

# Economics Group

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## ISM Manufacturing Index Signals Contraction in June

*Reflecting the pullback that was seen in most regional manufacturing surveys last month, the ISM manufacturing index fell below the expansion/contraction level in June, signaling weaker growth ahead.*

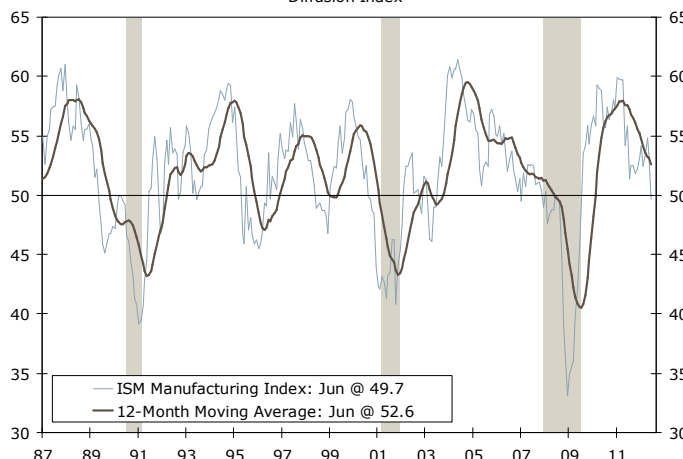
### Manufacturing Activity Pulls Back on Global Concerns

- Marking the first reading below the key “50” level since July 2009, the ISM manufacturing index fell to 49.7 in June. On a related note, the June Markit U.S. PMI also pulled back, confirming the slower pace of manufacturing activity.
- The biggest surprise was in the forward-looking new orders index, which plunged to 47.8 from 60.1 in May. New export orders also fell into contraction territory last month.

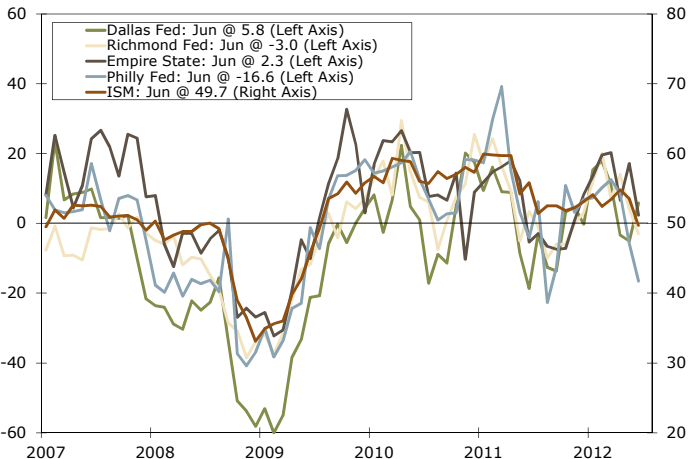
### Slower Growth Expected in the Second Half of 2012

- Given the softening performance we have seen in other economic indicators, it is of little surprise to us that manufacturing activity continues to cool. Today’s report will certainly cause the market to question the sustainability of the economic recovery in our opinion. With the European recession deepening and Chinese growth slowing, the pace of manufacturing activity should remain under pressure in the second half of the year.

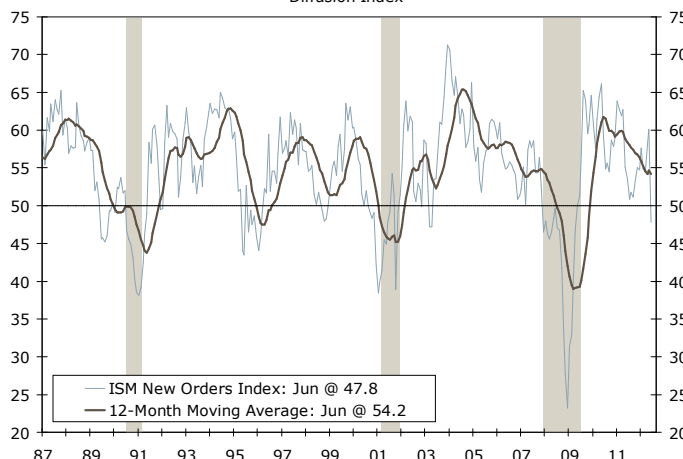
ISM Manufacturing Composite Index  
Diffusion Index



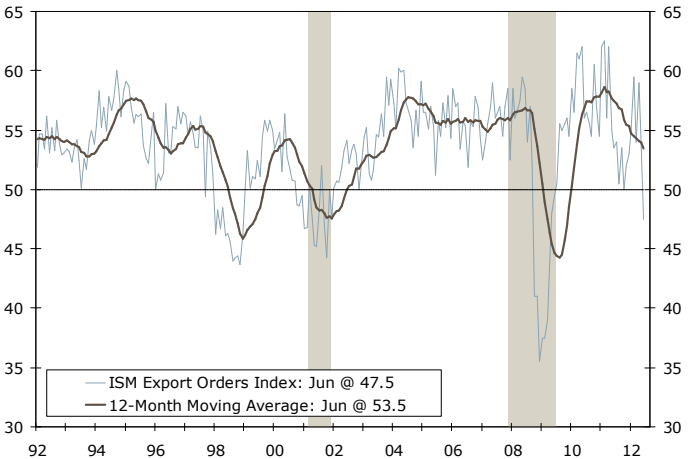
U.S. Manufacturing Indices  
Diffusion Index



ISM New Orders Index  
Diffusion Index



ISM Export Orders Index  
Diffusion Index



Source: Institute for Supply Management, FRBs of Dallas, Richmond, New York and Philadelphia and Wells Fargo Securities, LLC

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