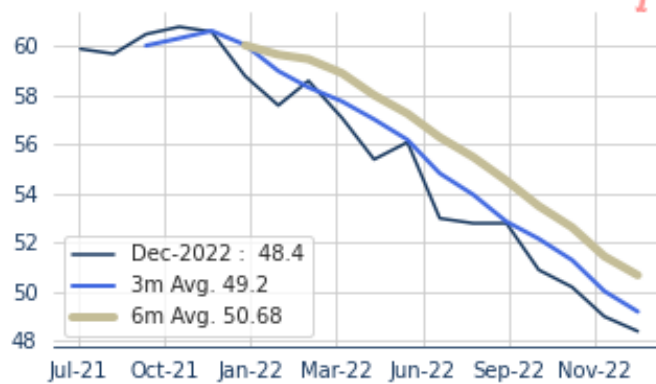
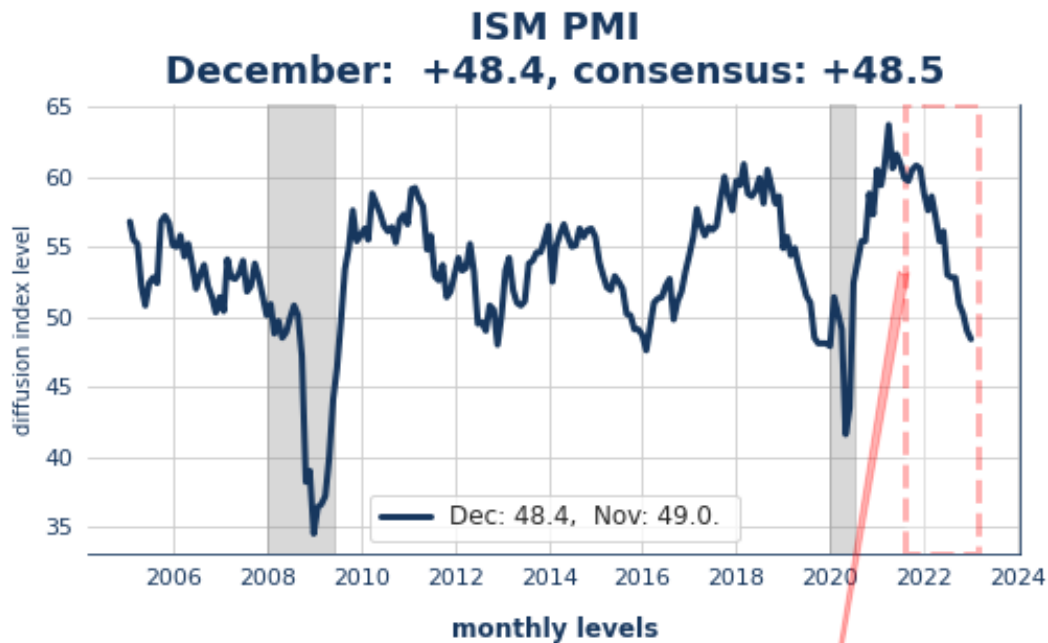


04.Jan.2023

ISM Manufacturing: New Orders Near Recession

Bottom Line: ISM's survey-based index of manufacturing managers stayed below 50, demarcating expansion/contraction, as new orders fell even further. The new order index was close to level historically associated with recessions. Moreover, new orders less inventories, a leading indicator within this report, suggested further declines ahead. Prices paid fell further. The lone potential bright spot might be the declines in order backlogs, which were near record lows seen during recessions, finally rebounded slightly. Additionally, manufacturers were still holding onto employees (likely worried they won't be able to find skilled labor in the next rebound if they laid anyone off in this contraction). **Overall, the manufacturing sector will likely remain a modest drag on growth in the 1st Quarter with tremendous uncertainty beyond that as manufacturers will either be well positioned for a rebound in the 2nd Quarter or face growing pressure to lay off workers with payrolls too high relative to activity levels.**



Contingent Macro Advisors 2023 source: Inst. Supply Mgmt. via Bloomberg LP

The ISM Manufacturing Index FELL 0.6 points to 48.4, BELOW the 3-Month average of 49.2, BELOW the 6-Month average of 50.68 and 10.4 BELOW the year-ago level.

- New orders FELL 2 points to 45.2, BELOW the 3-Month average of 47.2, BELOW the 6-Month average of 48 and 15.8 BELOW the year-ago level.
- Production FELL 3 points to 48.5, BELOW the 3-Month average of 50.77, BELOW the 6-Month average of 51.13 and 10.9 BELOW the year-ago level.
- Employment ROSE 3 points to 51.4, ABOVE the 3-Month average of 49.93, ABOVE the 6-Month average of 50.43 but 2.5 BELOW the year-ago level.
- Inventories ROSE 0.9 points to 51.8, ABOVE the 3-Month average of 51.73, BELOW the 6-Month average of 53.52 but 2.8 BELOW the year-ago level.
- Prices paid FELL 3.6 points to 39.4, BELOW the 3-Month average of 43, BELOW the 6-Month average of 48.87 and 28.8 BELOW the year-ago level.

- Backlog orders ROSE 1.4 points to 41.4, BELOW the 3-Month average of 42.23, BELOW the 6-Month average of 46.98 and 21.4 BELOW the year-ago level.

WHAT RESPONDENTS ARE SAYING

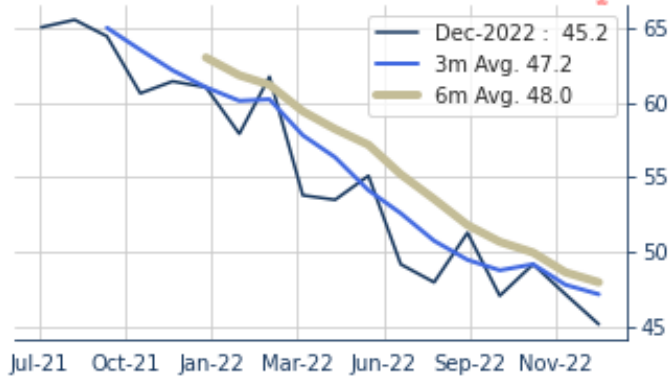
- “Skilled labor shortages are huge, putting a lot of pressure on existing personnel. Electronic components still a major supply chain issue, particularly if the component you need is not the current hot technology.” [Computer & Electronic Products]
- “Customer demand continues to be depressed. While 2023 pipeline is looking very positive, current demand is significantly down.” [Chemical Products]
- “Orders are really slowing down in the original equipment sector. We haven’t seen a major output decrease because we are still eating away at our back orders.” [Transportation Equipment]
- “Lead times are returning to normal for most of our suppliers, while some of our smaller suppliers are struggling to remain staffed up enough to keep up with orders.” [Food, Beverage & Tobacco Products]
- “The continued uncertainty in the economy has resulted in customers delaying their commitments for capital purchases, which is impacting our fourth quarter sales and lowering our forecast for the first quarter of 2023.” [Machinery]
- “Business is slowing down and forecast to decrease by the end of the first quarter or second quarter.” [Fabricated Metal Products]
- “Trying hard to keep the wheels moving to close out the year strong. The manufacturing plants are nearing their annual outage periods, and some TLC is needed to keep things running.” [Nonmetallic Mineral Products]
- “Finished the year strong, and we are pleased with how the year shaped up.” [Primary Metals]
- “New China technology trade restrictions have impacted our business and plans going forward.” [Electrical Equipment, Appliances & Components]
- “Overall, supply chain conditions have stabilized tremendously since the fourth quarter of 2021. Issues remain, but the list is quite a bit shorter. Customer demand is very strong, and the outlook is positive for 2023. There is large focus on margin recovery after this period of high inflation.” [Miscellaneous Manufacturing]

SOURCE: ISMWorld.org

New orders



monthly levels

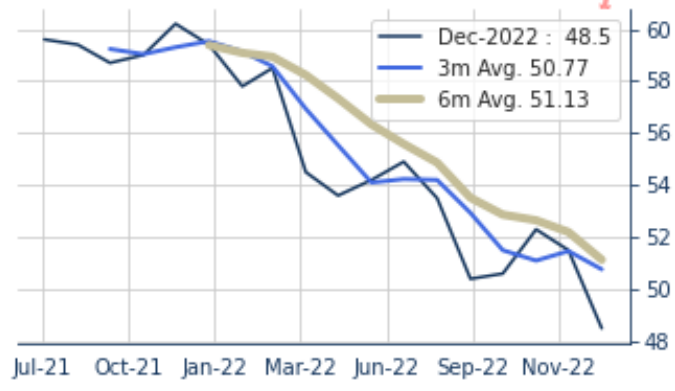


Contingent Macro Advisors 2023 source: Inst. Supply Mgmt. via Bloomberg LP

Production



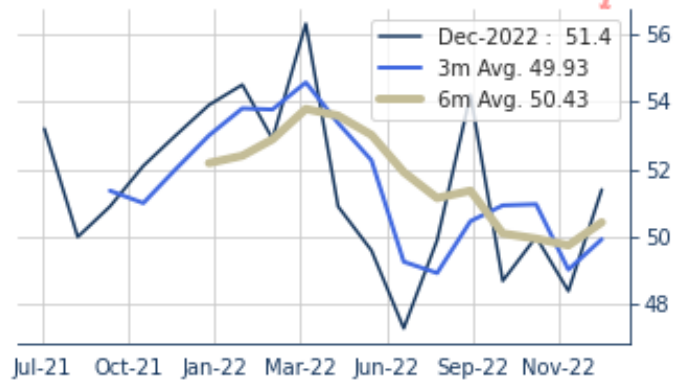
monthly levels



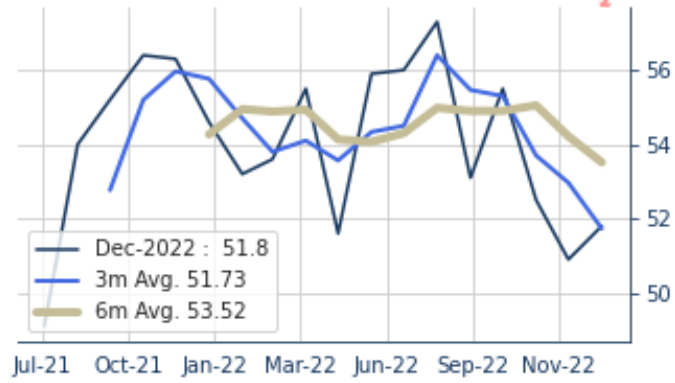
Employment



monthly levels



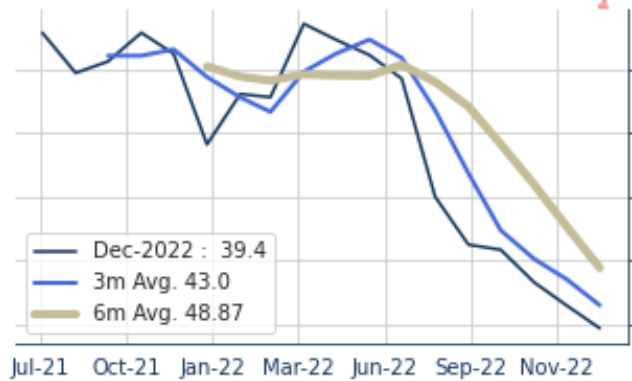
Inventories



Prices paid



monthly levels



Contingent Macro Advisors 2023 source: Inst. Supply Mgmt. via Bloomberg LP

ISM Manufacturing Survey	Dec-22	Nov-22	Oct-22	3m. avg.	6m. avg.	12m. avg.	2021	5y
ISM PMI	48.4	49.0	50.2	49.2	50.7	53.5	60.6	55.3
New orders	45.2	47.2	49.2	47.2	48.0	51.6	64.3	56.5
Production	48.5	51.5	52.3	50.8	51.1	53.4	60.9	56.0
Employment	51.4	48.4	50.0	49.9	50.4	51.2	52.8	51.2
Supplier	45.1	47.2	46.8	46.4	50.3	57.3	72.8	61.3
Inventories	51.8	50.9	52.5	51.7	53.5	53.9	52.2	51.5
Inventories of Customers	48.2	48.7	41.6	46.2	43.1	38.5	29.8	39.1
Prices paid	39.4	43.0	46.6	43.0	48.9	64.8	83.8	64.7
Backlog orders	41.4	40.0	45.3	42.2	47.0	52.6	65.1	54.4
Export orders	46.2	48.4	46.5	47.0	48.5	50.9	55.1	52.2

Imports	45.1	46.6	50.8	47.5	50.3	51.3	54.6	52.3
# Industries Reporting Growth	nan	6.0	8.0	7.0	8.8	12.4	16.1	12.9
# Reporting New Orders	nan	1.0	3.0	2.0	3.8	7.8	13.8	10.8
Manuf New Orders % Better	nan	12.7	18.3	15.5	16.3	21.7	37.4	30.2
Manuf New Orders % Same	nan	62.3	56.4	59.4	61.5	61.6	53.8	53.0
Manuf New Orders % Worse	nan	25.0	25.3	25.2	22.1	16.7	8.8	16.8
New Orders Less Inventories	-6.6	-3.7	-3.3	-4.5	-5.5	-2.3	12.1	5.0

Source: Institute for Supply Management