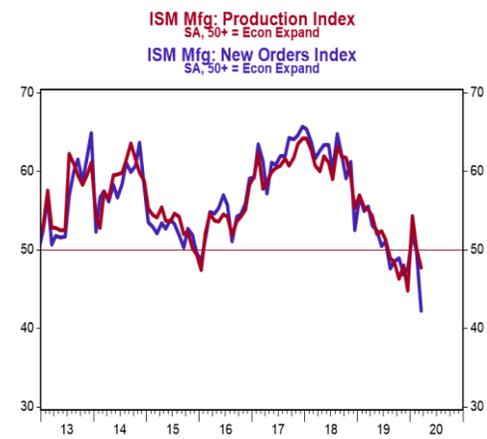
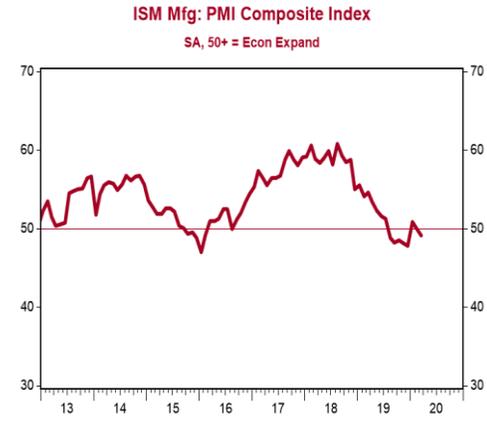


March ISM Manufacturing Index

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- The ISM Manufacturing Index declined to 49.1 in March, beating the consensus expected 44.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly lower in March. The production index fell to 47.7 from 50.3 in February, while the new orders index declined to 42.2 from 49.8. The supplier deliveries index rose to 65.0 from 57.3, and the employment index declined to 43.8 from 46.9 in February.
- The prices paid index declined to 37.4 in March from 45.9 in February.

Implications: The impact of the Coronavirus on factory sentiment was less than expected for March, with the ISM Manufacturing index coming in at 49.1, beating the forecast from every economics group. Expect the index to get uglier in the months ahead, but for the time being, ten out of the eighteen industries surveyed reported continued growth in March, only six reported contraction, and two reported no change. Comments from survey respondents were peppered with concerns over the Coronavirus, its likely impacts on supply chains, as well as the effects of the oil-price war. The two most forward-looking indices – new orders and production – both moved lower in today’s report. New orders fell to 42.2 in March, the lowest since 2009, likely due to uncertainty about the near future. Meanwhile, the production index declined to 47.7 in March from 50.3 in February, as a lack of new orders and delivery restrictions due to public health measures hit activity. That said, recent news surrounding manufacturers converting their production lines to make ventilators, personal protective equipment, and other necessary items for the fight against the Coronavirus suggests some support for production and new orders going forward. Regarding overseas supply chains, one respondent noted that Asian suppliers are getting back up to speed. This was reflected yesterday in China’s manufacturing PMI which rebounded sharply back into expansion territory, though it’s always important to take Chinese numbers with a grain of salt. That said, supply chain disruptions and delivery restrictions in the US have impacted the supplier deliveries index, which rose to 65.0 in March from 57.3 in February (remember, the supplier delivery index moves higher as delivery delays rise). Finally, the employment index continued to decline in March, falling to 43.8. This echoed the decline of 27,000 jobs in today’s ADP employment report, reflecting the ongoing effects of government-mandated shutdowns of businesses. We are forecasting a 145,000 drop in nonfarm payrolls for March but may adjust this estimate tomorrow morning once we see the latest figures on unemployment claims. In other news this morning, construction fell 1.3% in February. A rise in transportation projects was offset by broad-based declines elsewhere, led by commercial construction and manufacturing. Finally, in recent news on the housing market, pending home sales, which are contracts on existing homes, rose 2.4% in February after a 5.3% gain in January. Normally, these gains would signal a surge in closings in March. But closings were unusually strong in February, perhaps a reaction by some buyers to the oncoming Coronavirus. And now, given social distancing, closings in March could be relatively soft. On the price front, the Case-Shiller index, which measures national home prices, rose 0.5% in January and is up 3.9% from a year ago, a slight deceleration from the 4.2% increase in the year ending in January 2019. In the past twelve months, price gains have been the fastest in Phoenix, the slowest in New York and Chicago.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Mar-20	Feb-20	Jan-20	3-month moving avg	6-month moving avg	Year-ago level
Business Barometer	49.1	50.1	50.9	50.0	49.1	54.6
New Orders	42.2	49.8	52.0	48.0	47.9	55.5
Production	47.7	50.3	54.3	50.8	48.6	55.1
Inventories	46.9	46.5	48.8	47.4	48.0	50.6
Employment	43.8	46.9	46.6	45.8	46.2	57.1
Supplier Deliveries	65.0	57.3	52.9	58.4	54.9	54.9
Order Backlog (NSA)	45.9	50.3	45.7	47.3	45.4	50.4
Prices Paid (NSA)	37.4	45.9	53.3	45.5	46.8	54.3
New Export Orders	46.6	51.2	53.3	50.4	49.5	51.7

Source: National Association of Purchasing Management