



ISM Manufacturing Index: Expansion in June

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Today the Institute for Supply Management published its monthly Manufacturing Report for June. The latest headline Purchasing Managers Index (PMI) was 60.2 percent, an increase of 1.5 percent from 58.7 the previous month. Today's headline number was above the *Investing.com* forecast of 58.4 percent.

Here is the key analysis from the report:

“The June PMI® registered 60.2 percent, an increase of 1.5 percentage points from the May reading of 58.7 percent. The New Orders Index registered 63.5 percent, a decrease of 0.2 percentage point from the May reading of 63.7 percent. The Production Index registered 62.3 percent, a 0.8 percentage point increase compared to the May reading of 61.5 percent. The Employment Index registered 56 percent, a decrease of 0.3 percentage point from the May reading of 56.3 percent. The Supplier Deliveries Index registered 68.2 percent, a 6.2 percentage point increase from the May reading of 62 percent. The Inventories Index registered 50.8 percent, an increase of 0.6 percentage point from the May reading of 50.2 percent. The Prices Index registered 76.8 percent in June, a 2.7 percentage point decrease from the May reading of 79.5 percent, indicating higher raw materials prices for the 28th consecutive month.

Here is the table of PMI components.

MANUFACTURING AT A GLANCE

JUNE 2018

Index	Series Index Jun	Series Index May	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	60.2	58.7	+1.5	Growing	Faster	22
New Orders	63.5	63.7	-0.2	Growing	Slower	30
Production	62.3	61.5	+0.8	Growing	Faster	22
Employment	56.0	56.3	-0.3	Growing	Slower	21
Supplier Deliveries	68.2	62.0	+6.2	Slowing	Faster	21
Inventories	50.8	50.2	+0.6	Growing	Faster	6
Customers' Inventories	39.7	39.6	+0.1	Too Low	Slower	21
Prices	76.8	79.5	-2.7	Increasing	Slower	28
Backlog of Orders	60.1	63.5	-3.4	Growing	Slower	17
New Export Orders	56.3	55.6	+0.7	Growing	Faster	28
Imports	59.0	54.1	+4.9	Growing	Faster	17
OVERALL ECONOMY				Growing	Faster	110
Manufacturing Sector				Growing	Faster	22

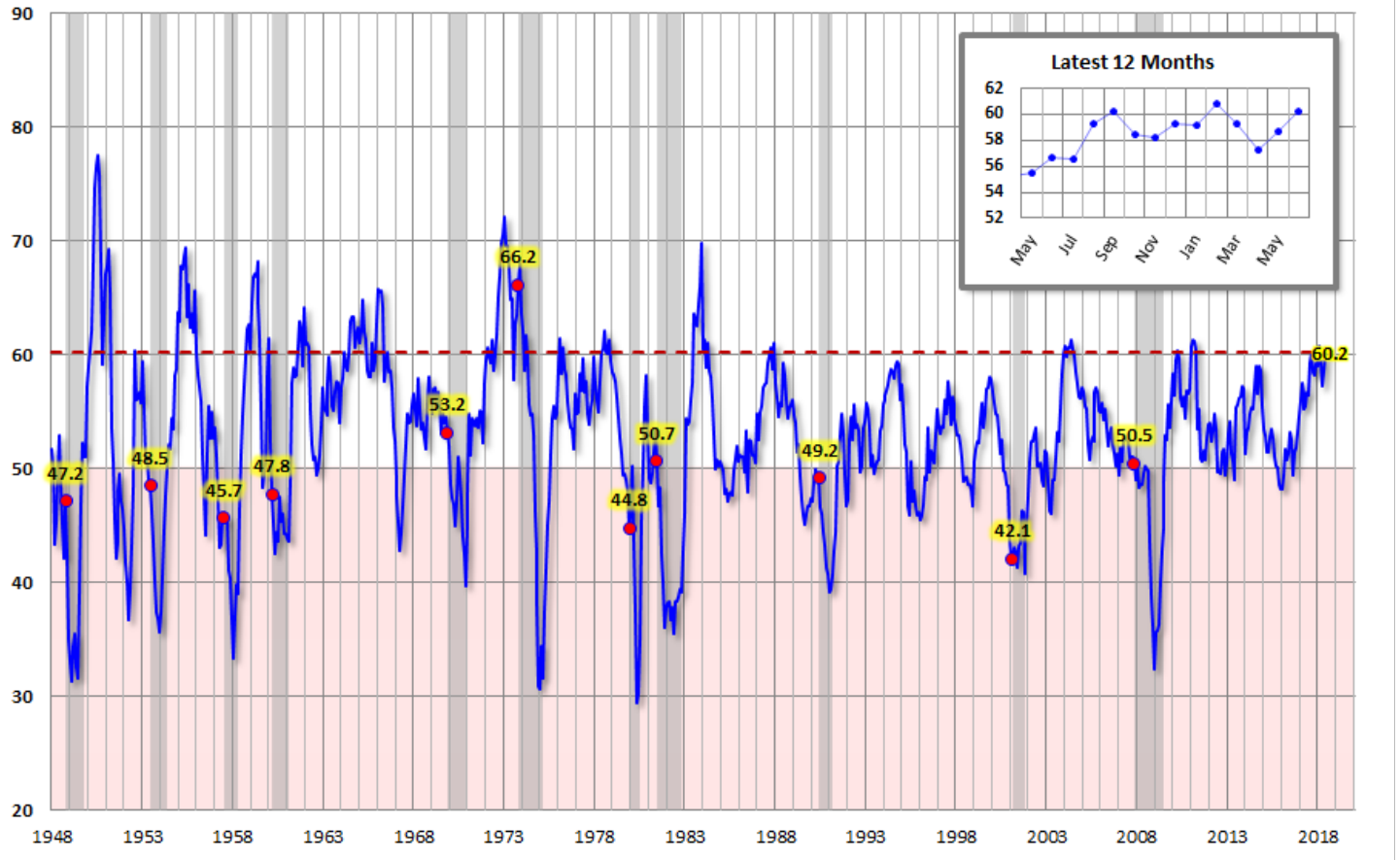
Manufacturing ISM® *Report On Business*® data is seasonally adjusted for the New Orders, Production, Employment and Supplier Deliveries Indexes.

*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

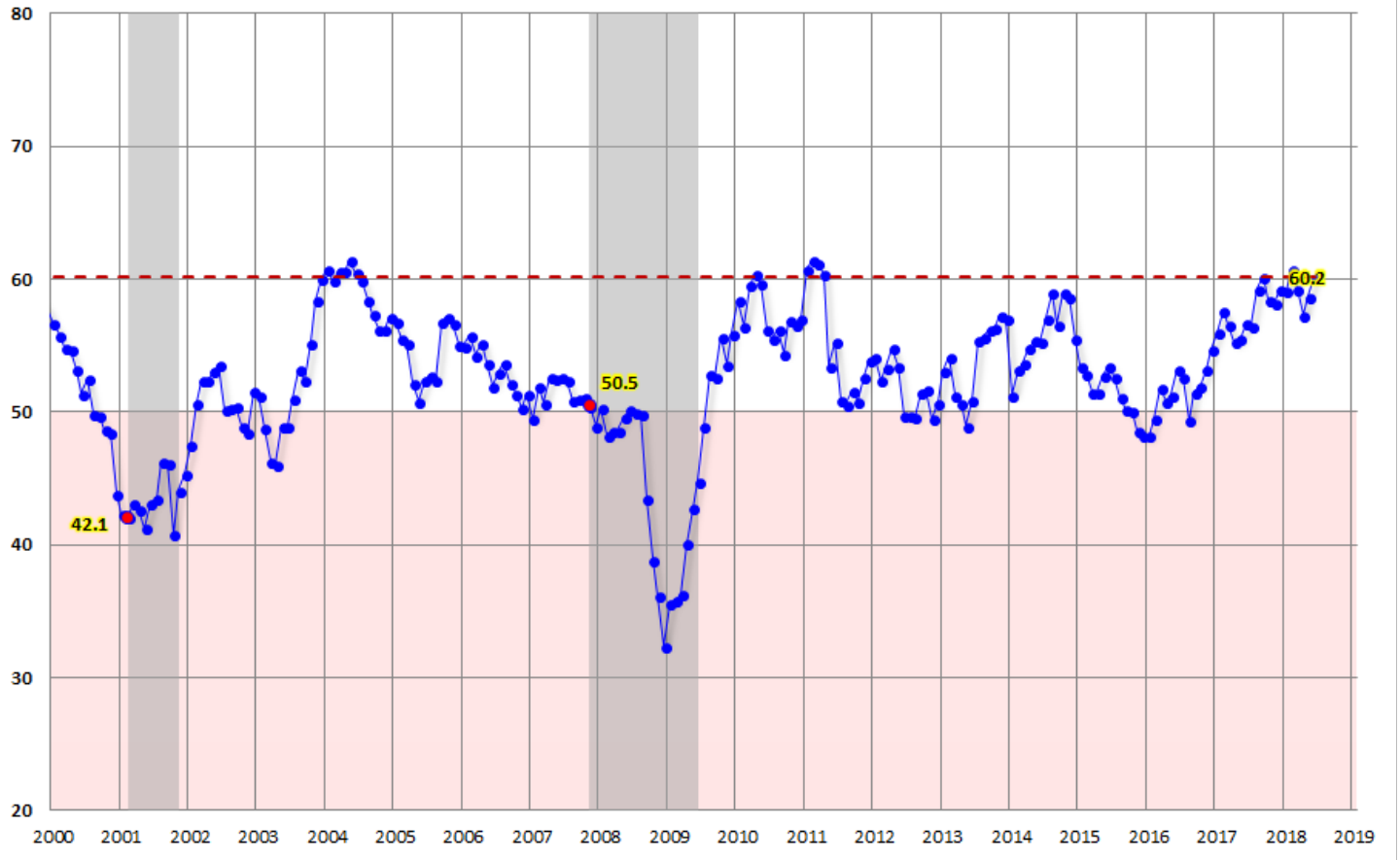


For a diffusion index, the latest reading of 60.2 is its twenty-second consecutive month of expansion. What sort of correlation does that have with the months before the start of recessions? Check out the red dots in the chart above.

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.