

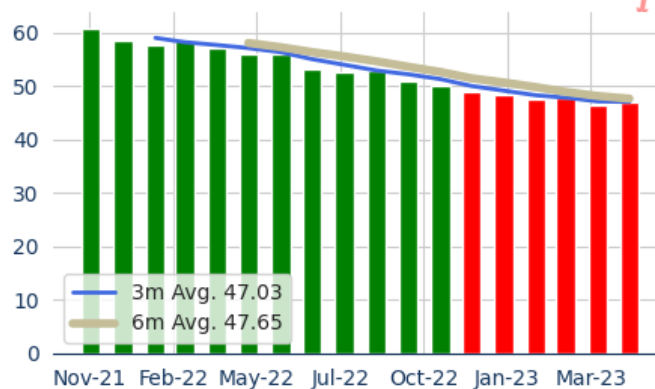
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ISM Manufacturing: Hints of Bottoming

Bottom Line: ISM's survey-based index of manufacturing managers rose a touch more than expected in April but remained below 50, suggesting continued contraction. Declines in new orders and production decelerated. Prices paid rose for the second time in the last seven months, suggesting goods prices are likely finding a bottom. The new orders index remained below the inventory -- while that suggests further contraction, the differential suggests any further contraction should be modest. Anecdotal quotes from the survey confirm the data, painting a slow but more mixed picture than the weakness portrayed a few months ago. **Overall, this national survey was slightly more positive than the regional surveys and suggested the manufacturing sector was still a drag on growth in the first month of the 2nd Quarter but a smaller one, with scope for hints of improvement going forward.**

ISM PMI

April: +47.1, consensus: +46.8



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

The ISM Manufacturing Index FELL 1.4 points to 46.3, BELOW the 3-Month average of 47.13, BELOW the 6-Month average of 48.13 and 10.7 BELOW the year-ago level.

- New orders FELL 2.7 points to 44.3, BELOW the 3-Month average of 44.6, BELOW the 6-Month average of 45.65 and 10 BELOW the year-ago level.
- Production ROSE 0.5 points to 47.8, ABOVE the 3-Month average of 47.7, BELOW the 6-Month average of 49.08 but 7.3 BELOW the year-ago level.
- Employment FELL 2.2 points to 46.9, BELOW the 3-Month average of 48.87, BELOW the 6-Month average of 49.37 and 8.4 BELOW the year-ago level.
- Inventories FELL 2.6 points to 47.5, BELOW the 3-Month average of 49.27, BELOW the 6-Month average of 50.7 and 7.3 BELOW the year-ago level.
- Prices paid FELL 2.1 points to 49.2, ABOVE the 3-Month average of 48.33, ABOVE the 6-Month average of 45.67 but 37.9 BELOW the year-ago level.

- Backlog orders FELL 1.2 points to 43.9, BELOW the 3-Month average of 44.13, ABOVE the 6-Month average of 43.18 and 16.1 BELOW the year-ago level.

WHAT RESPONDENTS ARE SAYING

- “Having invested heavily to de-risk the supply chain over the last three years due to COVID-19, we are looking to reset with a number of our suppliers to reduce inventory, which has grown steadily over that period. Lead times are generally coming down, although electronic components are still a concern.” [Computer & Electronic Products]
- “Business continues to contract, albeit slowly year over year. We are burning existing inventory when possible and catching up on orders. Suppliers are shipping materials at a faster pace, especially to get the payable process started at the end of the first quarter. Employment is steady, with manpower decisions based on expected order flow in the second quarter, which is subject to change. Staffing levels in our sector are not decreasing, but employment openings are slowing across the economy, which reduces the pool of replacement candidates. We are currently projecting that the third quarter will see some improvement in business, especially in our metals coating for the aerospace industry. But unforeseen circumstances — international or domestic — could change things quickly.” [Chemical Products]
- “Pricing pressures continue to plague daily operations. After consecutive years of inflation and aggressive pricing to our retailers, we are starting to see resistance in the willingness to pass along pricing to end consumers. Discounting has entered into conversations.” [Food, Beverage & Tobacco Products]
- “Business is steady. Closely monitoring demand going forward to detect a negative trend.” [Transportation Equipment]
- “Customers seem to be quite heavy on inventory (as is my employer). This has made for a significant slowdown in sales orders for the last number of months.” [Machinery]
- “Faster deliveries and shorter lead times from suppliers. ... Customers starting to talk build rate reductions for the second half of 2023.” [Fabricated Metal Products]
- “Business conditions remain strong, with sales and bookings exceeding plan. The backlog continues to grow due to increased bookings and supply chain constraints on electronic components.” [Miscellaneous Manufacturing]
- “Sales continue to be soft, similar to 2019 pre-COVID. Expect softness to last for as long as another two years.” [Electrical Equipment, Appliances & Components]
- “Business is picking up a bit in the automotive and construction industries —

not on par with 2022 but beginning to look better.” [Plastics & Rubber Products]

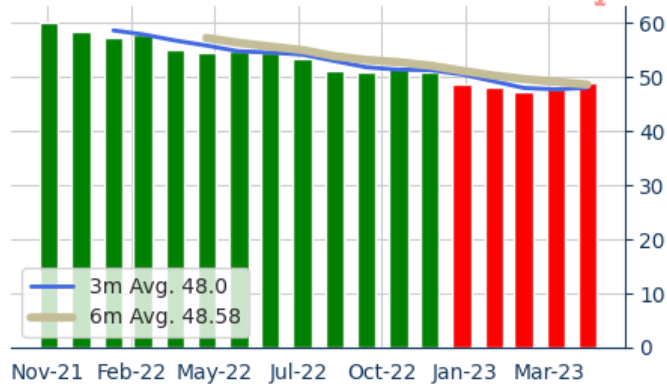
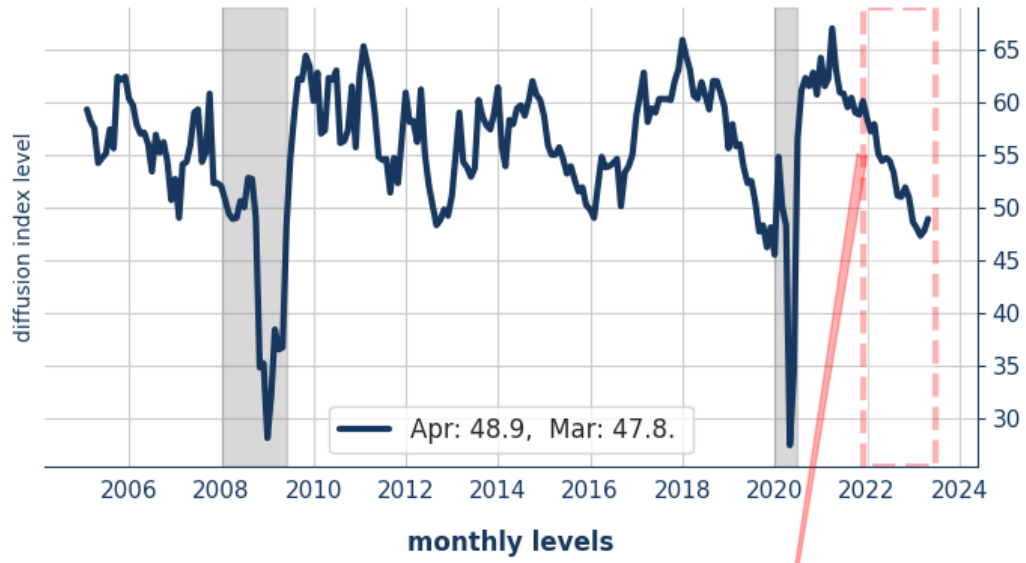
- “We seem to be in a season of contradictions. Business is slowing, but in some ways, it isn’t. Prices for some commodities are stabilizing, but not for others. Some product shortages are over, others aren’t. Trucking is more plentiful, except when it isn’t. There’s uncertainty one day, but not the next. The next couple of months should provide answers — or not. It’s hard to make projections at the moment.” [Primary Metals]

SOURCE: ISMWorld.org

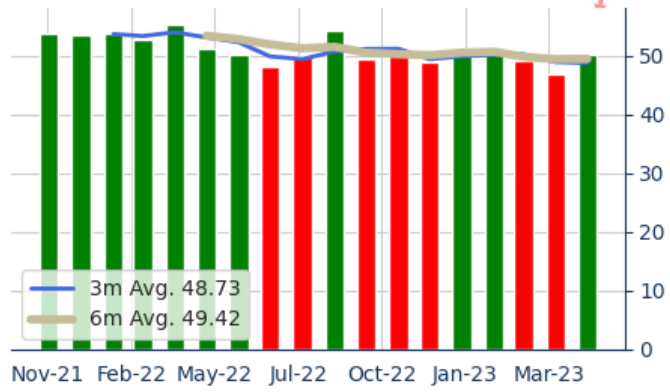


Contingent Macro Advisors 2023 source: Inst. Supply Mgmt. via Bloomberg LP

Production

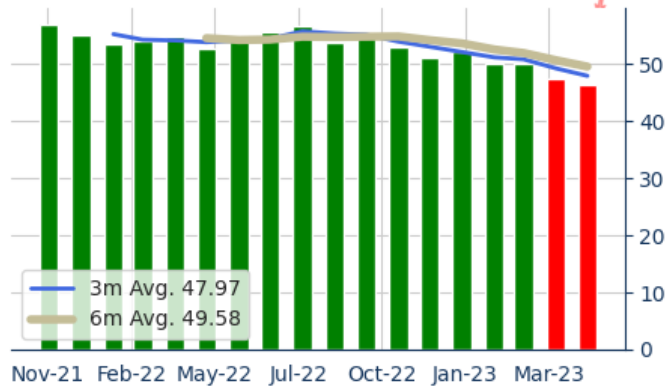
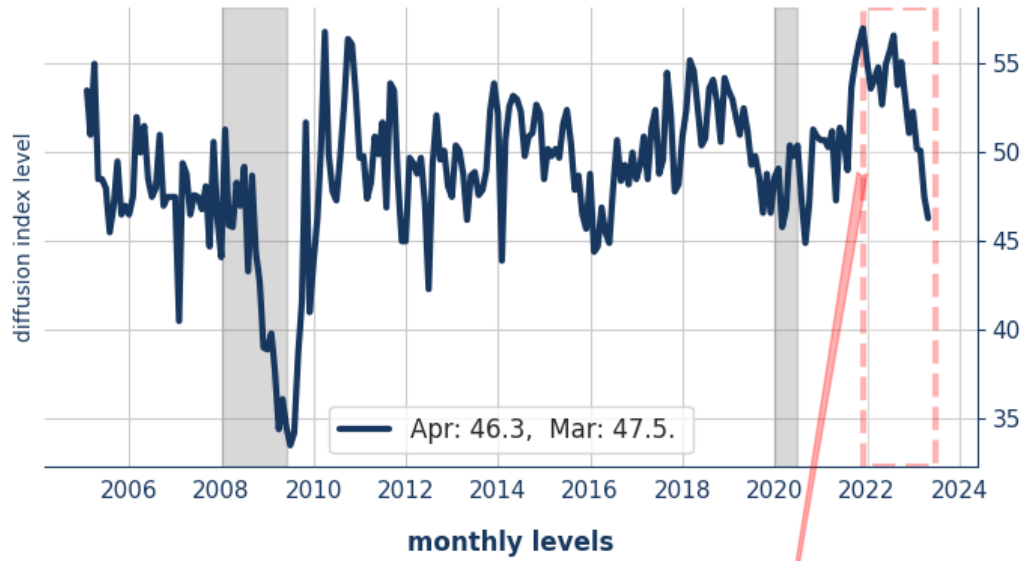


Employment



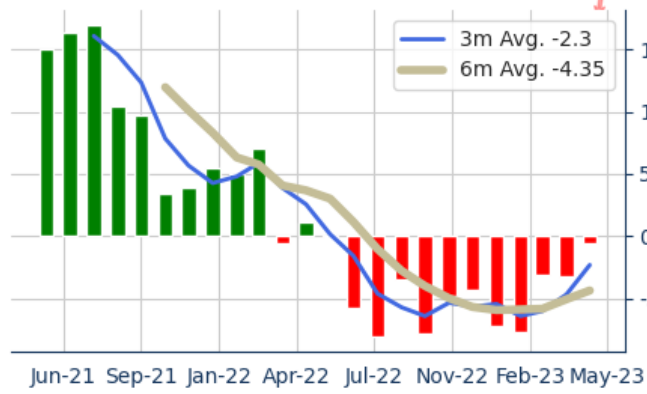
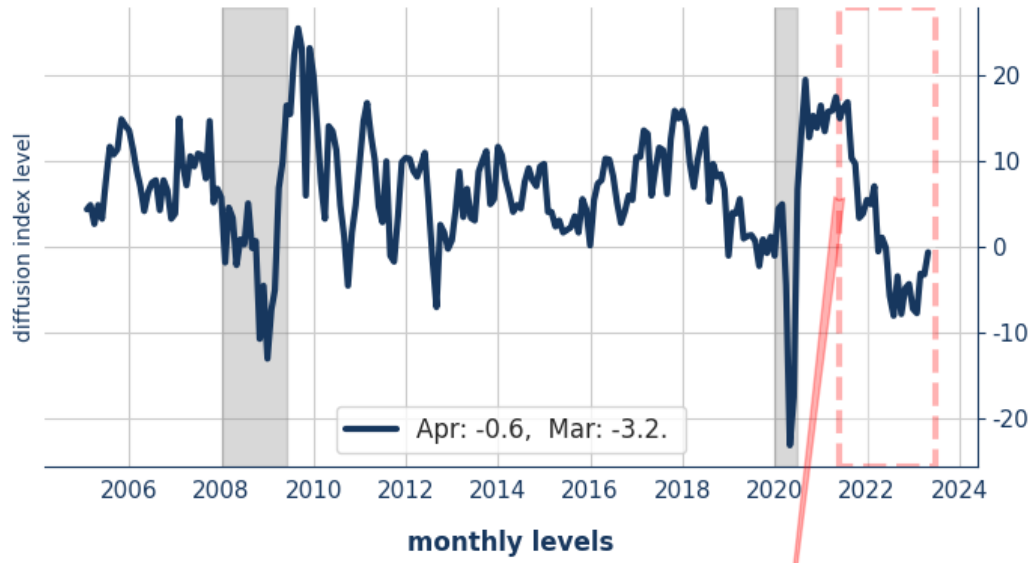
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Inventories



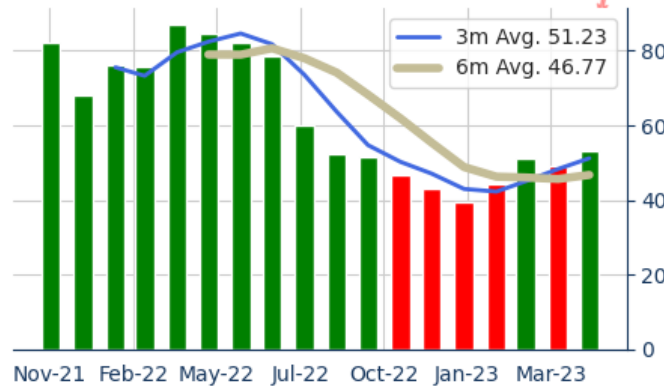
Contingent Macro Advisors 2023 source: Inst. Supply Mgmt. via Bloomberg LP

New Orders Less Inventories



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

Prices paid



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

ISM Manufacturing Survey	Apr-23	Mar-23	Feb-23	3m. avg.	6m. avg.	12m. avg.	2022	5y
ISM PMI	47.10	46.30	47.70	47.00	47.70	50.10	53.51	54.50
New orders	45.70	44.30	47.00	45.70	45.20	47.60	51.60	55.30
Production	48.90	47.80	47.30	48.00	48.60	50.70	53.38	55.10
Employment	50.20	46.90	49.10	48.70	49.40	49.80	51.18	50.70
Supplier	44.60	44.80	45.20	44.90	45.40	50.40	57.34	60.30
Inventories	46.30	47.50	50.10	48.00	49.60	52.20	53.98	51.20
Customer Inventories	51.30	48.90	46.90	49.00	48.60	43.40	38.53	39.40
Prices paid	53.20	49.20	51.30	51.20	46.80	54.30	64.77	62.90
Backlog orders	43.10	43.90	45.10	44.00	42.80	47.40	52.60	53.40
Export orders	49.80	47.60	49.90	49.10	48.60	49.30	50.93	51.50

Imports	49.90	47.90	49.90	49.20	47.90	49.70	51.26	51.60
# Industries Reporting Growth	nan	6.00	4.00	5.00	4.00	8.00	11.50	12.00
# Reporting New Orders	nan	5.00	3.00	4.00	2.40	4.50	7.42	10.00
Manuf New Orders % Better	nan	19.60	21.30	20.50	17.00	18.20	21.19	28.70
Manuf New Orders % Same	nan	56.00	54.60	55.30	55.20	58.60	60.85	53.10
Manuf New Orders % Worse	nan	24.40	24.10	24.20	27.90	23.20	17.96	18.20
New Orders Less Inventories	-0.60	-3.20	-3.10	-2.30	-4.40	-4.70	-2.38	4.00

Source: Institute for Supply Management

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