

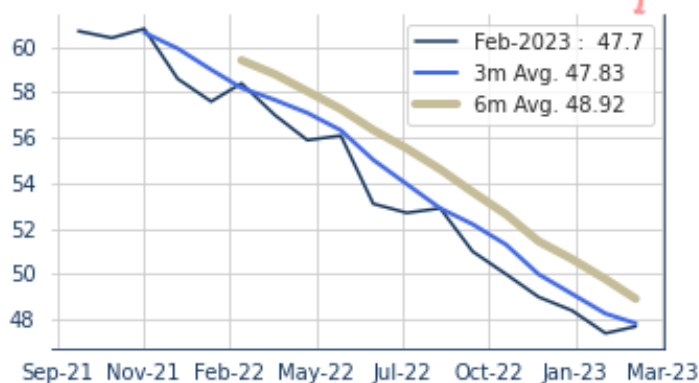
01.Mar.2023

ISM Manufacturing: Orders Down, Employment Down, Prices Up

Bottom Line: ISM's survey-based index of manufacturing managers stayed below 50, edging only slightly higher, less than expected, as new order growth continued to slow, albeit at a slightly slower pace of decline. Production declined further in February, and inventories rose slightly. Employment fell after two months of gains -- and that is notable, as manufacturers have been holding onto employees much more in this downturn than they have in previous ones. Prices paid rebounded after. **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.**

ISM PMI

February: +47.7, consensus: +48.0



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

The ISM Manufacturing Index ROSE 0.3 points to 47.7, BELOW the 3-Month average of 47.83, BELOW the 6-Month average of 48.92, and 10.7 BELOW the year-ago level.

- **New orders** ROSE 4.5 points to 47, ABOVE the 3-Month average of 44.87, ABOVE the 6-Month average of 46.15 but 14.2 BELOW the year-ago level.
- **Production** FELL 0.7 points to 47.3, BELOW the 3-Month average of 47.97, BELOW the 6-Month average of 49.62, and 10.6 BELOW the year-ago level.
- **Employment** FELL 1.5 points to 49.1, BELOW the 3-Month average of 50.17, BELOW the 6-Month average of 49.77, and 3.6 BELOW the year-ago level.
- **Inventories** were nearly unchanged, 0.1 points to 50.1, BELOW the 3-Month average of 50.87, BELOW the 6-Month average of 51.97, and 4 BELOW the year-ago level.
- **Prices paid** ROSE 6.8 points to 51.3, ABOVE the 3-Month average of 45.07,

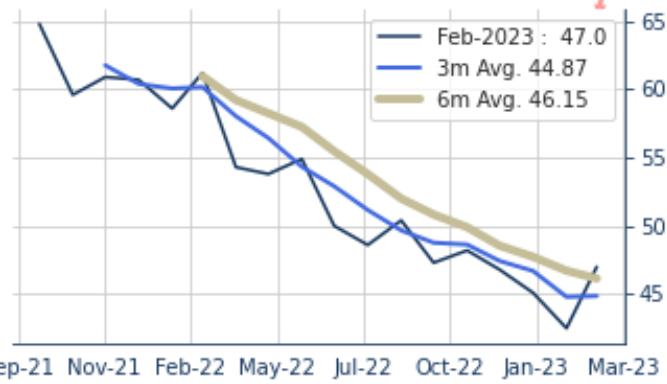
ABOVE the 6-Month average of 46.08 but 24.3 BELOW the year-ago level.

- **Backlog orders** ROSE 1.7 points to 45.1, ABOVE the 3-Month average of 43.3, ABOVE the 6-Month average of 44.35 but 19.9 BELOW the year-ago level.

WHAT RESPONDENTS ARE SAYING

- “Good start to the year for bookings. Electronic components, specifically processors, continue to be challenging due to the risk of not hitting the commit dates, even with the extended lead times quoted.” [Computer & Electronic Products]
- “A slowdown in new housing construction and concerns of a slowing economy have customers delaying purchases in an effort to destock.” [Chemical Products]
- “Sales remain solid, and most assembly plants are running at capacity. There is concern for the global supply chain now that we are restricting sales of some semiconductors to China.” [Transportation Equipment]
- “Expect the first half of 2023 in the U.S. to be slower than the second half. Expect slower orders throughout 2023 for Europe.” [Food, Beverage & Tobacco Products]
- “Even though our number of quotes are down, we are still staying busy, and our backlog has a lot to do with it. A backlog of 30-plus weeks is not ideal.” [Machinery]
- “Business and new orders are softening, and customers are pushing out current orders.” [Plastics & Rubber Products]
- “New orders are steady; production has been running consistently for several months. Many items remain in short supply (particularly anything electronics) and require daily monitoring to ensure supply.” [Electrical Equipment, Appliances & Components]
- “New orders are still strong; however, we continue to experience price increases (although at a slower rate than a year ago), which we have not accounted for in this year’s budget. Restoring lost margin due to cost increases is a top priority.” [Fabricated Metal Products]
- “We shipped some long-term backlogged orders, enabling some progress on our current backlog.” [Miscellaneous Manufacturing]
- “Business conditions are still strong; however, inventory has exceeded our planned levels. This will impact operations until the inventory situation is resolved.” [Primary Metals]
- “While there are lingering concerns about a recession, we are not expecting a large drop-off in manufacturing this year. Worst case is flat.” [Nonmetallic Mineral Products]

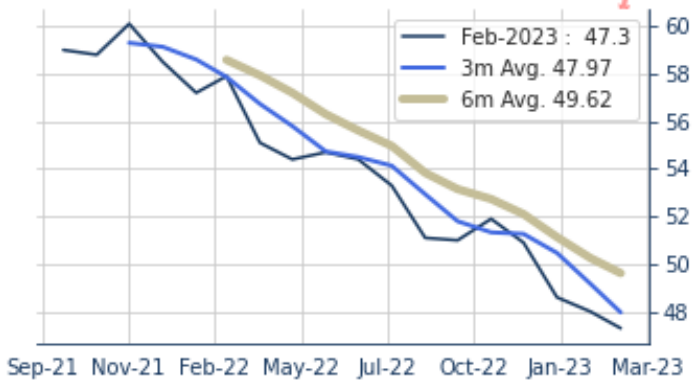
New orders



Production



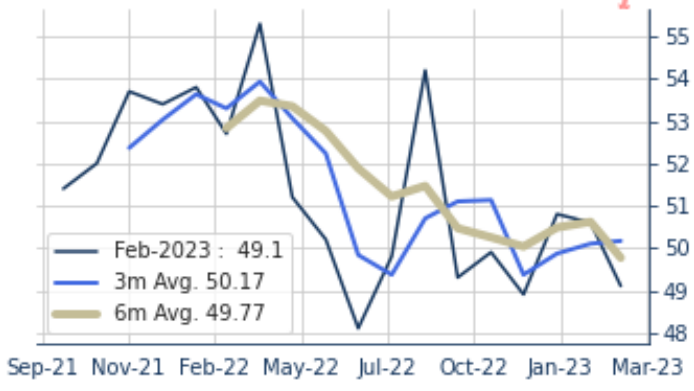
monthly levels



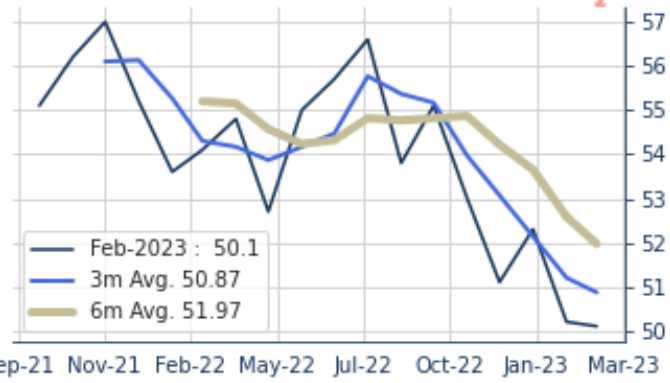
Employment



monthly levels



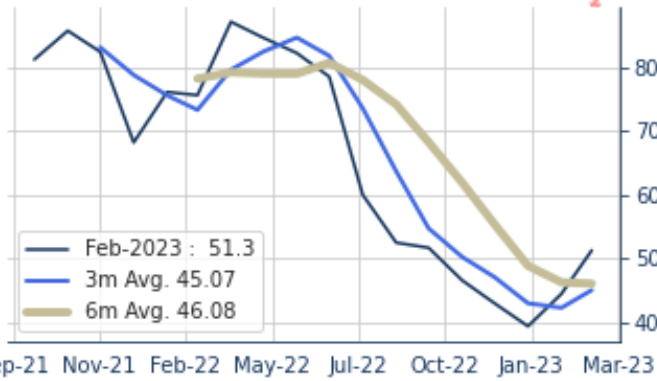
Inventories



Prices paid



monthly levels



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

ISM Manufacturing Survey	Feb-23	Jan-23	Dec-22	3m. avg.	6m. avg.	12m. avg.	2022	5y
ISM PMI	47.70	47.40	48.40	47.80	48.90	51.80	53.51	54.90
New orders	47.00	42.50	45.10	44.90	46.20	49.10	51.60	55.80
Production	47.30	48.00	48.60	48.00	49.60	51.70	53.38	55.50
Employment	49.10	50.60	50.80	50.20	49.80	50.60	51.18	51.00
Supplier	45.20	45.60	45.10	45.30	47.00	54.00	57.34	60.80
Inventories	50.10	50.20	52.30	50.90	52.00	53.40	53.98	51.40
Inventories of Customers	46.90	47.40	48.20	47.50	45.70	41.00	38.53	39.20
Prices paid	51.30	44.50	39.40	45.10	46.10	60.10	64.77	63.80
Backlog orders	45.10	43.40	41.40	43.30	44.40	49.90	52.60	54.00
Export orders	49.90	49.40	46.20	48.50	48.00	50.00	50.93	51.90

Imports	49.90	47.80	45.10	47.60	48.80	50.20	51.26	51.90
# Industries Reporting Growth	nan	2.00	2.00	2.00	5.40	10.00	11.50	12.40
# Reporting New Orders	nan	0.00	3.00	1.50	2.40	5.90	7.42	10.40
Manuf New Orders % Better	21.30	15.40	15.80	17.50	16.60	19.50	21.19	29.30
Manuf New Orders % Same	54.60	50.30	52.70	52.50	56.50	59.40	60.85	52.90
Manuf New Orders % Worse	24.10	34.30	31.50	30.00	26.90	21.10	17.96	17.70
New Orders Less Inventories	-3.10	-7.70	-7.20	-6.00	-5.80	-4.30	-2.38	4.40

Source: Institute for Supply Management