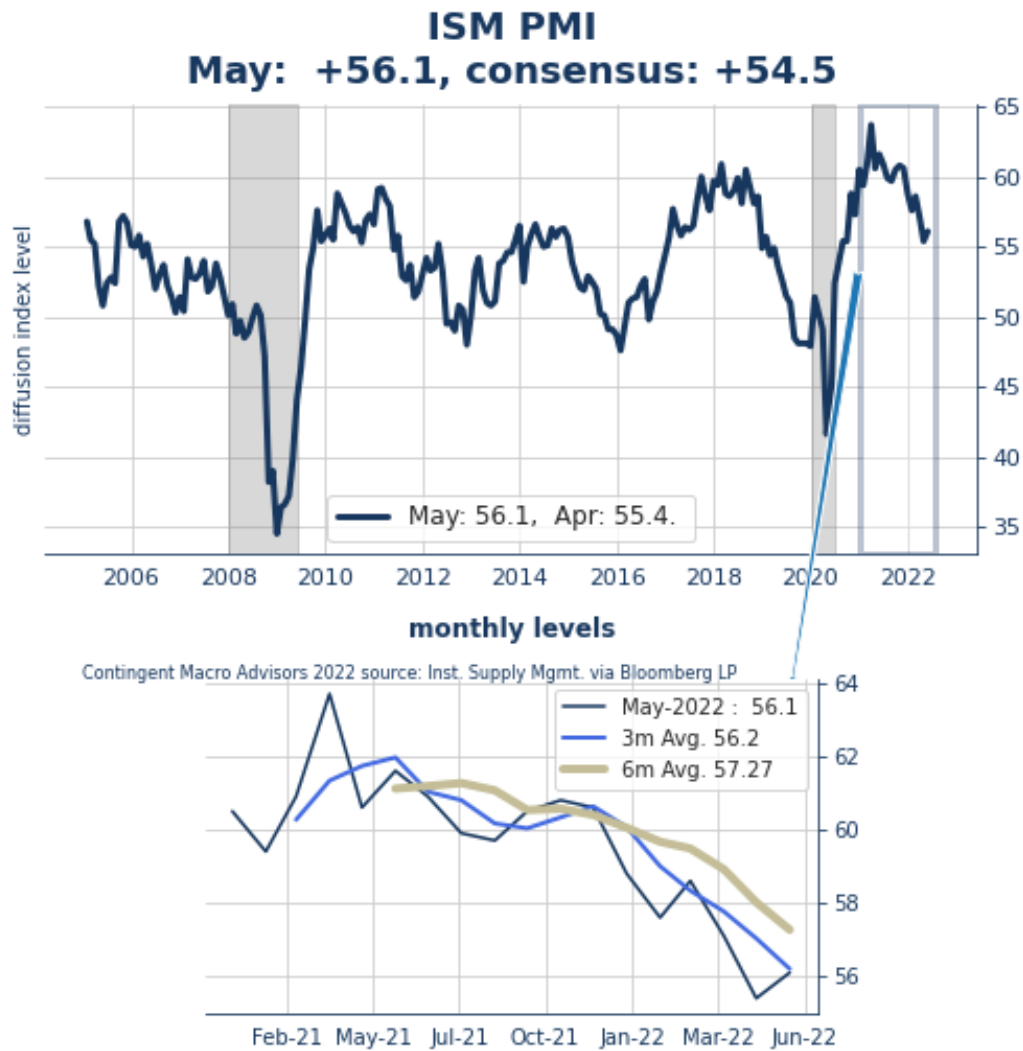


01.Jun.2022

ISM Manufacturing: Rebound, Continued Solid Activity

Bottom Line: ISM's survey-based index of manufacturing managers showed continued solid gains in May, with the index coming in above April's levels, led by accelerating new orders and production. Regional surveys showed significant volatility in May as many industries struggled with supply chain disruptions and higher input prices. But this national report confirms continued moderate to robust demand. That said, the pace of gains has been decelerating slightly for many months. Inventory growth is finally catching up with new order growth, suggesting a further moderation in the pace of manufacturing gains is likely. Overall, the outlook for manufacturing remains uncertain -- activity remains moderate to robust but is still decelerating from last year's torrid pace.



The ISM Manufacturing Index ROSE 0.7 points to 56.1, BELOW the 3-Month average of 56.2, BELOW the 6-Month average of 57.27 and 5.5 BELOW the year-ago level.

- New orders ROSE 1.6 points to 55.1, ABOVE the 3-Month average of 54.13, BELOW the 6-Month average of 57.17 but 11.2 BELOW the year-ago level.
- Production ROSE 0.6 points to 54.2, ABOVE the 3-Month average of 54.1, BELOW the 6-Month average of 56.33 but 6.2 BELOW the year-ago level.
- Employment FELL 1.3 points to 49.6, BELOW the 3-Month average of 52.27, BELOW the 6-Month average of 53.02 and 1.8 BELOW the year-ago level.
- Supplier FELL 1.5 points to 65.7, BELOW the 3-Month average of 66.1, ABOVE the 6-Month average of 65.65 and 13.1 BELOW the year-ago level.
- Inventories ROSE 4.3 points to 55.9, ABOVE the 3-Month average of 54.33, ABOVE the 6-Month average of 54.07 and 4.8 ABOVE the year-ago level.

- Backlog orders ROSE 2.7 points to 58.7, ABOVE the 3-Month average of 58.23, BELOW the 6-Month average of 59.82 but 11.9 BELOW the year-ago level.

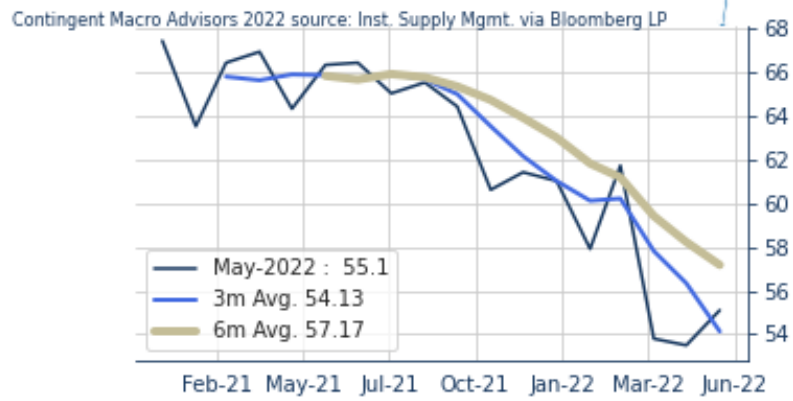
WHAT RESPONDENTS ARE SAYING

- “Tier-2 supplier shutdowns in Shanghai are causing a ripple effect for our suppliers in other parts of China. Long delays at ports, including in the U.S., are still providing supply challenges. Inflation is out of control. Fuel costs, and therefore freight costs, are leading the upward cycle. At some point, the economy must give way; it will be tough to have real growth with such pressure on costs. Despite the issues and poor outlook, business remains brisk.” [Chemical Products]
- “Continued strong demand with improvements in the supply chain. Delays still exist, but supply issues are slowly improving. Cost increases in multiple categories.” [Transportation Equipment]
- “Supply chain is still constrained, and prices continue to rise. We are focusing on ways to stay profitable while continuing to fill customer orders. Relationship management and strong negotiation skills are extremely important right now.” [Food, Beverage & Tobacco Products]
- “New order entries are still very strong. Unfortunately, logistics issues have (not) yet improved, so lead times remain extended.” [Machinery]
- “Due to electronic component supply chain issues, production output has been lower than normal. Backlog is growing due to the supply chain issues. New order sales are steady, except international orders are lower.” [Fabricated Metal Products]
- “Business is strong. Backlog continues to grow due to new orders and inconsistent supply chain conditions. Shortages of components are the main factor limiting our production.” [Electrical Equipment, Appliances & Components]
- “The shutdowns in China due to a new COVID-19 wave are causing supply concerns for late second quarter and early third quarter. We have extended lead times to customers and are ordering product from China to cover demand through Q4 and early 1Q 2023.” [Miscellaneous Manufacturing]
- “Overall, improvements in supply chain are occurring on larger scale items, but we see suppliers that sell us low-volume items struggling in some cases with getting feed stocks and raw materials they need. Freight continues to plague things as well.” [Nonmetallic Mineral Products]
- “Business is still very robust. Material price increases continue to be passed on (to customers) based on costs of raw materials, logistics and labor to produce products.” [Plastics & Rubber Products]

New orders



monthly levels

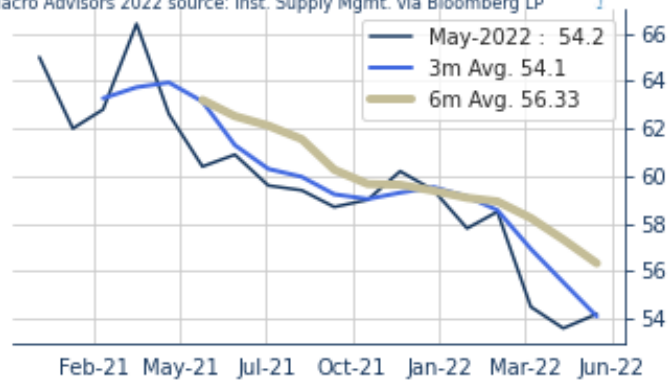


Production



monthly levels

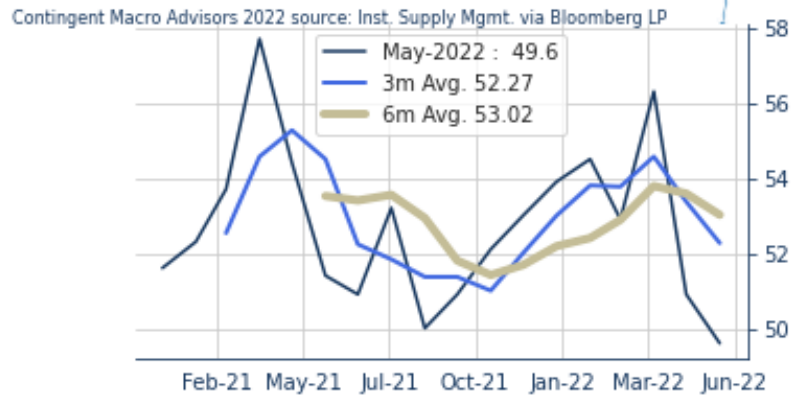
Contingent Macro Advisors 2022 source: Inst. Supply Mgmt. via Bloomberg LP



Employment



monthly levels

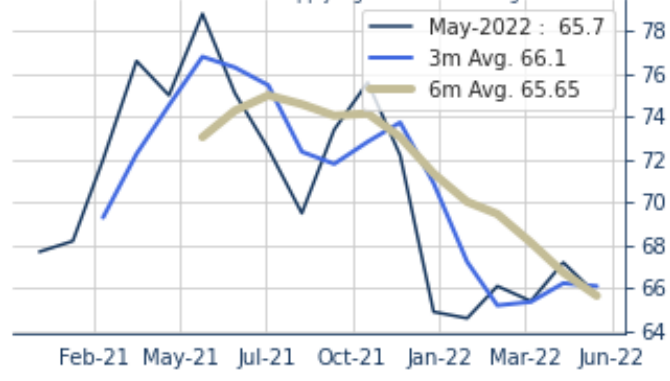


Supplier



monthly levels

Contingent Macro Advisors 2022 source: Inst. Supply Mgmt. via Bloomberg LP

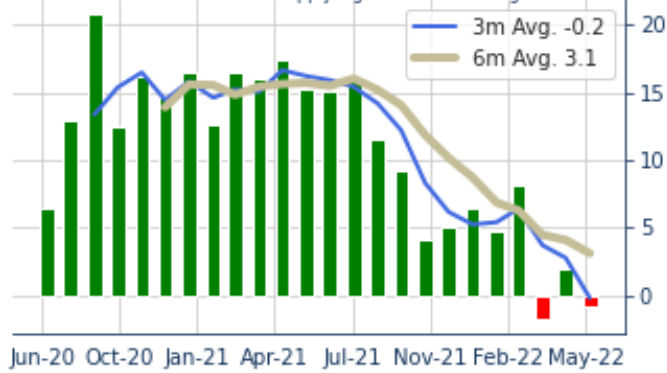


New Orders Less Inventories



monthly levels

Contingent Macro Advisors 2022 source: Inst. Supply Mgmt. via Bloomberg LP



ISM Manufacturing Survey	May-22	Apr-22	Mar-22	3m. avg.	6m. avg.	12m. avg.	2021	5y
ISM PMI	56.1	55.4	57.1	56.2	57.3	58.8	60.6	56.2
New orders	55.1	53.5	53.8	54.1	57.2	60.5	64.3	58.3
Production	54.2	53.6	54.5	54.1	56.3	58.0	60.9	57.2
Employment	49.6	50.9	56.3	52.3	53.0	52.4	52.8	52.1
Supplier	65.7	67.2	65.4	66.1	65.6	69.4	72.8	62.1
Inventories	55.9	51.6	55.5	54.3	54.1	53.9	52.2	51.1
Inv	32.7	37.1	34.1	34.6	33.4	31.2	29.8	39.4
Prices paid	82.2	84.6	87.1	84.6	79.0	81.7	83.8	66.0
Backlog orders	58.7	56.0	60.0	58.2	59.8	62.2	65.1	55.3
Export orders	52.9	52.7	53.2	52.9	53.9	54.5	55.1	53.2

Imports	48.7	51.4	51.8	50.6	52.7	53.5	54.6	52.8
# Industries Reporting Growth	nan	17.0	15.0	16.0	15.4	15.6	16.1	13.5
# Reporting New Orders	nan	11.0	13.0	12.0	12.2	12.6	13.8	11.9
Manuf New Orders % Better	28.2	25.1	28.2	27.2	27.3	30.7	37.4	32.0
Manuf New Orders % Same	58.5	64.0	60.4	61.0	61.6	59.4	53.8	52.4
Manuf New Orders % Worse	13.3	10.9	11.4	11.9	11.2	10.0	8.8	15.7
New Orders Less Inventories	-0.8	1.9	-1.7	-0.2	3.1	6.6	12.1	7.1

Source: Institute for Supply Management