



# ISM Manufacturing Index: Expanding Business Strength in May

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by Jill Mislinski  
of Advisor Perspectives

Today the Institute for Supply Management published its monthly Manufacturing Report for May. The latest headline Purchasing Managers Index (PMI) was 58.7 percent, an increase of 1.4 percent from 57.3 the previous month. Today's headline number was above the *Investing.com* forecast of 58.2 percent.

Here is the key analysis from the report:

"The May PMI<sup>®</sup> registered 58.7 percent, an increase of 1.4 percentage points from the April reading of 57.3 percent. The New Orders Index registered 63.7 percent, an increase of 2.5 percentage points from the April reading of 61.2 percent. The Production Index registered 61.5 percent, a 4.3 percentage point increase compared to the April reading of 57.2 percent. The Employment Index registered 56.3 percent, an increase of 2.1 percentage points from the April reading of 54.2 percent. The Supplier Deliveries Index registered 62 percent, a 0.9 percentage point increase from the April reading of 61.1 percent. The Inventories Index registered 50.2 percent, a decrease of 2.7 percentage points from the April reading of 52.9 percent. The Prices Index registered 79.5 percent in May, a 0.2 percentage point increase from the April reading of 79.3 percent, indicating higher raw materials prices for the 27th consecutive month."

Here is the table of PMI components.

**MANUFACTURING AT A GLANCE**  
MAY 2018

Index	Series Index May	Series Index Apr	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	58.7	57.3	+1.4	Growing	Faster	21
New Orders	63.7	61.2	+2.5	Growing	Faster	29
Production	61.5	57.2	+4.3	Growing	Faster	21
Employment	56.3	54.2	+2.1	Growing	Faster	20
Supplier Deliveries	62.0	61.1	+0.9	Slowing	Faster	20
Inventories	50.2	52.9	-2.7	Growing	Slower	5
Customers' Inventories	39.6	44.3	-4.7	Too Low	Faster	20
Prices	79.5	79.3	+0.2	Increasing	Faster	27
Backlog of Orders	63.5	62.0	+1.5	Growing	Faster	16
New Export Orders	55.6	57.7	-2.1	Growing	Slower	27
Imports	54.1	57.8	-3.7	Growing	Slower	16
<b>OVERALL ECONOMY</b>				Growing	Faster	109
<b>Manufacturing Sector</b>				Growing	Faster	21

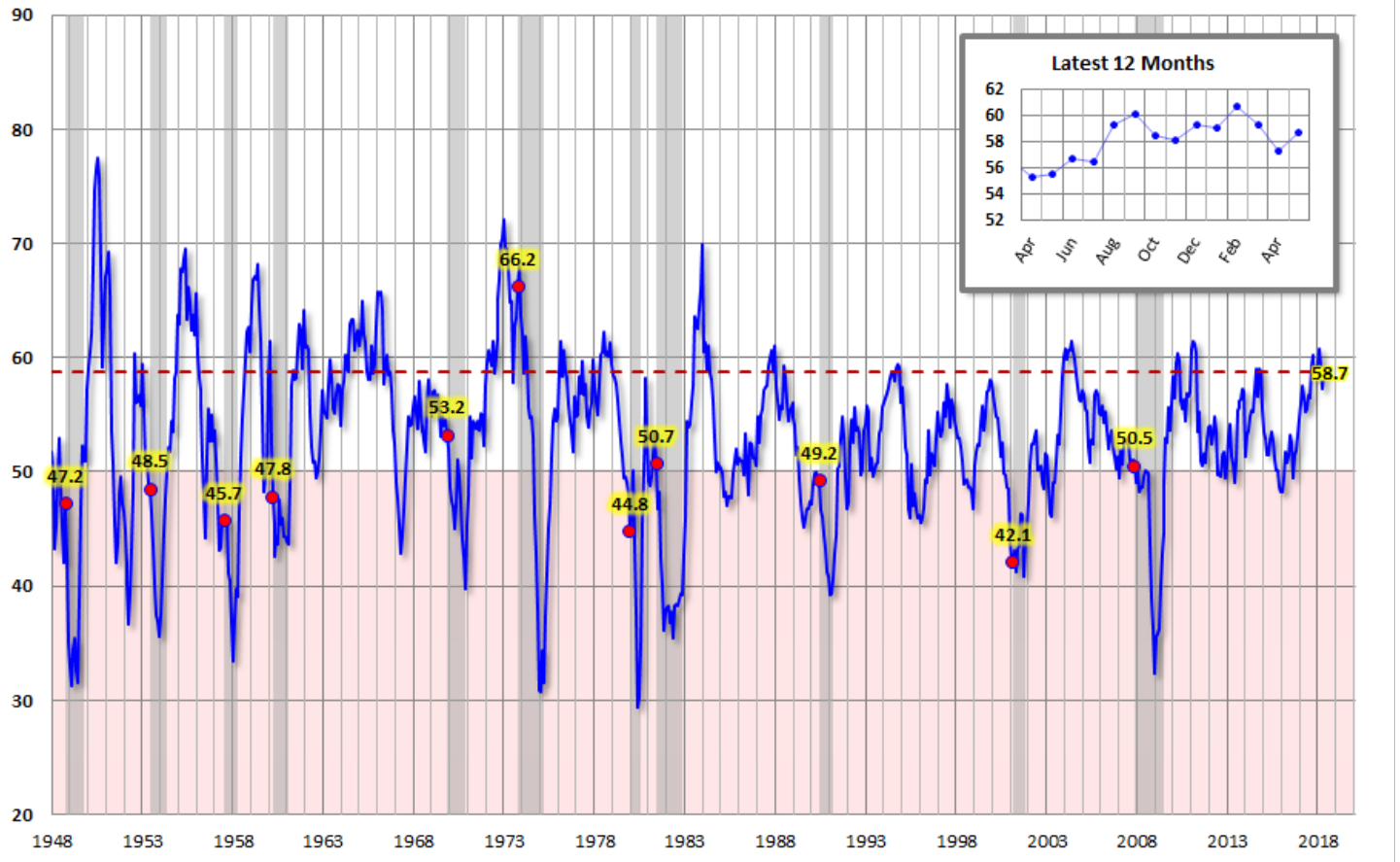
Manufacturing ISM® *Report On Business*® data is seasonally adjusted for the New Orders, Production, Employment and Supplier Deliveries Indexes.

\*Number of months moving in current direction.

The chart below shows the Manufacturing Composite series, which stretches back to 1948. The eleven recessions during this time frame are indicated along with the index value the month before the recession starts.

## ISM Manufacturing: PMI Composite Index Monthly Series with Recessions Highlighted

*Dashed line shows the current level, Dots highlight the month before a recession*

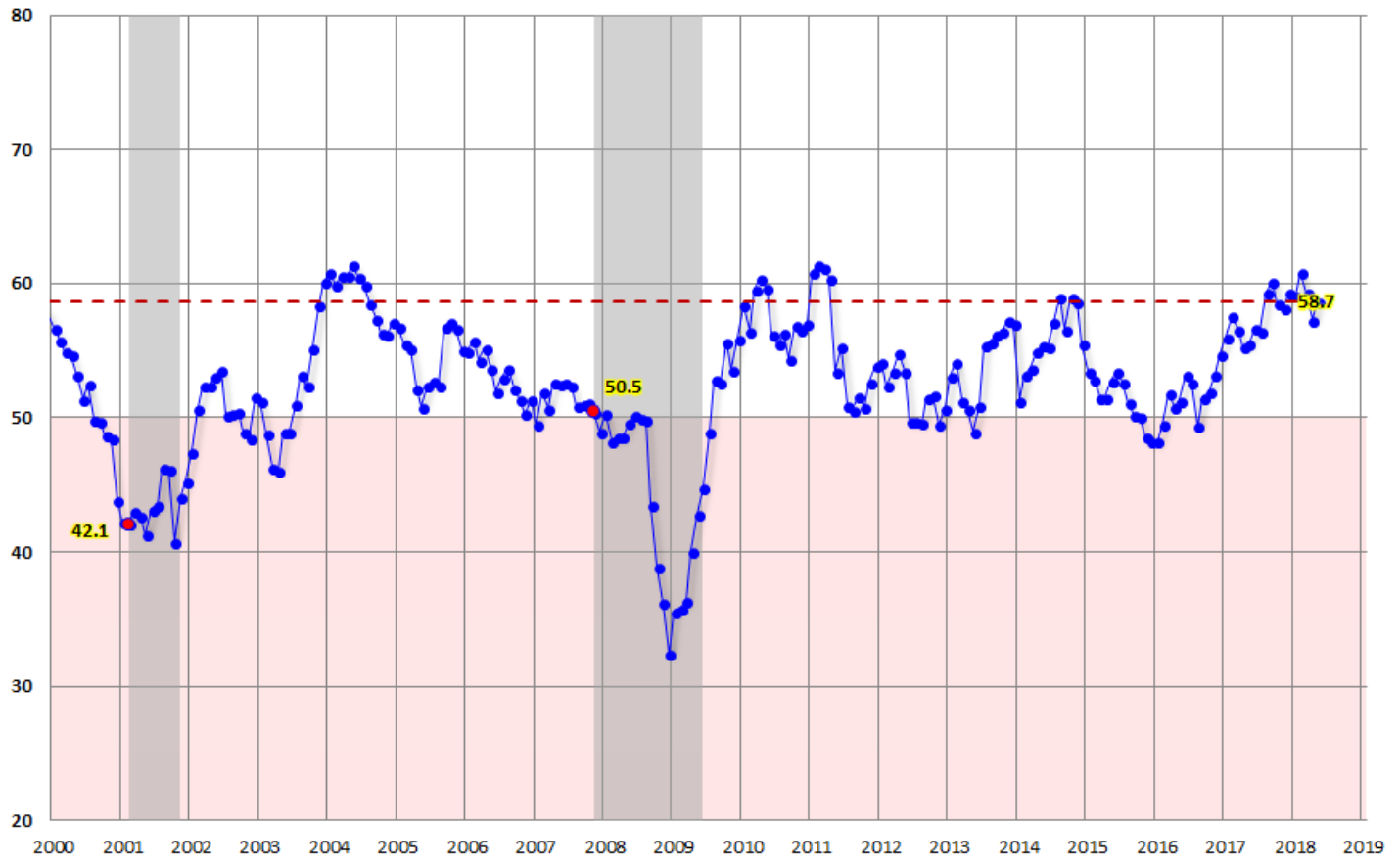


For a diffusion index, the latest reading of 57.3 is its twentieth consecutive month of expansion. What sort of correlation does that have with the months before the start of recessions? Check out the red dots in the chart above.

Here is a closer look at the series beginning at the turn of the century.

## ISM Manufacturing: PMI Composite Index Monthly Series with Recessions Highlighted

*Dashed line shows the current level, Dots highlight the month before a recession*



**Note:** This commentary used the FRED USRECP series (Peak through the Period preceding the Trough) to highlight the recessions in the charts above. For example, the NBER dates the last cycle peak as December 2007, the trough as June 2009 and the duration as 18 months. The USRECP series thus flags December 2007 as the start of the recession and May 2009 as the last month of the recession, giving us the 18-month duration. The dot for the last recession in the charts above is thus for November 2007. The "Peak through the Period preceding the Trough" series is the one FRED uses in its monthly charts, as illustrated here.