

ISM Manufacturing: No "V" Shaped Recovery; Jobs, Production Up

June's ISM suggests the second quarter ended with modest upside momentum. Auto production should kick-start the third quarter. However, the orders index was disappointing and suggests that the recovery, ex-autos, will be modest. Prices paid continue to rise suggesting the risk of deflation is over, but inflation is not yet a concern either.

ISM Gain Suggests Recovery Continues After Weak Q2

- Headline ISM manufacturing rose to 44.8, which is consistent with the end of prior recessions. From here the economic direction is up but still not roaring.
- New orders disappointed and fell below break-even at 50. Orders are a key leading indicator of industrial production, one of the four coincident indicators of the economy. This release suggests that growth will remain modest.

Employment Remained Weak; Prices Paid Moving up

- Employment improved and while still consistent with job losses, at least the trend is improving. Personal income growth from job/wage gains will be limited for the rest of this year.
- Prices paid in June moved up to 50.0 from 43.5 in May. This gain suggests rising input costs which will limit profit gains. Diesel fuel, oil and plastic prices were up.

