

Economics Group

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ISM Moderates: Signal for Slower Growth in the Second Half

The ISM index fell to 59.7 with slower improvement in production and inventories. Growth continues but at a slower pace as the inventory rebuild is being completed. On the plus side, prices are moderating.

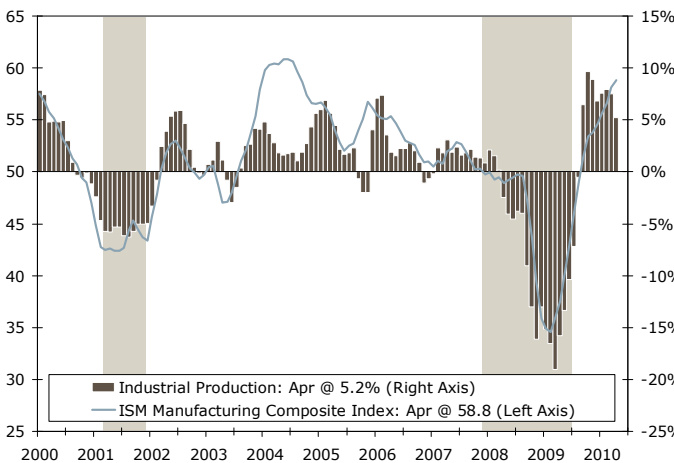
Manufacturing Expansion Continues, but Slower?

- ISM moderated in May with slower gains, but gains none-the-less, reported in orders, production and supplier deliveries. Moderation in the ISM index is consistent with our expectation for slower industrial production in the second half of this year.
- The new orders index stayed solid at 65.7 and suggests that the gains in capex will continue, but moderate, later this year.

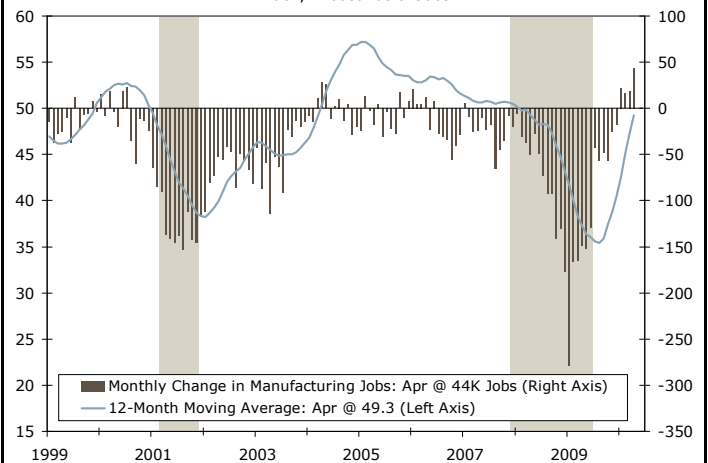
Employment Picture Brightening

- The employment index rose to 59.8, which is consistent with continued job gains in manufacturing. Sectors adding jobs include paper, transportation, fabricated metals and electrical equipment.
- Prices paid fell modestly. Commodities showing price increases include metals, plastics and plastic resins. Corrugated container prices were up for the third month in a row.

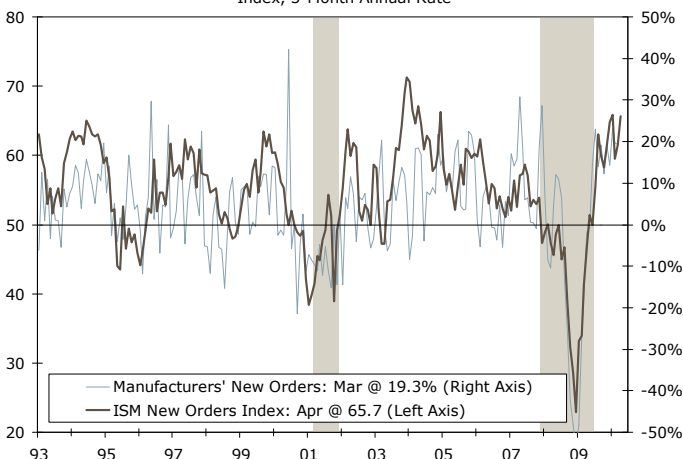
ISM Manufacturing Composite & Industrial Production
Index, 3-Month Moving Average, 3-Month Annual Rate



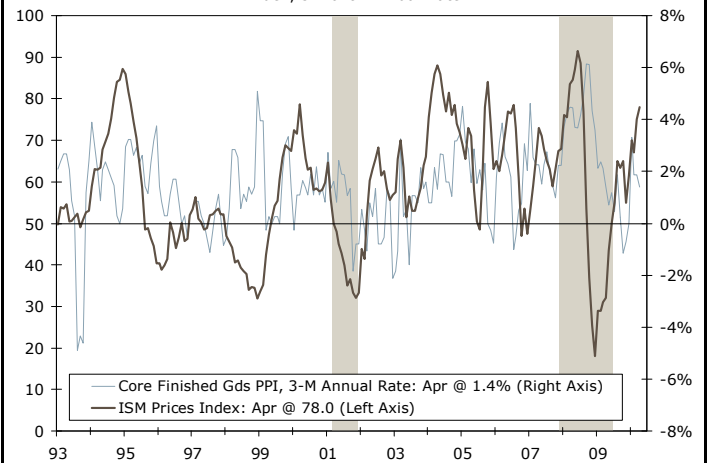
ISM Employment Index & Manufacturing Jobs
Index, Thousands of Jobs



ISM New Orders & Manufacturers' New Orders
Index, 3-Month Annual Rate



ISM Prices Index & Core Finished Goods PPI
Index, 3-Month Annual Rate



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

Wells Fargo Securities, LLC Economics Group

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