



ISM Manufacturing Index: Continued Strength in September

October 1, 2018

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Today the Institute for Supply Management published its monthly Manufacturing Report for September. The latest headline Purchasing Managers Index (PMI) was 59.8 percent, a decrease of 1.5 percent from 61.3 the previous month. Today's headline number was below the *Investing.com* forecast of 60.1 percent.

Here is the key analysis from the report:

"The September PMI® registered 59.8 percent, a decrease of 1.5 percentage points from the August reading of 61.3 percent. The New Orders Index registered 61.8 percent, a decrease of 3.3 percentage points from the August reading of 65.1 percent. The Production Index registered 63.9 percent, a 0.6 percentage point increase compared to the August reading of 63.3 percent. The Employment Index registered 58.8 percent, an increase of 0.3 percentage point from the August reading of 58.5 percent. The Supplier Deliveries Index registered 61.1 percent, a 3.4-percentage point decrease from the August reading of 64.5 percent. The Inventories Index registered 53.3 percent, a decrease of 2.1 percentage points from the August reading of 55.4 percent. The Prices Index registered 66.9 percent in September, a 5.2-percentage point decrease from the August reading of 72.1 percent, indicating higher raw materials prices for the 31st consecutive month."

Here is the table of PMI components.

MANUFACTURING AT A GLANCE
SEPTEMBER 2018

Index	Series Index Sep	Series Index Aug	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	59.8	61.3	-1.5	Growing	Slower	25
New Orders	61.8	65.1	-3.3	Growing	Slower	33
Production	63.9	63.3	+0.6	Growing	Faster	25
Employment	58.8	58.5	+0.3	Growing	Faster	24
Supplier Deliveries	61.1	64.5	-3.4	Slowing	Slower	24
Inventories	53.3	55.4	-2.1	Growing	Slower	9
Customers' Inventories	40.5	41.0	-0.5	Too Low	Faster	24
Prices	66.9	72.1	-5.2	Increasing	Slower	31
Backlog of Orders	55.7	57.5	-1.8	Growing	Slower	20
New Export Orders	56.0	55.2	+0.8	Growing	Faster	31
Imports	54.5	53.9	+0.6	Growing	Faster	20
OVERALL ECONOMY				Growing	Slower	113
Manufacturing Sector				Growing	Slower	25

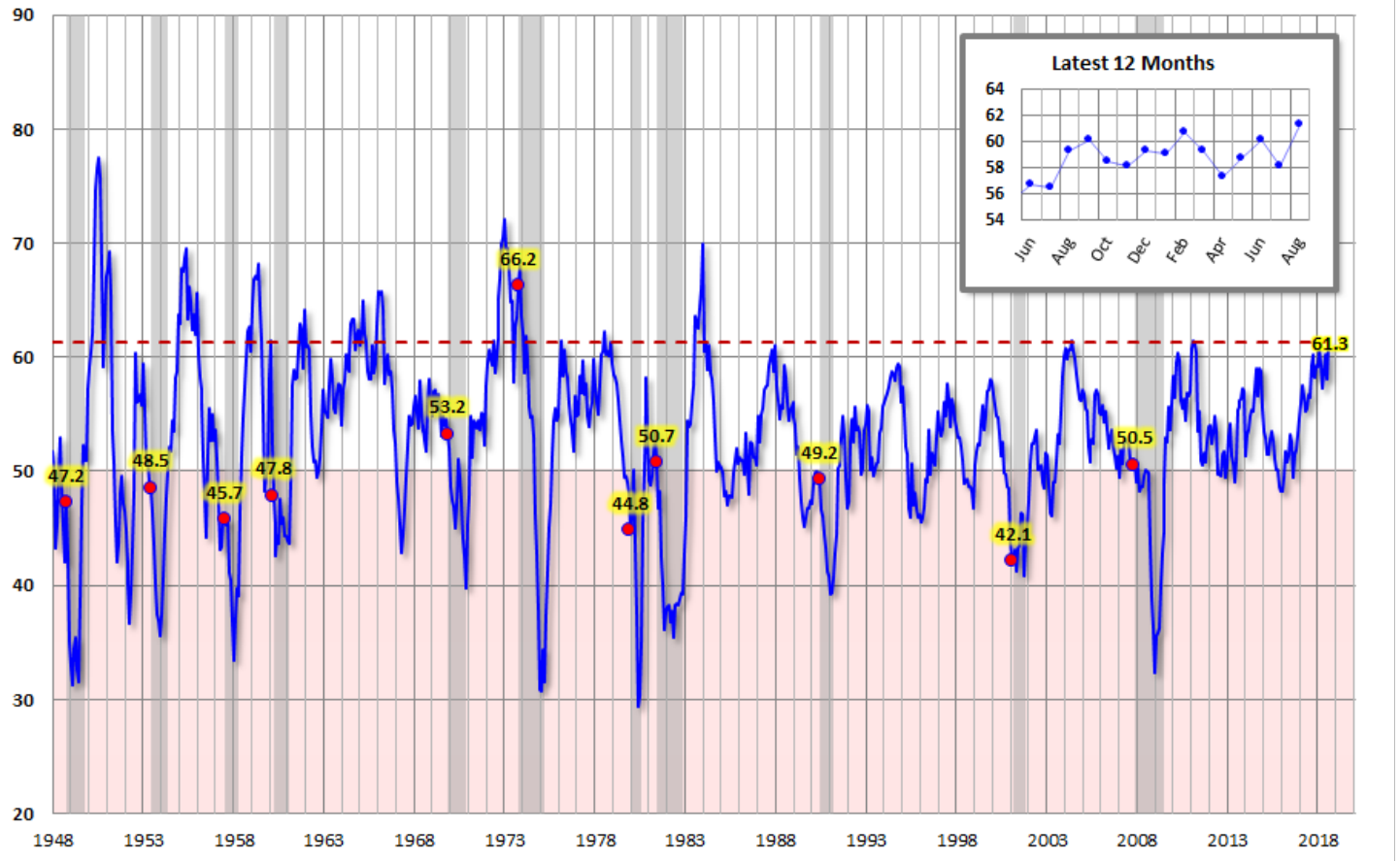
Manufacturing ISM® *Report On Business*® data is seasonally adjusted for the New Orders, Production, Employment and Supplier Deliveries Indexes.

*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

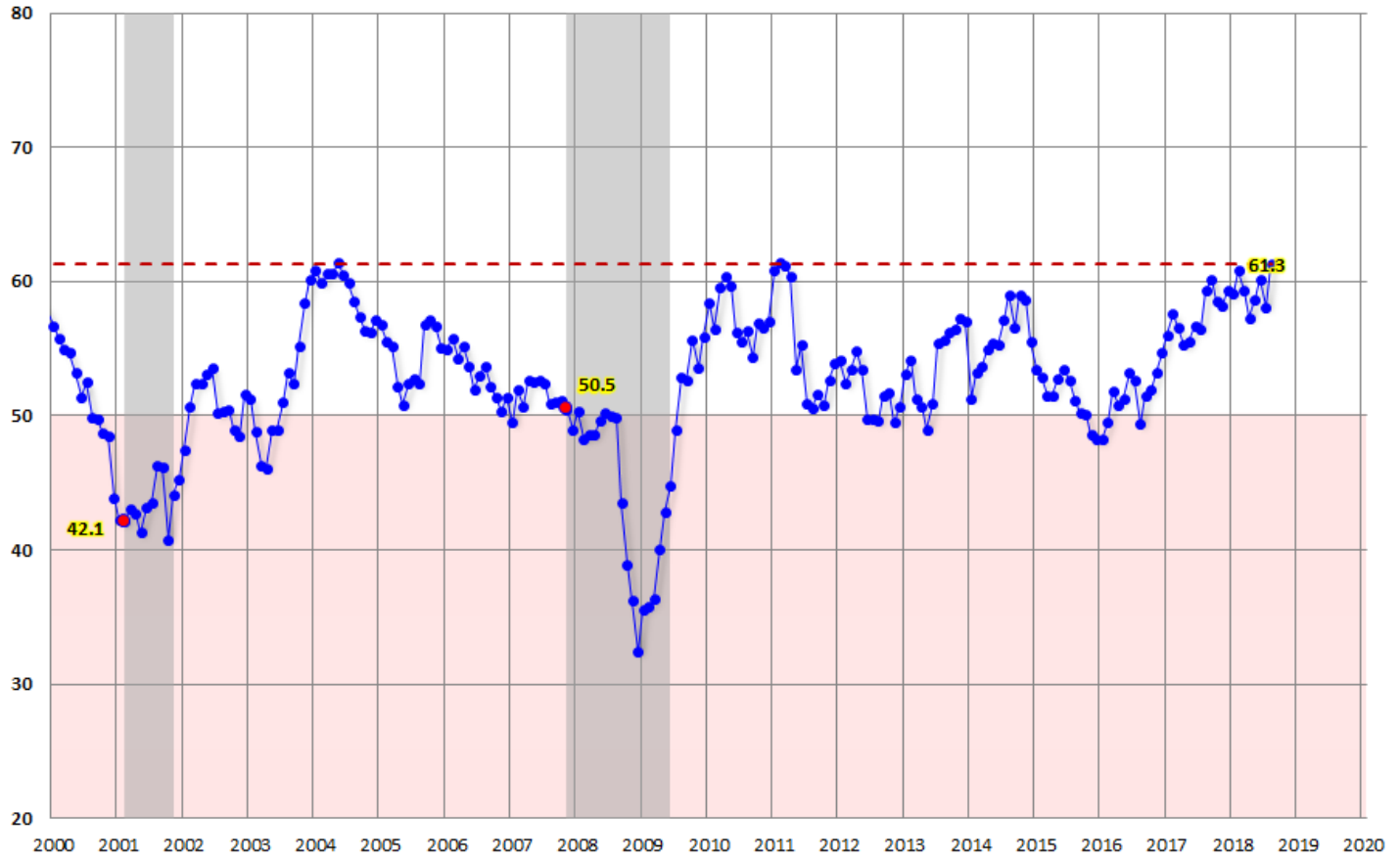


For a diffusion index, the latest reading of 59.8 is its twenty-fifth consecutive month of expansion. What sort of correlation does that have with the months before the start of recessions? Check out the red dots in the chart above.

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.