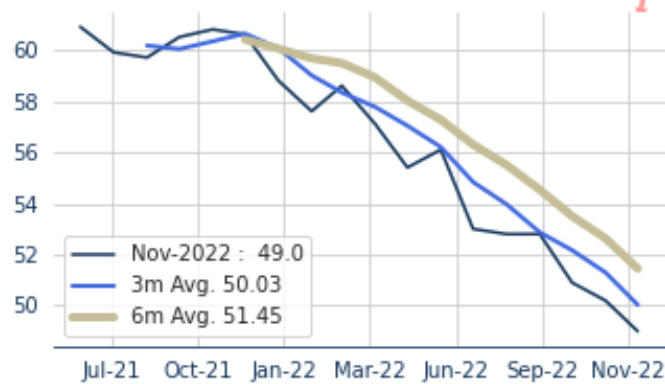
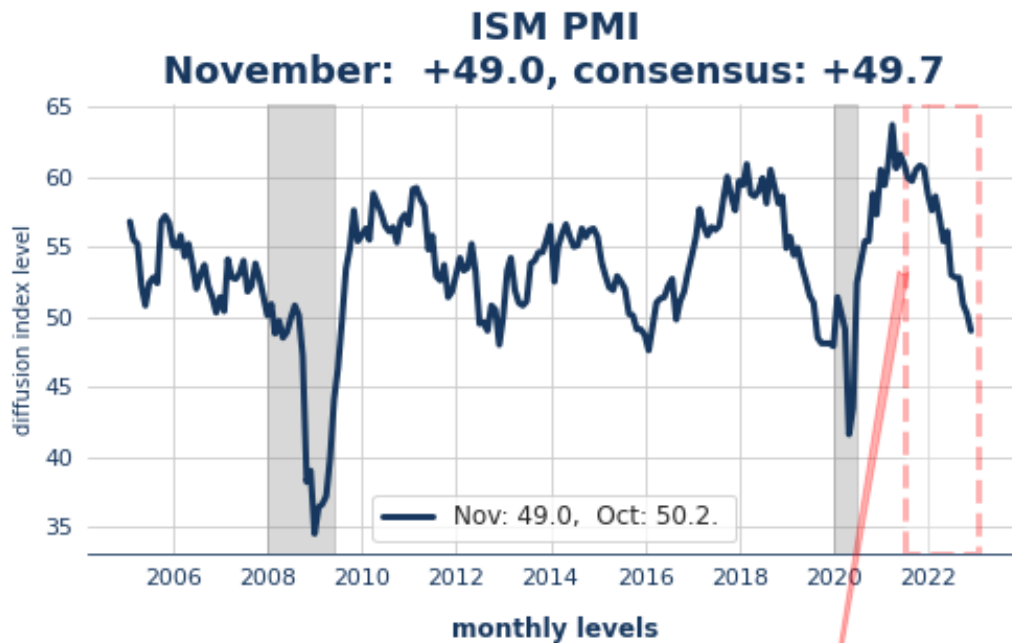


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01.Dec.2022

ISM Manufacturing: Contraction & Lower Prices

Bottom Line: ISM's survey-based index of manufacturing managers dropped below 50, demarcating contraction, as new orders fell even further. As we've seen in many surveys, production growth was still modestly positive as manufacturers continued to work off order backlogs. However, new order growth, especially relative to inventories, which grew slightly, suggests production will decline in early 2023. Overall, the report confirmed a marked slowdown in manufacturing. But on the plus side, anecdotes suggested supply chain congestion has eased, and some companies are asking for and getting price breaks. The prices paid index was sharply lower for the second month, suggesting not just decelerating but declining prices.



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

The ISM Manufacturing Index FELL 1.2 points to 49, BELOW the 3-Month average of 50.03, BELOW the 6-Month average of 51.45 and 11.6 BELOW the year-ago level.

- New orders FELL 2 points to 47.2, BELOW the 3-Month average of 47.83, BELOW the 6-Month average of 48.67 and 14.2 BELOW the year-ago level.
- Production FELL 0.8 points to 51.5, ABOVE the 3-Month average of 51.47, BELOW the 6-Month average of 52.2 but 8.7 BELOW the year-ago level.
- Employment FELL 1.6 points to 48.4, BELOW the 3-Month average of 49.03, BELOW the 6-Month average of 49.75 and 4.6 BELOW the year-ago level.
- Inventories FELL 1.6 points to 50.9, BELOW the 3-Month average of 52.97, BELOW the 6-Month average of 54.22 and 5.4 BELOW the year-ago level.
- Prices paid FELL 3.6 points to 43, BELOW the 3-Month average of 47.1, BELOW the 6-Month average of 55.38 and 39.4 BELOW the year-ago level.

- Backlog orders FELL 5.3 points to 40, BELOW the 3-Month average of 45.4, BELOW the 6-Month average of 48.95 and 21.9 BELOW the year-ago level.

WHAT RESPONDENTS ARE SAYING

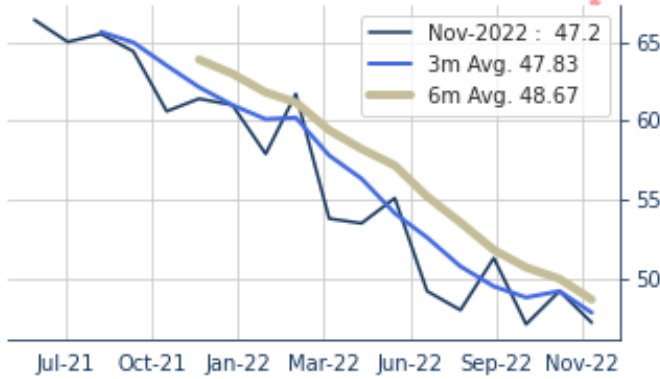
- “Customer demand is softening, yet suppliers are maintaining high prices and record profits. Pushing for cost reductions based on market evidence has been surprisingly successful.” [Computer & Electronic Products]
- “Future volumes are on a downward trend for the next 60 days.” [Chemical Products]
- “Orders for transportation equipment remain strong. Supply chain issues persist, with minimal direct effect on output.” [Transportation Equipment]
- “Consumer goods are slowing down in several of our markets, although the U.S. economy seems decent. Cannot say the same for the European economy.” [Food, Beverage & Tobacco Products]
- “General economic uncertainty has created a slowdown in orders as we approach the end of the year, and many of our key customers are reducing their capital expenditures spend.” [Machinery]
- “Overall, things are worsening. Housing starts are down. We’re doing well against our competitors, but the industry overall is down. We’re sitting on cash (that is) tied up in inventory.” [Electrical Equipment, Appliances & Components]
- “The market remains consistent: sales match expectations; there are concerns about the impact of rising interest rates on customers; most suppliers have recovered on labor, but some are still struggling; and inflation seems to have peaked, but commodity price decreases have not been passed through to us. Lots of unknowns regarding impact to the European Union from the Russia-Ukraine war and questions about customer behavior in 2023.” [Miscellaneous Manufacturing]
- “There is caution going into 2023, but the commercial section of construction seems to still be going strong.” [Nonmetallic Mineral Products]
- “Looking into December and the first quarter of 2023, business is softening as uncertain economic conditions lie ahead.” [Plastics & Rubber Products]
- “Slight improvement on overall business conditions from the previous month.” [Primary Metals]

SOURCE: ISMWorld.org

New orders



monthly levels

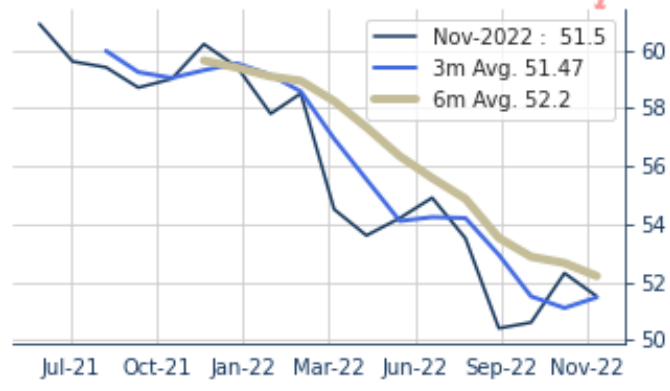


Contingent Macro Advisors 2022 source: Inst. Supply Mgmt. via Bloomberg LP

Production



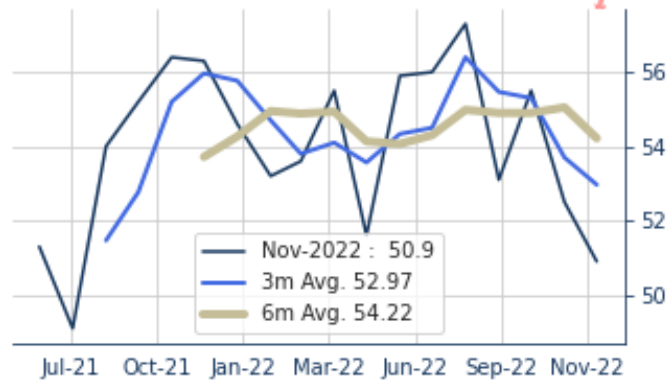
monthly levels



Inventories



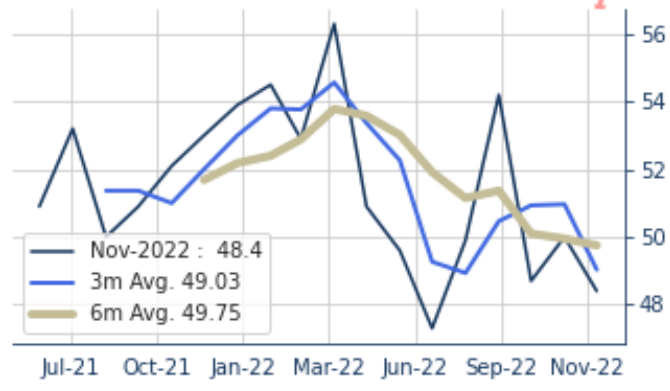
monthly levels



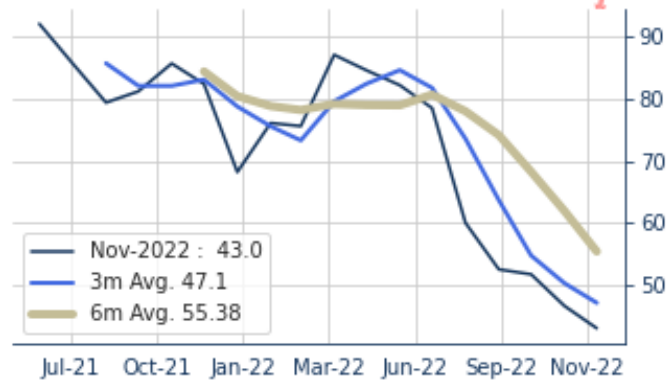
Employment



monthly levels



Prices paid



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

ISM Manufacturing Survey	Nov-22	Oct-22	Sep-22	3m. avg.	6m. avg.	12m. avg.	2021	5y
ISM PMI	49.0	50.2	50.9	50.0	51.4	54.4	60.6	55.5
New orders	47.2	49.2	47.1	47.8	48.7	52.9	64.3	56.9
Production	51.5	52.3	50.6	51.5	52.2	54.3	60.9	56.3
Employment	48.4	50.0	48.7	49.0	49.7	51.4	52.8	51.3
Supplier	47.2	46.8	52.4	48.8	52.3	59.0	72.8	61.5
Inventories	50.9	52.5	55.5	53.0	54.2	54.1	52.2	51.5
Inventories of Customers	48.7	41.6	41.6	44.0	40.9	37.2	29.8	39.0
Prices paid	43.0	46.6	51.7	47.1	55.4	67.2	83.8	65.2
Backlog orders	40.0	45.3	50.9	45.4	48.9	54.4	65.1	54.7
Export orders	48.4	46.5	47.8	47.6	49.2	51.5	55.1	52.4

Imports	46.6	50.8	52.6	50.0	51.3	52.0	54.6	52.5
# Industries Reporting Growth	nan	8.0	9.0	8.5	10.6	13.2	16.1	13.1
# Reporting New Orders	nan	3.0	5.0	4.0	5.2	8.9	13.8	11.1
Manuf New Orders % Better	12.7	18.3	16.0	15.7	16.6	21.9	37.4	30.3
Manuf New Orders % Same	62.3	56.4	62.8	60.5	62.1	61.8	53.8	53.0
Manuf New Orders % Worse	25.0	25.3	21.2	23.8	21.3	16.2	8.8	16.7
New Orders Less Inventories	-3.7	-3.3	-8.4	-5.1	-5.6	-1.2	12.1	5.4

Source: Institute for Supply Management

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