

# August ISM Manufacturing Index

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist  
**Strider Elass** – Economist

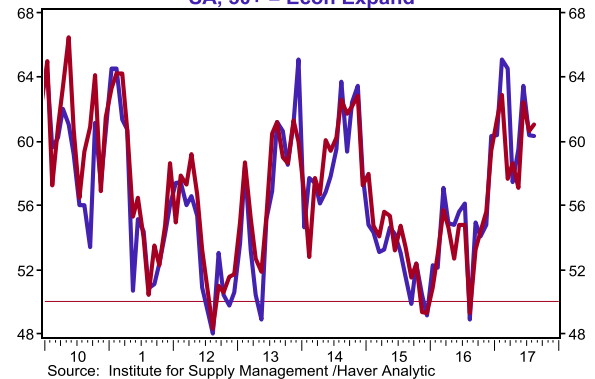
- The ISM Manufacturing Index rose to 58.8 in August, coming in well above the consensus expected 56.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in August, and all stand comfortably above 50, signaling growth. The employment index surged to 59.9 from 55.2 in July, while the supplier deliveries index increased to 57.1 from 55.4. The production index increased to 61.0 from 60.6, while the new orders index slipped to 60.3 from 60.4 in July.
- The prices paid index was unchanged at 62.0 in August.

**Implications:** The ISM manufacturing index boomed in August, hitting the highest level in more than six years as the manufacturing sector showed strength across all major measures. Growth continues to remain broad-based, with fourteen of eighteen industries reporting growth, while just three reported decline. The two most forward looking indices - new orders and production – both continue to shine with readings above 60, despite a very minor slowdown in the pace of growth in new orders. To put these numbers in perspective, the average reading for the new orders index over the past twenty years is 54.9, while production averaged 55.2 over the same period. Given healthy growth in orders, expect production activity to also remain strong in the coming months, although some measures will show a temporary downdraft due to Hurricane Harvey. And with the consistent strength in readings from the ISM report, we expect orders of durable goods to also show growth over the coming months, though that data is more volatile on a month-to-month basis. On the jobs front, the employment index jumped to 59.9 in August, also hitting a six year high. This is in line with the August payroll data out [earlier this morning](#) that showed 36,000 manufacturing jobs added in August. Since January, manufacturing jobs are up 125,000, compared to a loss of 45,000 during the same months in 2016. But it's important to remember that manufacturing remains a small portion of total employment. On the inflation front, the prices paid index was unchanged at 62.0 in August, with fifteen commodities up in price while just one showed decline. Prices continue to rise at a modest pace, and these rising prices at the manufacturing stage of production should flow through to consumer price inflation over the coming months, keeping the Fed on pace for normalization of the balance sheet and one more rate hike to finish out 2017. Construction data, also released this morning, showed spending declined 0.6% in July. A slowdown in spending on commercial, education, and health care related structures more than offset a rise in home building.

**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>	Aug-17	Jul-17	Jun-17	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Business Barometer</b>	<b>58.8</b>	56.3	57.8	57.6	56.6	49.4
<b>New Orders</b>	<b>60.3</b>	60.4	63.5	61.4	61.0	48.9
<b>Production</b>	<b>61.0</b>	60.6	62.4	61.3	59.6	49.3
<b>Inventories</b>	<b>55.5</b>	50.0	49.0	51.5	51.0	49.0
<b>Employment</b>	<b>59.9</b>	55.2	57.2	57.4	56.1	48.7
<b>Supplier Deliveries</b>	<b>57.1</b>	55.4	57.0	56.5	55.6	51.2
<b>Order Backlog (NSA)</b>	<b>57.5</b>	55.0	57.0	56.5	56.5	45.5
<b>Prices Paid (NSA)</b>	<b>62.0</b>	62.0	55.0	59.7	63.1	53.0
<b>New Export Orders</b>	<b>55.5</b>	57.5	59.5	57.5	58.1	52.5

Source: National Association of Purchasing Management