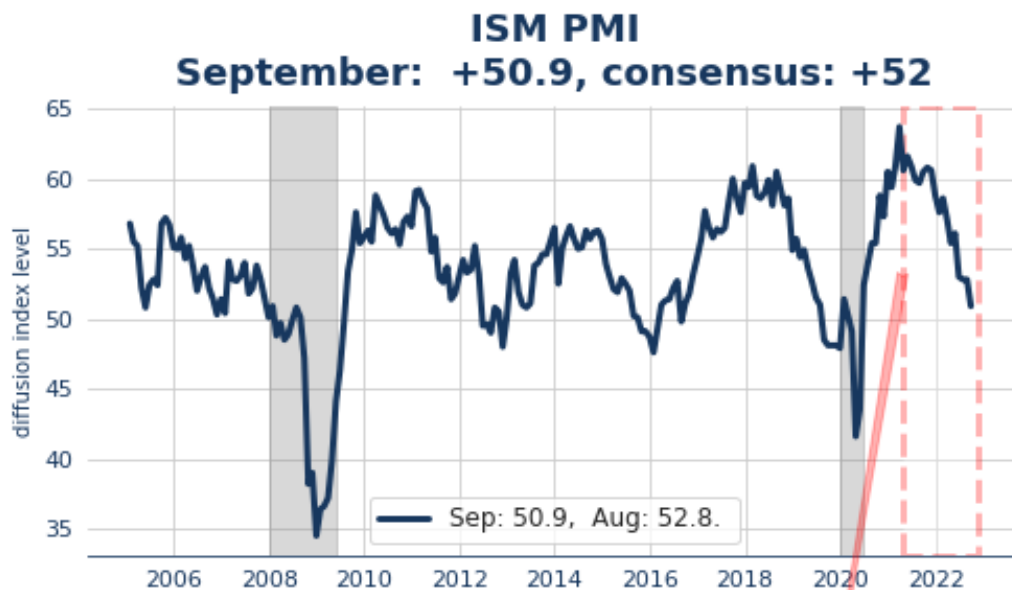


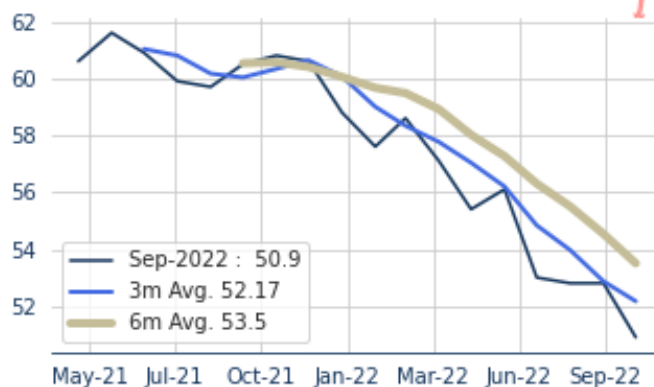
03.Oct.2022

ISM Manufacturing: New Orders Fall, Growth Barely Hanging On

Bottom Line: ISM's survey-based index of manufacturing managers showed slightly positive growth as production rose. But new orders contracted sharply as inventories rose, suggesting weakness in the future. While supply shortages remain an issue for some sectors, many reported working off order backlogs to keep production growing. But those manufacturers also expressed concerns about growth going forward amid falling new order growth. **This report confirms what we've been seeing in regional manufacturing surveys and suggests weakness is likely going forward. Manufacturing activity will likely shift from a slight positive for GDP growth in the 3rd Quarter to a drag in the 4th Quarter.**



monthly levels



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

The ISM Manufacturing Index FELL 1.9 points to 50.9, BELOW the 3-Month average of 52.17, BELOW the 6-Month average of 53.5, and 9.6 BELOW the year-ago level.

- **New orders** FELL 4.2 points to 47.1, BELOW the 3-Month average of 48.8, BELOW the 6-Month average of 50.7, and 17.3 BELOW the year-ago level.
- **Production** ROSE 0.2 points to 50.6, BELOW the 3-Month average of 51.5, BELOW the 6-Month average of 52.87, and 8.1 BELOW the year-ago level.
- **Employment** FELL 5.5 points to 48.7, BELOW the 3-Month average of 50.93, BELOW the 6-Month average of 50.1, and 2.2 BELOW the year-ago level.
- **Inventories** ROSE 2.4 points to 55.5, ABOVE the 3-Month average of 55.3, ABOVE the 6-Month average of 54.9, nearly in line with the year-ago level of 55.2.
- **Prices paid** were nearly unchanged, DOWN 0.8 points 51.7, BELOW the 3-

Month average of 54.73, BELOW the 6-Month average of 68.25, and 29.5 BELOW the year-ago level.

- **Backlog orders** FELL 2.1 points to 50.9, BELOW the 3-Month average of 51.73, BELOW the 6-Month average of 53.85, and 13.9 BELOW the year-ago level.

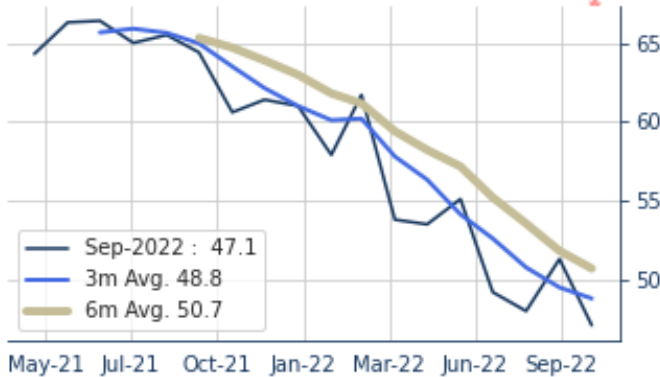
WHAT RESPONDENTS ARE SAYING

- “Supply chain issues for all electronic components and custom build-to-print materials are in short supply due to capacity and skilled labor shortages. Energy cost continues to negatively impact freight cost.” [Computer & Electronic Products]
- “Concerns of global economic slowdown are growing, and (we are) experiencing some customers pulling back orders.” [Chemical Products]
- “Production is steady, allowing reduction of backlog amidst slightly softened demand.” [Transportation Equipment]
- “Almost all suppliers are experiencing lead times growth. It seems no one wants to keep inventory on hand anymore.” [Food, Beverage & Tobacco Products]
- “Business is flat to down due to inflation and interest rates. Hard to find and keep employees due to wage increases by competitors.” [Fabricated Metal Products]
- “Supply chain constraints on many items are still an issue; staffing on the production side continues to be a significant problem. In contrast, we have more stock than needed on some key items — specifically imports — and have begun reducing open purchase orders and decreasing extended forecasts on those items in order to bleed down inventory.” [Machinery]
- “Business continues to be strong. Some commodities within the supply chain are starting to stabilize, while others are still causing disruption for production. Electrical and wiring components continue to cause significant issues. (We) cannot run as consistently as we would like.” [Electrical Equipment, Appliances & Components]
- “Quotes and orders still strong; however, we are not able to accept any new orders for shipment (for the rest of) 2022 due to motor and electronic component shortages.” [Miscellaneous Manufacturing]
- “The supply chain is still stressed, and it challenges our manufacturing plants for uptime. We have strong demand and need to run.” [Nonmetallic Mineral Products]
- “Business is still strong; raw materials are becoming more available, and some raw materials prices are falling.” [Plastics & Rubber Products]

New orders



monthly levels



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

Production



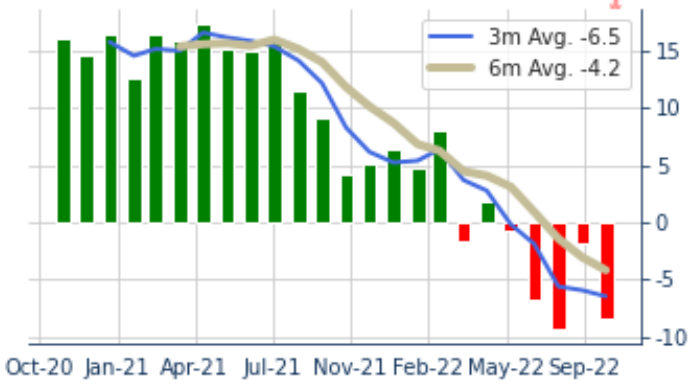
monthly levels



New Orders Less Inventories



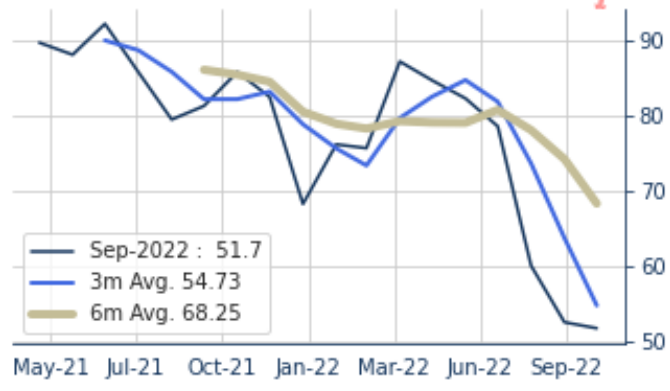
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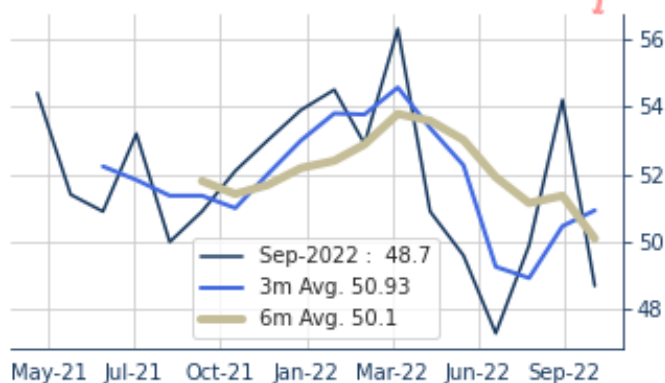
Prices paid



monthly levels



Employment



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

ISM Manufacturing Survey	Sep-22	Aug-22	Jul-22	3m. avg.	6m. avg.	12m. avg.	2021	5y
ISM PMI	50.9	52.8	52.8	52.2	53.5	56.2	60.6	55.8
New orders	47.1	51.3	48.0	48.8	50.7	55.0	64.3	57.4
Production	50.6	50.4	53.5	51.5	52.9	55.6	60.9	56.7
Employment	48.7	54.2	49.9	50.9	50.1	51.9	52.8	51.6
Supplier	52.4	55.1	55.2	54.2	58.8	63.5	72.8	61.9
Inventories	55.5	53.1	57.3	55.3	54.9	54.9	52.2	51.4
Inventories of Customers	41.6	38.9	39.5	40.0	37.5	34.4	29.8	39.0
Prices paid	51.7	52.5	60.0	54.7	68.2	73.7	83.8	65.9
Backlog orders	50.9	53.0	51.3	51.7	53.8	57.7	65.1	55.0
Export orders	47.8	49.4	52.6	49.9	51.0	52.7	55.1	52.7

Imports	52.6	52.5	54.4	53.2	51.7	52.3	54.6	52.6
# Industries Reporting Growth	nan	10.0	11.0	10.5	13.6	14.3	16.1	13.3
# Reporting New Orders	nan	6.0	4.0	5.0	8.0	10.4	13.8	11.4
Manuf New Orders % Better	16.0	17.5	17.2	16.9	20.3	23.8	37.4	30.8
Manuf New Orders % Same	62.8	63.1	63.0	63.0	62.8	62.3	53.8	52.9
Manuf New Orders % Worse	21.2	19.4	19.8	20.1	17.0	13.9	8.8	16.2
New Orders Less Inventories	-8.4	-1.8	-9.3	-6.5	-4.2	0.1	12.1	6.0

Source: Institute for Supply Management