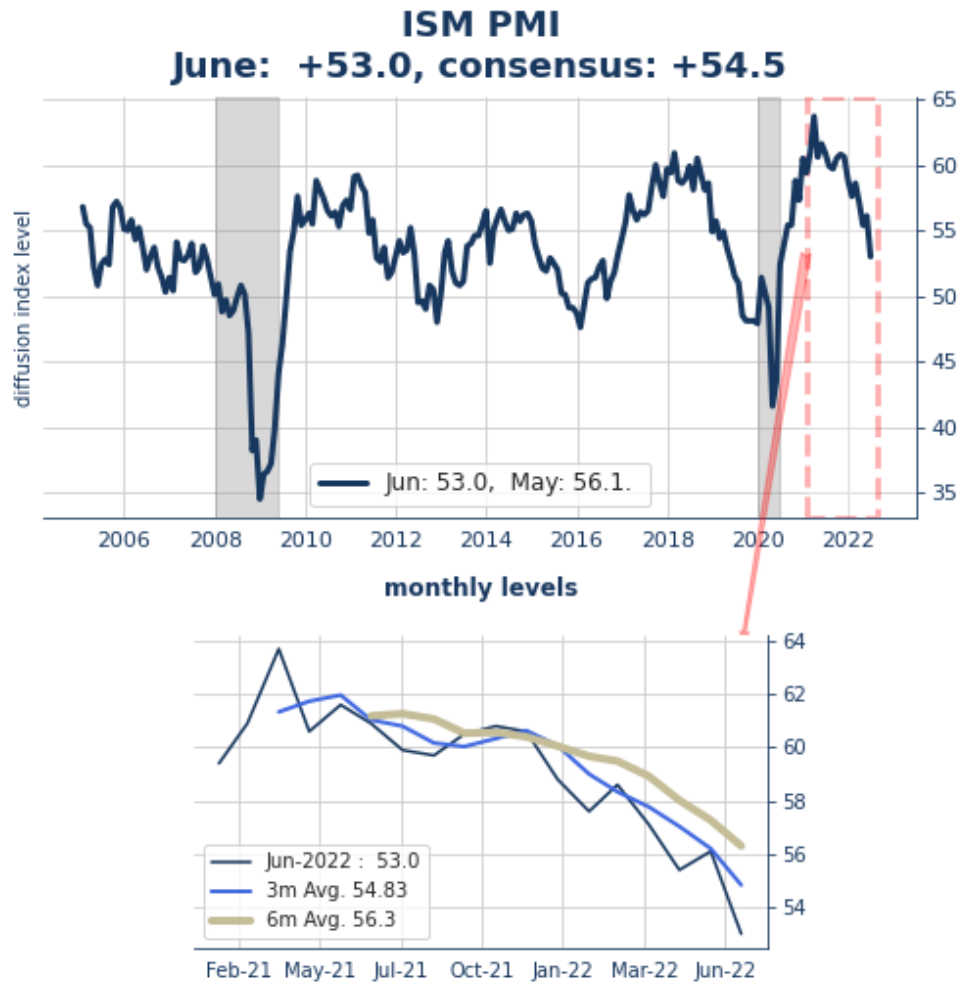


01.Jul.2022

ISM Manufacturing: Slowdown

Bottom Line: ISM's survey-based index of manufacturing managers fell more than consensus expectations but was in line with our forecasts given weak regional surveys since mid-month. June saw new orders contract slightly for the first time since the pandemic. Inventories inched higher as the difference between new orders and inventories suggested further weakness in the coming months. Employment also fell for the second straight month after rising for 8 months. Manufacturing growth has slowed from a robust pace coming into the year to now just "slight to modest" (in the parlance typically used by the Fed). The outlook for manufacturing remains uncertain with risks tilted firmly to the downside amid slower demand at higher prices.



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

The ISM Manufacturing Index FELL 3.1 points to 53, BELOW the 3-Month average of 54.83, BELOW the 6-Month average of 56.3 and 7.9 BELOW the year-ago level.

- **New orders** FELL 5.9 points to 49.2, BELOW the 3-Month average of 52.6, BELOW the 6-Month average of 55.2 and 17.2 BELOW the year-ago level.
- **Production** ROSE 0.7 points to 54.9, ABOVE the 3-Month average of 54.23, BELOW the 6-Month average of 55.58 but 6 BELOW the year-ago level.
- **Employment** FELL 2.3 points to 47.3, BELOW the 3-Month average of 49.27, BELOW the 6-Month average of 51.92 and 3.6 BELOW the year-ago level.
- **Inventories** were nearly unchanged, up 0.1 points to 56, ABOVE the 3-Month average of 54.5, ABOVE the 6-Month average of 54.3 and 4.7 ABOVE the year-ago level.
- **Prices paid** FELL 3.7 points to 78.5, BELOW the 3-Month average of 81.77, BELOW the 6-Month average of 80.68 and 13.6 BELOW the year-ago level.
- **Backlog orders** FELL 5.5 points to 53.2, BELOW the 3-Month average of 55.97, BELOW the 6-Month average of 58.22 and 11.3 BELOW the year-ago level.

WHAT RESPONDENTS ARE SAYING

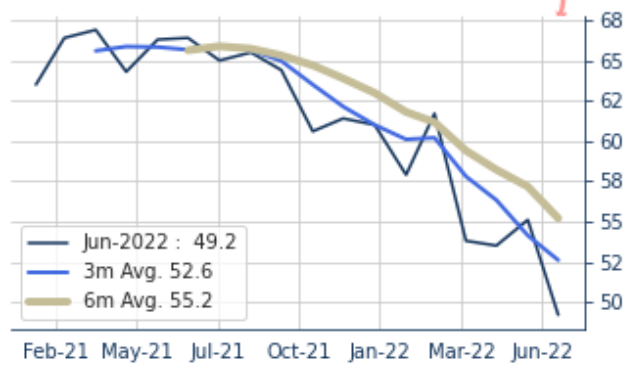
- “Backlog is high, but incoming orders slowing this month.” [Computer & Electronic Products]
- “New orders have stabilized and not increased.” [Chemical Products]
- “Continued strong demand for transportation equipment.” [Transportation Equipment]
- “Business is slower than expected in volume, but revenue is on pace with our budget. Ocean freight costs are finally beginning to fall a bit. We are already receiving large orders for the fall, which is encouraging.” [Food, Beverage & Tobacco Products]
- “Continued tightening of market, rising gas/diesel prices, and limited labor/drivers equates to increased cost. Few markets showing a levelling off.” [Petroleum & Coal Products]
- “Our suppliers are experiencing a softening of orders. We are still running at the same high level we did throughout 2021 and in early 2022.” [Machinery]
- “Business is still steady. Some customers are pushing orders out because they have too much inventory. We are able to backfill the pushed orders from customers that want theirs earlier, so we aren’t losing capacity.” [Fabricated Metal Products]
- “We are hearing from customers that their inventories are high, and sales are coming down. We expect orders to decline in the coming months until inventories are leveled properly against demand.” [Apparel, Leather & Allied Products]
- “Orders and production continue to be strong, but material availability is holding us back. Cannot run enough hours to eat into the backlog.” [Electrical Equipment, Appliances & Components]
- “Supply seems to be settling to some degree, but what it is settling into remains in question. Diminishing cost and (continued) limited supply in aluminum make for an interesting combination. There are actually more questions than answers this month.” [Primary Metals]

SOURCE: ISMWorld.org

New orders



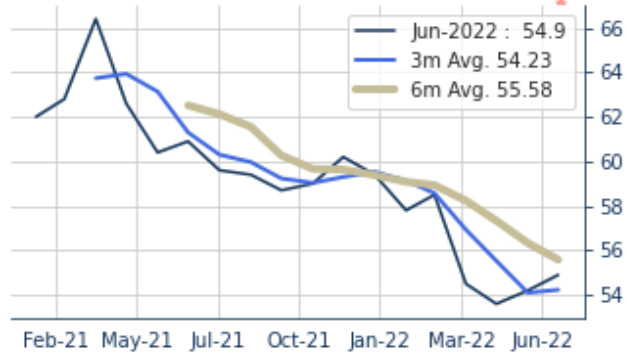
monthly levels



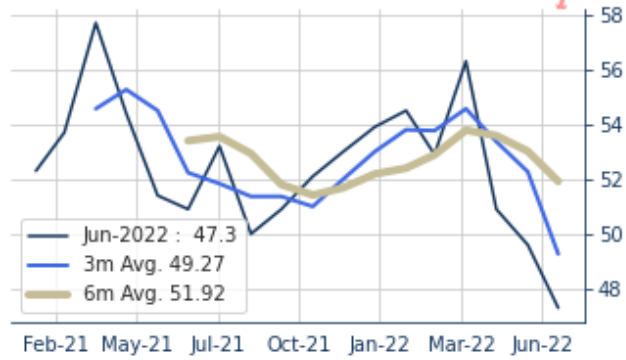
Production



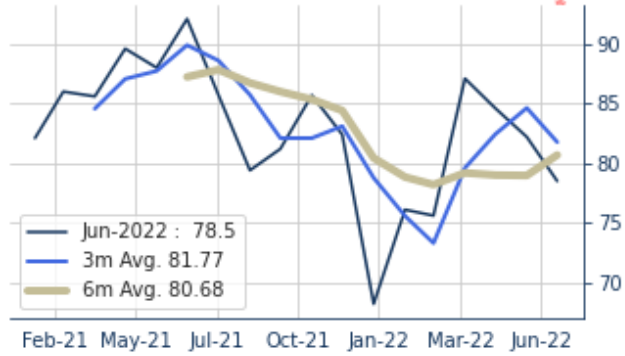
monthly levels



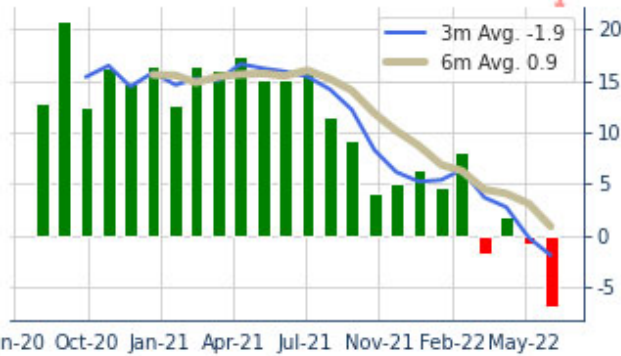
Employment



Prices paid



New Orders Less Inventories



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

ISM Manufacturing Survey	Jun-22	May-22	Apr-22	3m. avg.	6m. avg.	12m. avg.	2021	5y
ISM PMI	53.0	56.1	55.4	54.8	56.3	58.2	60.6	56.1
New orders	49.2	55.1	53.5	52.6	55.2	59.1	64.3	58.1
Production	54.9	54.2	53.6	54.2	55.6	57.5	60.9	57.1
Employment	47.3	49.6	50.9	49.3	51.9	52.0	52.8	52.0
Supplier	57.3	65.7	67.2	63.4	64.4	67.9	72.8	62.1
Inventories	56.0	55.9	51.6	54.5	54.3	54.3	52.2	51.2
Inventories of Customers	35.2	32.7	37.1	35.0	34.0	31.6	29.8	39.2
Prices paid	78.5	82.2	84.6	81.8	80.7	80.6	83.8	66.4
Backlog orders	53.2	58.7	56.0	56.0	58.2	61.3	65.1	55.3
Export orders	50.7	52.9	52.7	52.1	53.4	54.0	55.1	53.0
Imports	50.7	48.7	51.4	50.3	52.2	52.6	54.6	52.7
# Industries Reporting Growth	nan	15.0	17.0	16.0	15.4	15.3	16.1	13.5

ISM Manufacturing Survey	Jun-22	May-22	Apr-22	3m. avg.	6m. avg.	12m. avg.	2021	5y
# Reporting New Orders	nan	11.0	11.0	11.0	11.8	12.1	13.8	11.8
Manuf New Orders % Better	17.8	28.2	25.1	23.7	26.1	28.6	37.4	31.7
Manuf New Orders % Same	65.1	58.5	64.0	62.5	61.6	60.7	53.8	52.6
Manuf New Orders % Worse	17.1	13.3	10.9	13.8	12.2	10.7	8.8	15.8
New Orders Less Inventories	-6.8	-0.8	1.9	-1.9	0.9	4.8	12.1	6.8

Source: Institute for Supply Management

Recent Economic Reports



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