

Economics Group

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ISM: Growth Steady with a Positive Surprise: Orders, Jobs OK

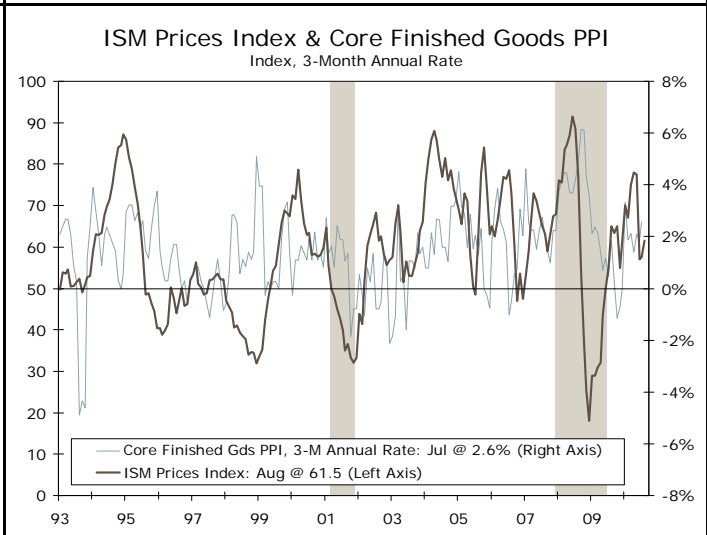
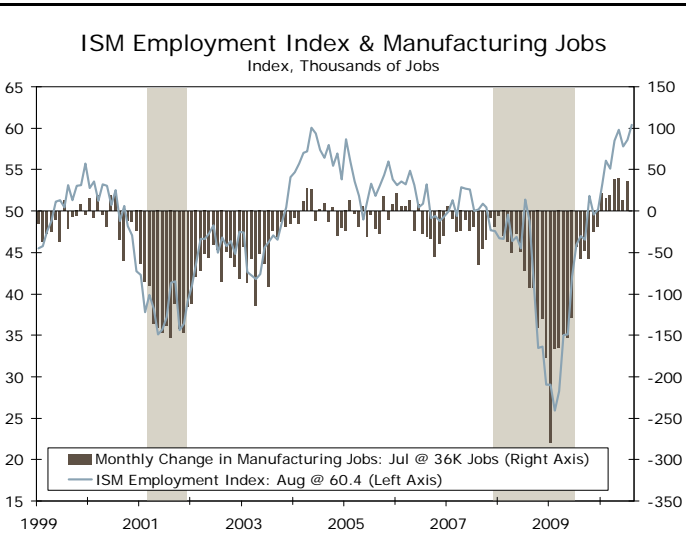
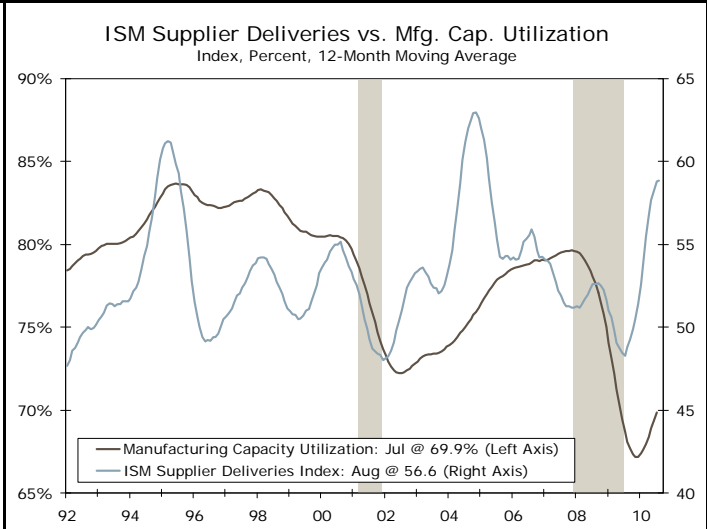
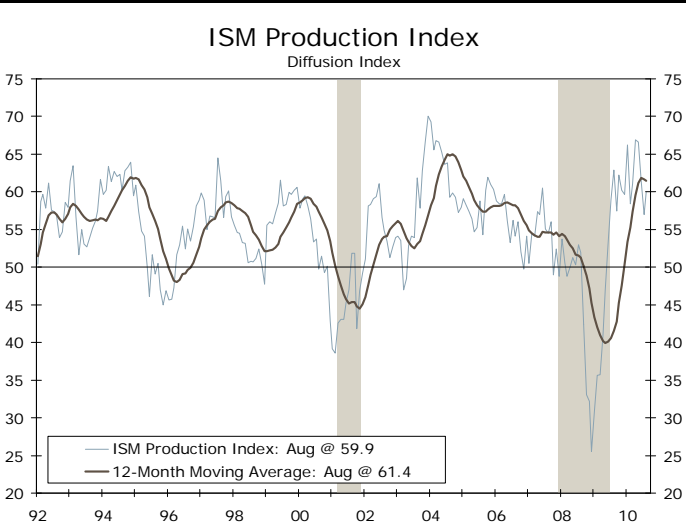
August ISM rose to 56.3, which was better than expected. Production and employment showed gains, while orders moderated. Firms appear to have adjusted their operations to match a slower growing economy.

Adjusting to Moderate Growth, No Double Dip

- Production, employment and inventories all suggest that firms have adjusted their expectations of top line revenues estimates to be consistent with more moderate growth in the second half of this year.
- Employment, both an economic and political lightning rod, has actually risen a bit, suggesting that firms do feel more comfortable adding jobs to meet sales expectations.

Lack of Pricing Power

- Slower deliveries suggest a lack of pricing power on the part of firms selling to the manufacturing sector, but in a counter indicator there was a rise in prices paid.
- Corrugated containers were up in price again for the sixth straight month. Twelve industries reported paying higher prices including paper, primary metals, chemicals, machinery, as well as computers and electrical equipment.



Source: Institute for Supply Management, U.S. Dept. of Labor, Federal Reserve and Wells Fargo Securities, LLC

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