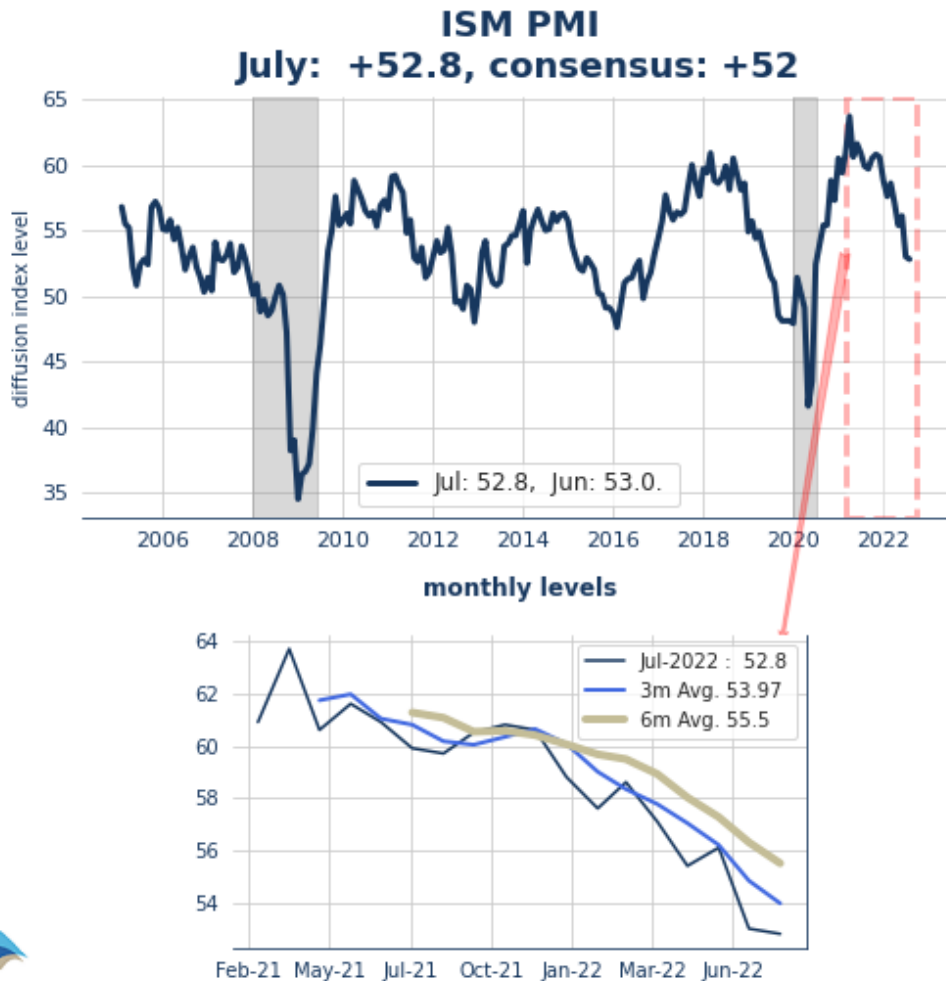


01.Aug.2022

ISM Manufacturing: New Orders Fall As Inventories Build

Bottom Line: ISM's survey-based index of manufacturing managers still showed modestly positive growth as production held up. But new orders contracted, and inventories continued to build. The difference between new orders and inventories, often a more forward-looking indicator, fell sharply, hitting levels only seen briefly after the initial pandemic shutdowns and during the financial crisis. **Overall, manufacturers continue to work off order backlogs that grew amid supply chain constraints, but new order growth and inventory levels suggest production could slow sharply in the coming months.**



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

The ISM Manufacturing Index FELL 0.2 points to 52.8, BELOW the 3-Month average of 53.97, BELOW the 6-Month average of 55.5 and 7.1 BELOW the year-ago level.

- **New orders** FELL 1.2 points to 48, BELOW the 3-Month average of 50.77, BELOW the 6-Month average of 53.55 and 17 BELOW the year-ago level.
- **Production** FELL 1.4 points to 53.5, BELOW the 3-Month average of 54.2, BELOW the 6-Month average of 54.87 and 6.1 BELOW the year-ago level.
- **Employment** ROSE 2.6 points to 49.9, ABOVE the 3-Month average of 48.93, BELOW the 6-Month average of 51.15 but 3.3 BELOW the year-ago level.
- **Inventories** ROSE 1.3 points to 57.3, ABOVE the 3-Month average of 56.4, ABOVE the 6-Month average of 54.98 and 8.2 ABOVE the year-ago level.
- **Prices paid** FELL 18.5 points to 60, BELOW the 3-Month average of 73.57, BELOW the 6-Month average of 78 and 25.7 BELOW the year-ago level.
- **Backlog orders** FELL 1.9 points to 51.3, BELOW the 3-Month average of 54.4, BELOW the 6-Month average of 57.37 and 13.7 BELOW the year-ago level.

WHAT RESPONDENTS ARE SAYING

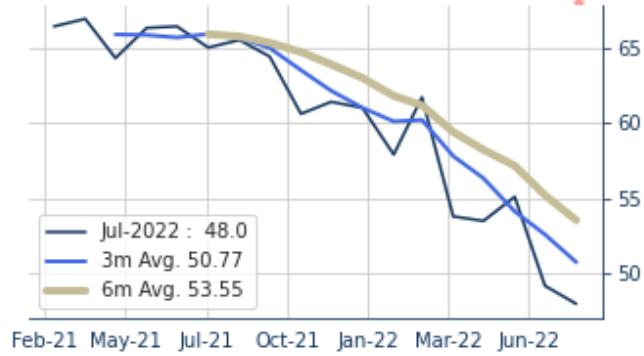
- “Material extended lead times still affecting business, and the challenging labor market is a huge factor too. Backlog is healthy; we just cannot deliver to customers due to material issues.” [Computer & Electronic Products]
- “Inflation is slowing down business. Overstock of raw materials due to prior supply chain issues and slowing orders.” [Chemical Products]
- “Chip shortages remain; however, the COVID-19 lockdowns in China are presenting even worse supply issues.” [Transportation Equipment]
- “Growing inflation is pushing a stronger narrative around pending recession concerns. Many customers appear to be pulling back on orders in an effort to reduce inventories.” [Food, Beverage & Tobacco Products]
- “New order entry has slowed down slightly; however, logistical issues have yet to improve. Long lead times for materials and labor shortages are still a major problem.” [Machinery]
- “Our markets are still holding up; however, I believe a slowdown is coming. We are cautious about going out too far with orders. Also, I believe the general market is in the beginnings of a recession.” [Fabricated Metal Products]
- “All markets are extremely busy but face headwinds that will eventually take a toll. Lead times and costs make large projects very challenging to budget, plan and execute. Routine work is also very difficult.” [Nonmetallic Mineral Products]
- “Current order books are full, but there have been signs of a slowdown beginning in the fourth quarter.” [Plastics & Rubber Products]
- “Slight improvement projected for our business for the next quarter.” [Primary Metals]
- “Continuing delivery and staffing issues have eaten away the bottom line.” [Textile Mills]

SOURCE: ISMWorld.org

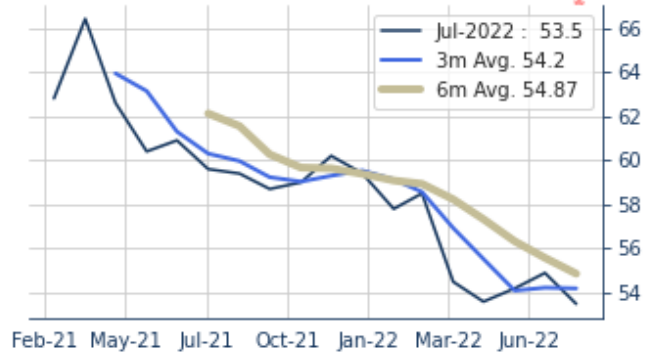
New orders



monthly levels



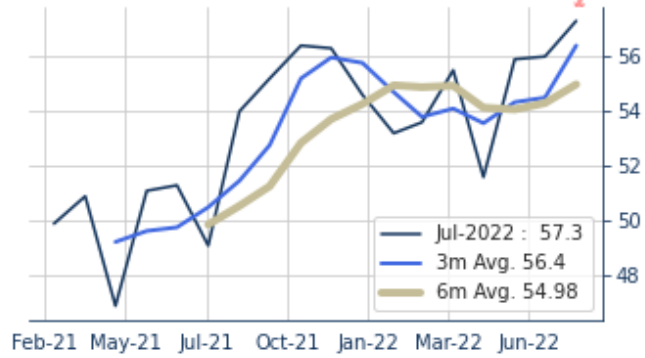
Production



Inventories

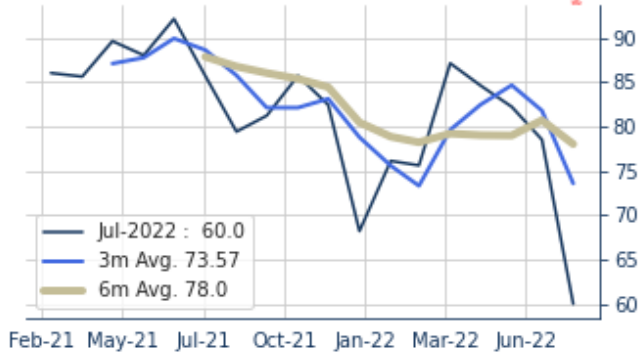


monthly levels



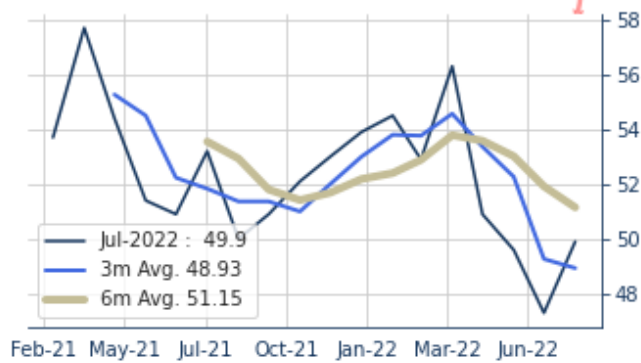
Contingent Macro Advisors 2022 source: Inst. Supply Mgmt. via Bloomberg LP

Prices paid



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

Employment



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

ISM Manufacturing Survey	Jul-22	Jun-22	May-22	3m. avg.	6m. avg.	12m. avg.	2021	5y
ISM PMI	52.8	53.0	56.1	54.0	55.5	57.6	60.6	56.0
New orders	48.0	49.2	55.1	50.8	53.6	57.7	64.3	57.8
Production	53.5	54.9	54.2	54.2	54.9	57.0	60.9	57.0
Employment	49.9	47.3	49.6	48.9	51.2	51.8	52.8	51.9
Supplier	55.2	57.3	65.7	59.4	62.8	66.4	72.8	62.1
Inventories	57.3	56.0	55.9	56.4	55.0	55.0	52.2	51.4
Inventories of Customers	39.5	35.2	32.7	35.8	35.1	32.8	29.8	39.1
Prices paid	60.0	78.5	82.2	73.6	78.0	78.4	83.8	66.4
Backlog orders	51.3	53.2	58.7	54.4	57.4	60.2	65.1	55.2
Export orders	52.6	50.7	52.9	52.1	53.2	53.8	55.1	53.0
Imports	54.4	50.7	48.7	51.3	52.1	52.7	54.6	52.7
# Industries Reporting Growth	nan	15.0	15.0	15.0	15.6	15.3	16.1	13.5

ISM Manufacturing Survey	Jul-22	Jun-22	May-22	3m. avg.	6m. avg.	12m. avg.	2021	5y
# Reporting New Orders	nan	8.0	11.0	9.5	11.2	11.7	13.8	11.7
Manuf New Orders % Better	17.2	17.8	28.2	21.1	24.8	27.2	37.4	31.4
Manuf New Orders % Same	63.0	65.1	58.5	62.2	62.1	60.7	53.8	52.7
Manuf New Orders % Worse	19.8	17.1	13.3	16.7	13.1	12.1	8.8	15.9
New Orders Less Inventories	-9.3	-6.8	-0.8	-5.6	-1.4	2.7	12.1	6.5

Source: Institute for Supply Management