0	49.5	54.7	51.3	51.0
<b>Prices Paid (NSA)</b>	<b>70.5</b>	68.0	69.0	69.2	63.7	51.5
<b>New Export Orders</b>	<b>59.0</b>	55.0	54.5	56.2	54.8	52.0

Source: National Association of Purchasing Management