

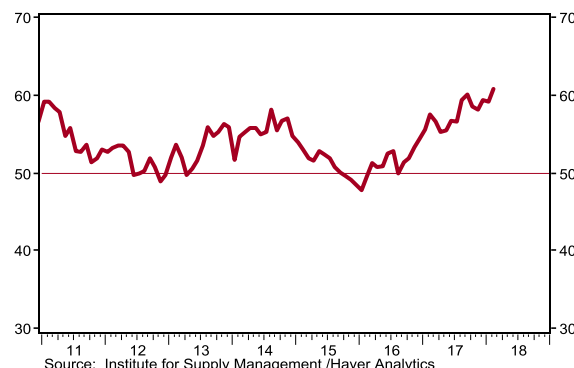
February ISM Manufacturing Index

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- The ISM Manufacturing Index rose to 60.8 in February, coming in well above the consensus expected 58.7. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in February, but all remain comfortably above 50, signaling growth. The employment index rose to 59.7 from 54.2 in January, while the supplier deliveries index increased to 61.1 from 59.1. The new orders index declined to 64.2 from 65.4, while the production index fell to 62.0 from 64.5 in January.
- The prices paid index rose to 74.2 in February.

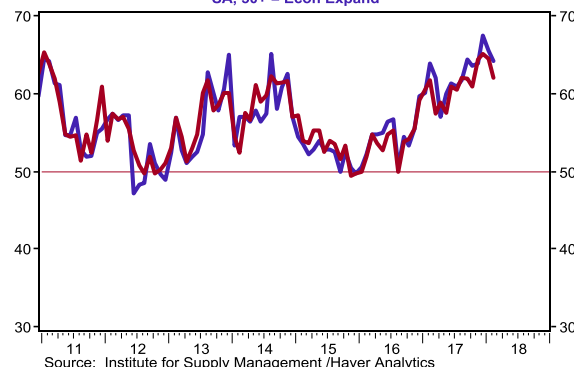
Implications: Factory activity is off to roaring start in 2018, with the ISM Manufacturing index rising to 60.8 in February, the highest reading since 2004. And the growth is broad-based, with fifteen of eighteen industries reported growth in February (two reported declines). While the two most forward-looking indices - new orders and production – both ticked lower in February (remember, levels above 50 signal expansion, so these lower readings represent continued growth, but at a slower pace than in recent months), they continue to shine with readings in the 60’s and suggest that activity in the manufacturing sector should remain robust in the months ahead. The employment index showed the largest rise in February, moving to 59.7 from 54.2 in January. Pairing this with other indicators on the strength of the labor market suggests that employment growth picked up pace in February, though heavy snow in parts of the country may put a damper on next week’s employment report. If it does, no need for concern. Look for a rebound in the employment data in the following months. Prices, meanwhile, rose in February to a reading of 74.2, the highest since mid-2011. A total of twenty-seven commodities were reported up in price, while no commodities showed declining costs. This serves as yet another sign that inflation is picking up pace as economic growth accelerates, and a signal to the Fed that four rate hikes in 2018 are not just appropriate, but warranted. In sum, the strength shown by the manufacturing sector throughout 2017 is carrying over into 2018. In other news this morning, construction spending was unchanged in January (+0.8% including revisions to prior months). A rise in spending on highways & streets and housing offset declines in power projects and commercial construction.

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>	Feb-18	Jan-18	Dec-17	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	60.8	59.1	59.3	59.7	59.4	57.6
<i>New Orders</i>	64.2	65.4	67.4	65.7	64.8	63.8
<i>Production</i>	62.0	64.5	65.2	63.9	63.2	61.7
<i>Inventories</i>	56.7	52.3	48.5	52.5	50.9	52.3
<i>Employment</i>	59.7	54.2	58.1	57.3	58.3	54.5
<i>Supplier Deliveries</i>	61.1	59.1	57.2	59.1	59.6	55.5
<i>Order Backlog (NSA)</i>	59.8	56.2	54.9	57.0	56.0	57.1
<i>Prices Paid (NSA)</i>	74.2	72.7	68.3	71.7	69.9	66.9
<i>New Export Orders</i>	62.8	59.8	57.6	60.1	58.0	55.0

Source: National Association of Purchasing Management