

U.S. Data Review

- ISM manufacturing: below 50, but improving; prices contained

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ISM Manufacturing Index

- The ISM manufacturing index registered its third consecutive advance after bouncing around at a low level for the first half of 2023 (chart, below left). The latest reading of 49.0 still indicates contraction in the manufacturing sector, but it is the best reading of the year thus far and raises the possibility that this segment of the economy could be showing signs of recovery (or at least adapting to an environment constrained by elevated borrowing costs and tighter lending standards).
- The employment index rose 2.7 index points to 51.2, the second consecutive advance and first reading above 50.0 since May (chart, below right). Despite the improvement, only 7 of 18 industry groups participating in the survey reported employment growth. Many firms are still using layoffs, hiring freezes, and attrition to contain/reduce headcounts, with attrition rather than active reductions utilized as the primary tool.
- The production index increased 2.5 index points to 52.5, the second consecutive month at or above 50.0. In September, 10 of 18 major industry groups indicated a pickup in production activity.
- New orders rose 2.4 index points to 49.2, but the measure remained in contraction for the 13th consecutive month. A reduction in order backlogs in part facilitated the pickup in production. New order activity is still constrained, with only 5 of 18 industry groups indicating growth in new orders.
- The supplier deliveries index was a drag on the headline (-2.2 index points to 46.4), declining for the 12th consecutive month. The sub-50 reading, which indicates faster deliveries, suggests that supply chains are mostly healed from COVID-related disruptions and that firms have the necessary capacity to meet current order flows.
- The price index fell 4.6 index points in September to 43.8, reversing a jump of 5.8 index points in August to 48.4. The latest reading is above the recent low of 39.4 in December 2022, but it was well below the recent high of 87.1 in March 2022. Only one industry – Petroleum and Coal Products – reported paying higher raw materials prices in September.

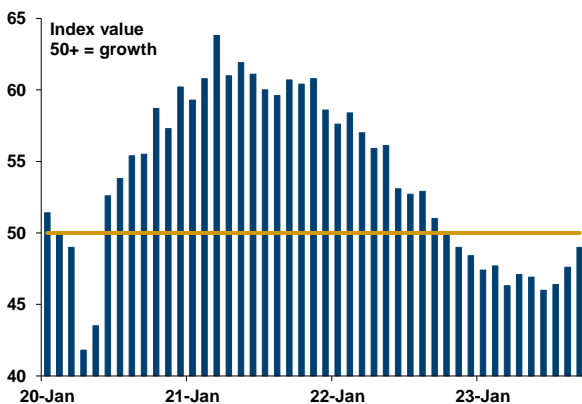
ISM Manufacturing: Monthly Indexes*

	May-23	Jun-23	Jul-23	Aug-23	Sep-23
ISM Mfg. Composite	46.9	46.0	46.4	47.6	49.0
New orders	42.6	45.6	47.3	46.8	49.2
Production	51.1	46.7	48.3	50.0	52.5
Employment	51.4	48.1	44.4	48.5	51.2
Supplier deliveries	43.5	45.7	46.1	48.6	46.4
Inventories	45.8	44.0	46.1	44.0	45.8
Prices paid*	44.2	41.8	42.6	48.4	43.8

* The prices paid index is not seasonally adjusted. The measure is not part of the ISM manufacturing composite index.

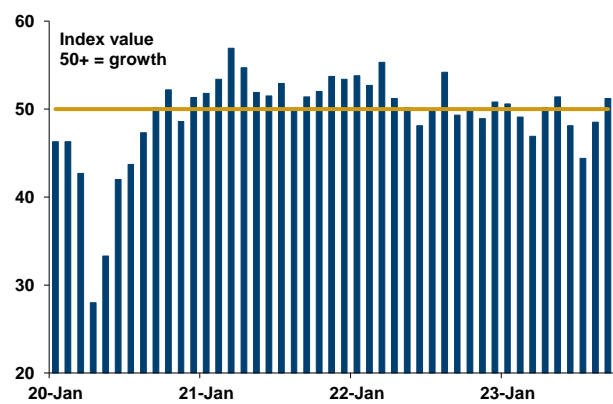
Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: Headline Index



Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: Employment Index



Source: Institute for Supply Management via Haver Analytics

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