

Economics Group

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ISM: Recovery Story Continues with Employment Still Weak

Gains in orders and production lifted the ISM index to 48.9 and herald a continued march toward growth in the manufacturing sector. Employment remains weak (bad for households) and prices paid are moving up.

Orders and Production Rose

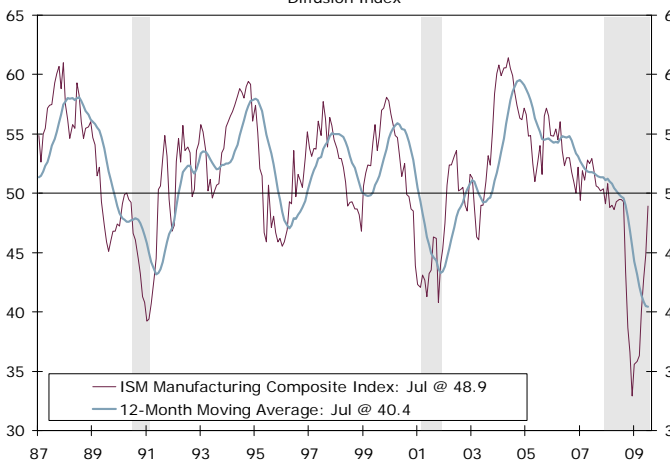
- Orders rose to 55.3 which is a solid gain and above the breakeven. This suggests gains in production ahead and an economic recovery in the third quarter. There were gains in orders for electrical equipment, chemicals and paper.
- Production rose to 57.9 with another nice gain; production has improved each month this year. There were gains in electrical, transportation and computer equipment.

Employment Lags Growth, Prices as Problem for Profits

- Employment readings rose to 45.6 but remain far below breakeven. As expected, employment's recovery lags the business cycle once more.
- Prices paid are up over the 50 breakeven again. These prices paid are input prices and suggest cost pressures for many firms which will hamper profit growth. Commodity prices rose most for metals.

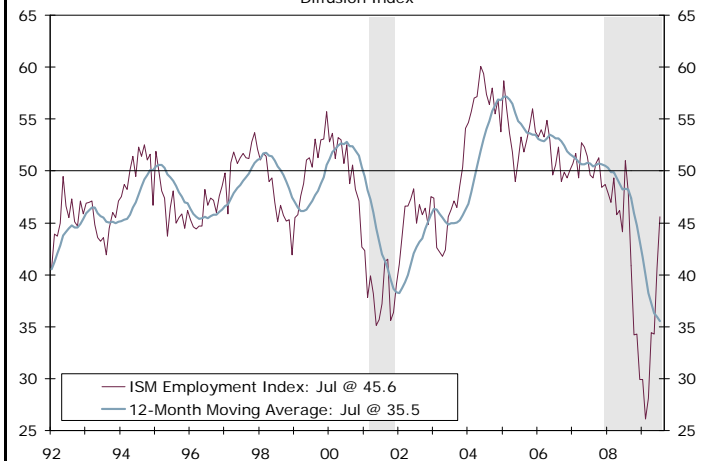
ISM Manufacturing Composite Index

Diffusion Index



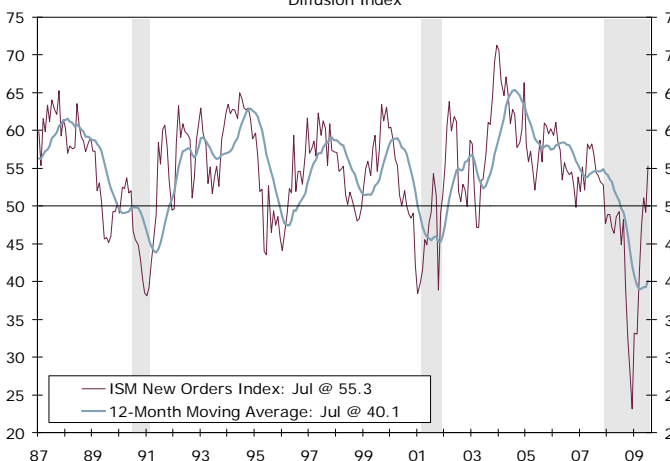
ISM Employment Index

Diffusion Index



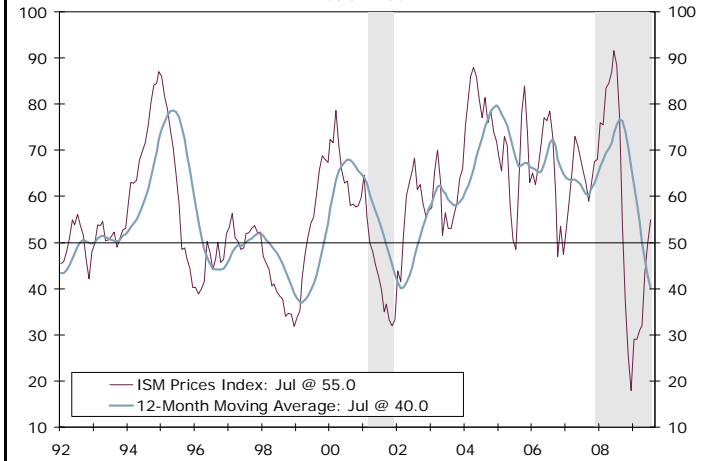
ISM New Orders Index

Diffusion Index



ISM Prices Index

Diffusion Index



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