

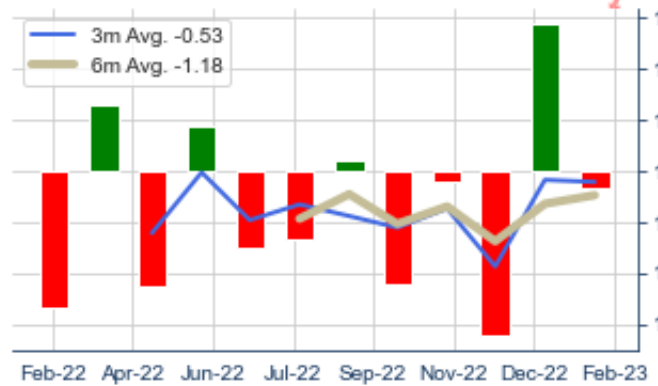
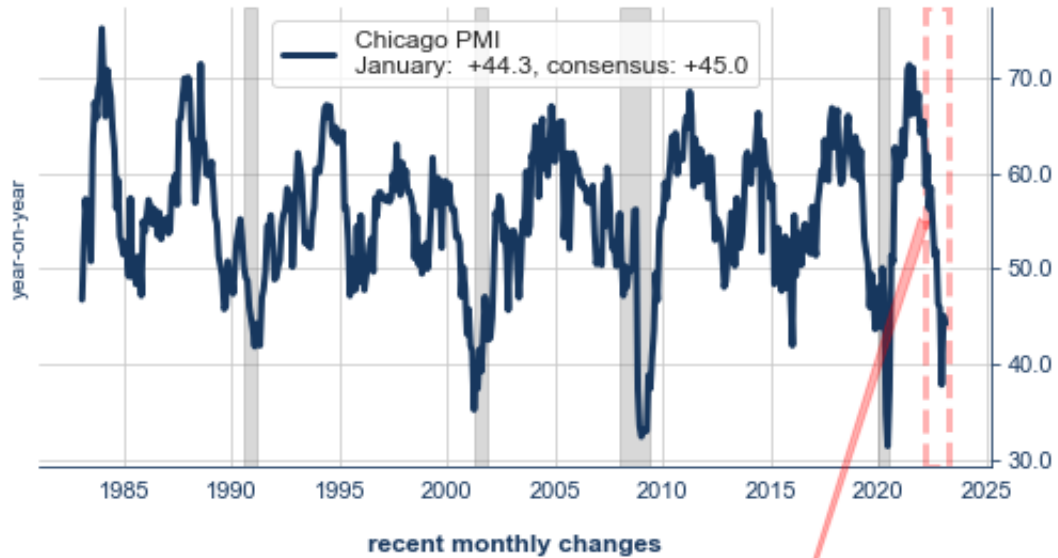
31.Jan.2023

Manufacturing Recap: Further Declines, Outlook Foggy

Bottom Line: Chicago ISM's report showed another month of slower activity, with the index dropping again for the fifth month in the last seven after a surprise increase in December. Production decelerated again in the Chicagoland area, with many respondents noting a slowing economy and a more dour mood. New orders softened again after a jump in December.

Overall, the regional manufacturing surveys pointed towards continued contraction, but the pace of declines was slowing modestly. The national ISM should remain in contraction territory (sub-50) when reported tomorrow. Manufacturing looks likely to drag on 1st Quarter growth, with significant uncertainty on the outlook for the rest of the year. If consumer spending continues to decelerate and even contract modestly, the manufacturing sector could remain a drag on growth for much of the year. However, consumers still enjoy solid wage gains and solid household balance sheets. If the fog of high inflation and interest rates starts to subside without a sharp downturn in the labor market, consumers could still drive a solid recovery in the 2nd Half.

Chicago PMI January: +44.3, consensus: +45.0



Contingent Macro Advisors 2023 source: Market News International via Bloomberg Professional Service

ISM Preview - recapping the other regional indices:

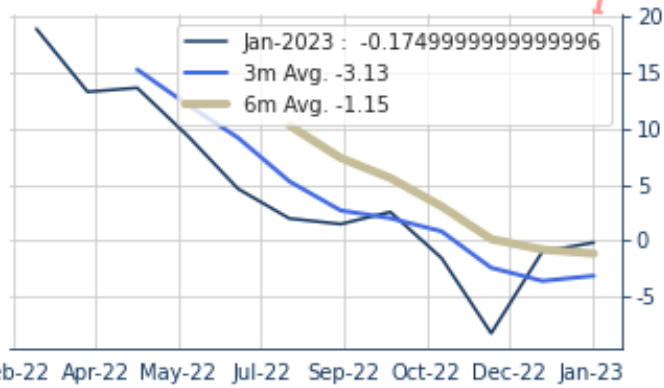
- On an ISM-weighted basis, Empire State fell by -17.5%. Richmond fell by -4.4%, Philly rose by 13.2%, Kansas City increased by 1.4%, and Dallas increased by 0.9%.

Dallas Fed Manufacturing - ISM-Weighted

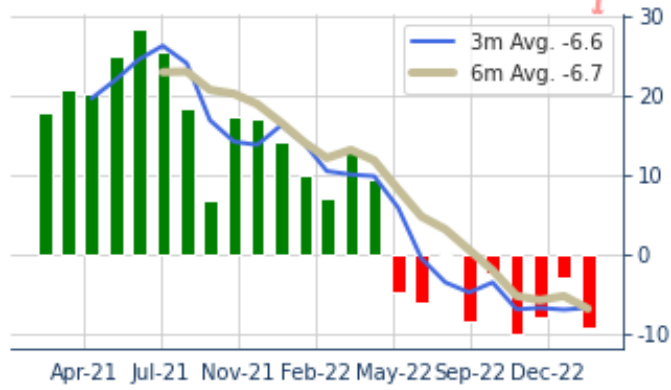
Jan: -0.17



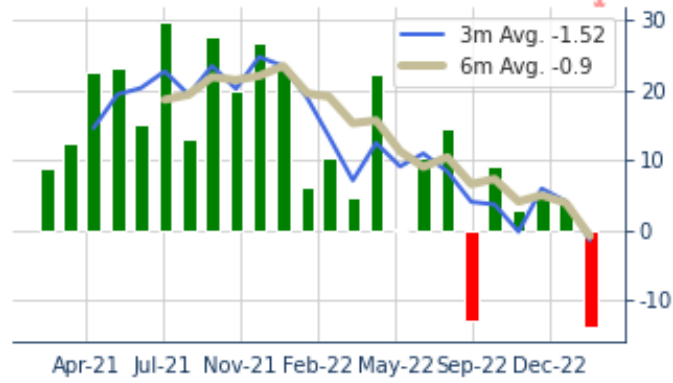
Recent Trends



ISM-Weighted Richmond Fed Manufacturing Survey



Empire Index ISM-Weighted



Contingent Macro Advisors 2023 source: New York Fed. Consensus from Bloomberg LP

Philly Fed recalculated by ISM Weightings



monthly levels

