

U.S. Data Review

- ISM manufacturing: fifth consecutive month of contraction

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ISM Manufacturing

- The ISM manufacturing index slipped 1.4 index points in March to 46.3, more pronounced than the expected easing of 0.2 index point. March marked the fifth consecutive month of contraction for the factory measure (i.e. a reading below 50) after signaling expansion for 28 consecutive months.
- The new orders index registered the largest decline among components, falling 2.7 index points to 44.3. The latest reading, while a bit above the recent low of 42.5 in January, implied caution in new bookings amid expectations of deterioration in the economic outlook (chart, below left).
- The employment index, which had bounced between expansion and contraction since last summer, showed clearer signs of softening in March. The measure fell 2.2 index points to 46.9, the weakest performance since the summer of 2020 when the economy was first emerging from COVID-related lockdowns.
- The production measure rose modestly, but it remained below 50.0 for the fourth consecutive month.
- The supplier deliveries index registered a reading below 50.0 for the sixth consecutive month (-0.4 index point to 44.8). The soft readings followed the measure averaging 72.9 in 2021 and 64.4 in the first half of 2022, a period when the economy faced significant supply-chain challenges. Readings below 50 indicate fast delivery times, with the series of sub-50 readings implying that supply chains have normalized after earlier difficulties.
- The price index eased to 49.2 in March. The latest reading is off the recent low of 39.4 in December, but it was well below the recent high of 87.1 in March of last year. Readings in the past few months suggest that input costs remain contained (chart, below right).
- On balance, the March ISM report suggests softening in the factory sector beyond that observed in other recent months. Comments by survey respondents indicated increased concern regarding near-term prospects for a revival in activity.

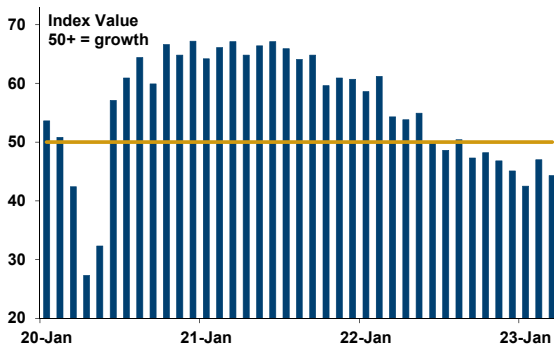
ISM Manufacturing: Monthly Indexes*

	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
ISM Mfg. Composite	49.0	48.4	47.4	47.7	46.3
New orders	46.8	45.1	42.5	47.0	44.3
Production	50.9	48.6	48.0	47.3	47.8
Employment	48.9	50.8	50.6	49.1	46.9
Supplier deliveries	47.2	45.1	45.6	45.2	44.8
Inventories	51.1	52.3	50.2	50.1	47.5
Prices paid*	43.0	39.4	44.5	51.3	49.2

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

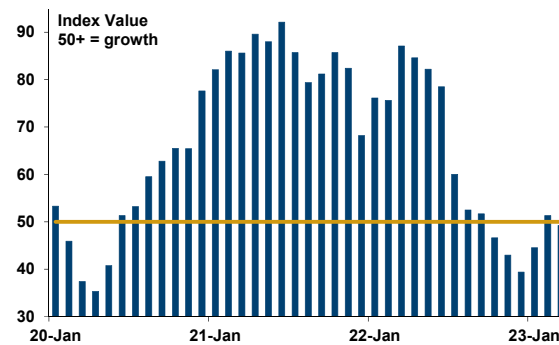
Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: New Orders Index



Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: Prices Index



Source: Institute for Supply Management via Haver Analytics

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