



# ISM Manufacturing Index: Expansion in October

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of Advisor Perspectives

Today the Institute for Supply Management published its monthly Manufacturing Report for October. The latest headline Purchasing Managers Index (PMI) was 57.7 percent, a decrease of 2.1 percent from 59.8 the previous month. Today's headline number was below the *Investing.com* forecast of 59.0 percent.

Here is the key analysis from the report:

"The October PMI<sup>®</sup> registered 57.7 percent, a decrease of 2.1 percentage points from the September reading of 59.8 percent. The New Orders Index registered 57.4 percent, a decrease of 4.4 percentage points from the September reading of 61.8 percent. The Production Index registered 59.9 percent, a 4 -percentage point decrease compared to the September reading of 63.9 percent. The Employment Index registered 56.8 percent, a decrease of 2 percentage points from the September reading of 58.8 percent. The Supplier Deliveries Index registered 63.8 percent, a 2.7-percentage point increase from the September reading of 61.1 percent. The Inventories Index registered 50.7 percent, a decrease of 2.6 percentage points from the September reading of 53.3 percent. The Prices Index registered 71.6 percent, a 4.7-percentage point increase from the September reading of 66.9 percent, indicating higher raw materials prices for the 32nd consecutive month."

Here is the table of PMI components.

**MANUFACTURING AT A GLANCE**  
OCTOBER 2018

Index	Series Index Oct	Series Index Sep	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	57.7	59.8	-2.1	Growing	Slower	26
New Orders	57.4	61.8	-4.4	Growing	Slower	34
Production	59.9	63.9	-4.0	Growing	Slower	26
Employment	56.8	58.8	-2.0	Growing	Slower	25
Supplier Deliveries	63.8	61.1	+2.7	Slowing	Faster	25
Inventories	50.7	53.3	-2.6	Growing	Slower	10
Customers' Inventories	43.3	40.5	+2.8	Too Low	Slower	25
Prices	71.6	66.9	+4.7	Increasing	Faster	32
Backlog of Orders	55.8	55.7	+0.1	Growing	Faster	21
New Export Orders	52.2	56.0	-3.8	Growing	Slower	32
Imports	54.3	54.5	-0.2	Growing	Slower	21
<b>OVERALL ECONOMY</b>				Growing	Slower	114
<b>Manufacturing Sector</b>				Growing	Slower	26

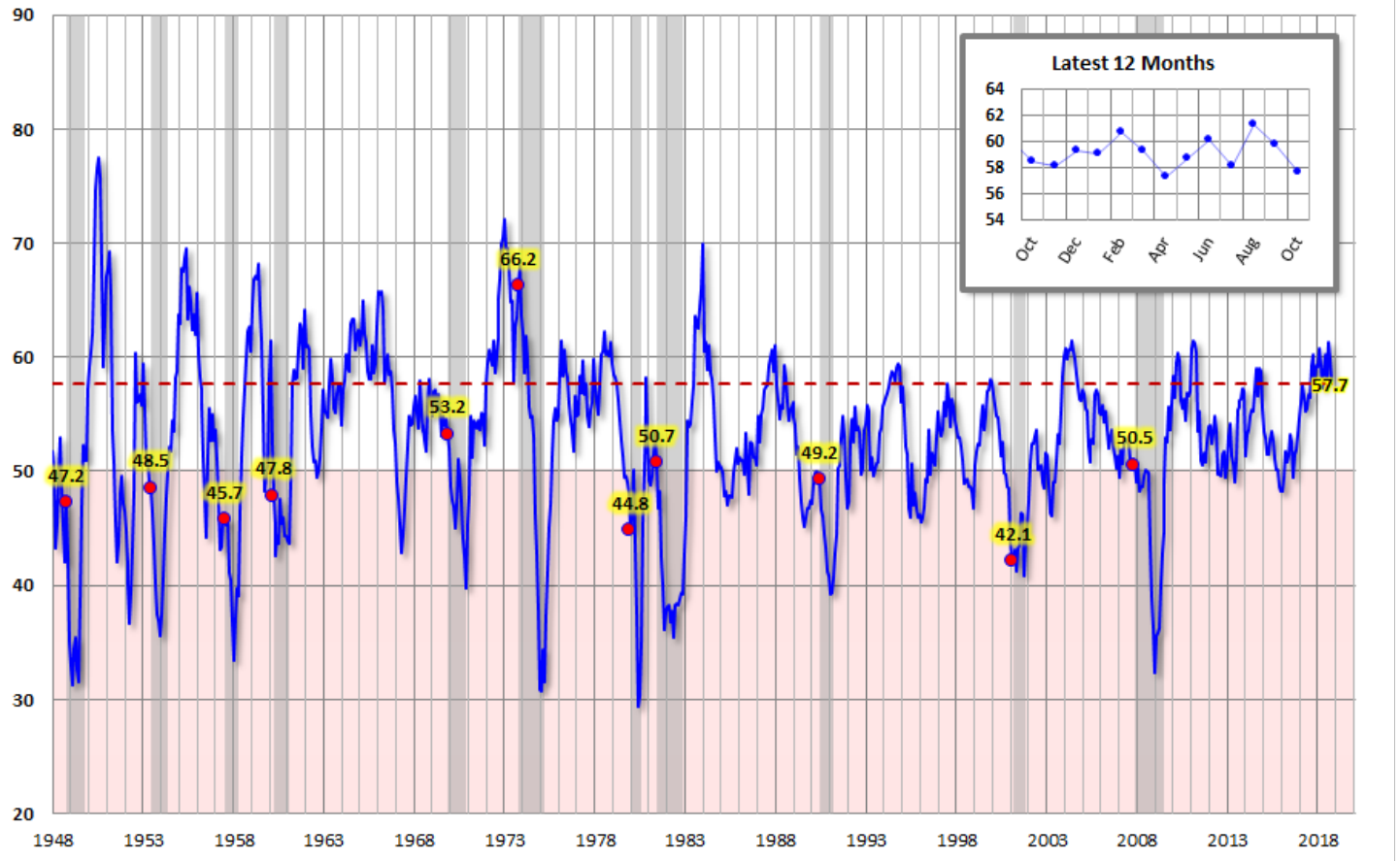
Manufacturing ISM® *Report On Business*® data is seasonally adjusted for the New Orders, Production, Employment and Supplier Deliveries Indexes.

\*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*

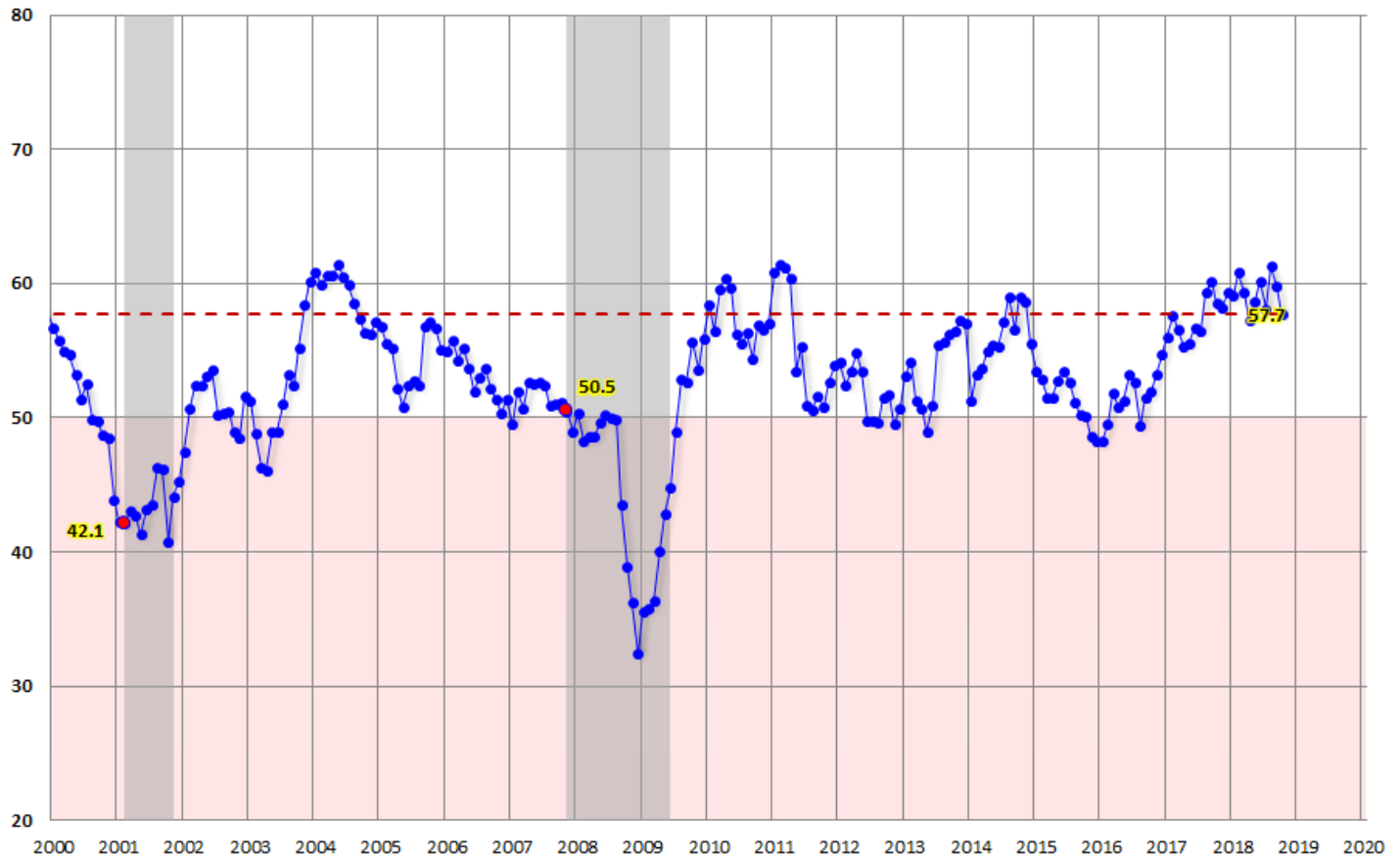


For a diffusion index, the latest reading of 57.7 is its twenty-sixth consecutive month of expansion. What sort of correlation does that have with the months before the start of recessions? Check out the red dots in the chart above.

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

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**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.