

ISM Manufacturing: Economic Recovery Still on Track

On the day GM filed for bankruptcy, we get evidence of the cyclical recovery in the manufacturing sector. Gains were recorded in production and the leading indicator indices for orders and backlogs. While production is up, employment remains unchanged. Prices paid moved up suggesting input cost pressures.

ISM Gain Suggests Economy off the Bottom

- Headline ISM manufacturing rose to 42.8 with improvements in key orders, production and backlog components. The recession continues, but these are signals of recovery ahead.
- New orders jumped sharply and broke the demarcation line of 50. Orders are a key leading indicator of industrial production, one of the four coincident indicators of the economy. IP may be higher over the medium-term.

Employment Remained Weak; Prices Paid Moving up

- Employment remained below the breakeven 50, thus we expect further job losses in manufacturing. Manufacturers will continue to cut jobs as a reflection of the current recession and lower growth expectations for future consumer demand.
- Prices paid moved up to 43.5 from 32.0 in April. This gain suggests rising input costs. Fuel oil and natural gas were cited as increasing in price.

