

# Economics Group

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## ISM: Recovery Story Breaks Above the Water Line, but Jobs?

***This month the ISM index broke 50 with gains in orders, supplier deliveries and production. Yet employment still lags and prices paid moved up. Once again, growth is leading jobs. Price gains will hurt profits.***

### Headline ISM Signals Growth in Manufacturing

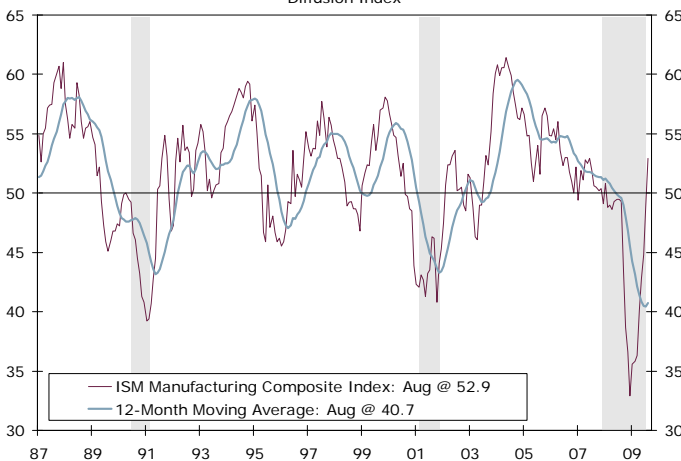
- The headline ISM manufacturing index rose to 52.9, which is consistent with expansion in the manufacturing sector. Gains were registered in new orders (a leading indicator), production and vendor performance.
- New orders improved for paper, printing, electrical equipment and computers & electronic products. The widespread nature of the gains suggests a recovery beyond just autos.

### Jobs and Prices: Bumps along the Path to Growth

- The employment index rose to 46.4 but remains far below breakeven. As expected, employment's recovery lags the business cycle once more.
- Prices paid are up over the 50 breakeven again. This represents input prices and suggests cost pressures for many firms, which will hamper profit growth. Once again commodity prices rose the most for metals.

ISM Manufacturing Composite Index

Diffusion Index



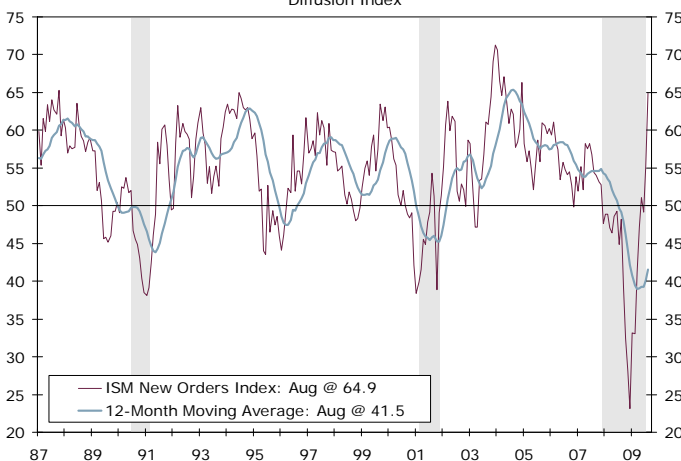
ISM Employment Index

Diffusion Index



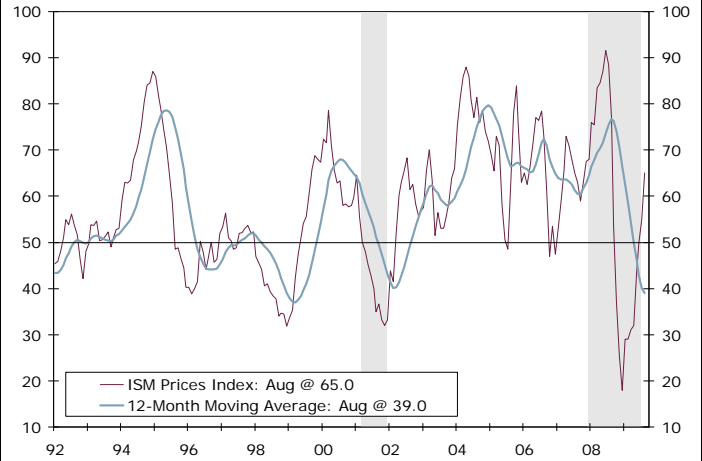
ISM New Orders Index

Diffusion Index



ISM Prices Index

Diffusion Index



## Wells Fargo Securities, LLC Economics Group

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