

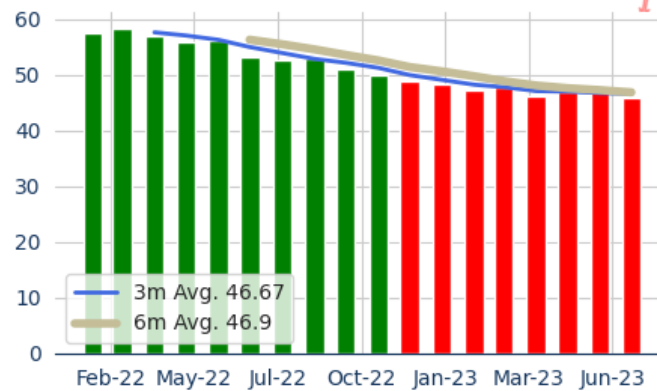
03.Jul.2023

ISM Manufacturing: Further Deceleration

Bottom Line: ISM's survey-based index of manufacturing managers fell in June, countering expectations for a small increase. On the plus side, manufacturers reported sharply lower input prices. New orders contracted slightly less than in the prior month, but production levels declined substantially. The anecdotal reports were about as dour as we've seen during this cycle, and employment fell. **Overall, the manufacturing sector points to continued weak consumer goods demand throughout the 2nd Quarter and well into the 3rd Quarter.**

ISM PMI

June: +46.0, consensus: +47.2



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

The ISM Manufacturing Index FELL 0.9 points to 46, BELOW the 3-Month average of 46.67, BELOW the 6-Month average of 46.9 and 7.1 BELOW the year-ago level.

- New orders ROSE 3 points to 45.6, ABOVE the 3-Month average of 44.63, ABOVE the 6-Month average of 44.62 but 4.4 BELOW the year-ago level.
- Production FELL 4.4 points to 46.7, BELOW the 3-Month average of 48.9, BELOW the 6-Month average of 48.3 and 7.7 BELOW the year-ago level.
- Employment FELL 3.3 points to 48.1, BELOW the 3-Month average of 49.9, BELOW the 6-Month average of 49.38, nearly in-line with year-ago level of 48.1.
- Inventories FELL 1.8 points to 44, BELOW the 3-Month average of 45.37, BELOW the 6-Month average of 47.32 and 11.7 BELOW the year-ago level.
- Prices paid FELL 2.4 points to 41.8, BELOW the 3-Month average of 46.4, BELOW the 6-Month average of 47.37 and 36.7 BELOW the year-ago level.

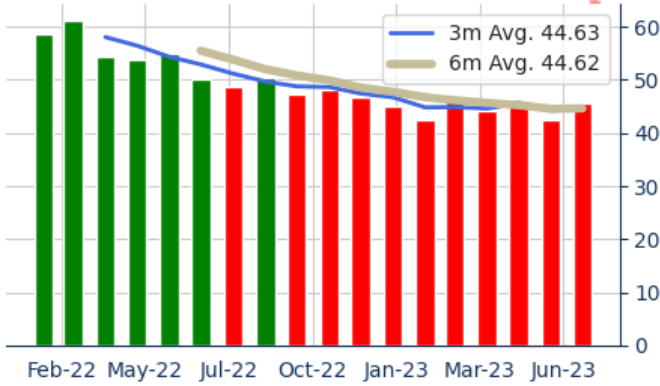
- Backlog orders ROSE 1.2 points to 38.7, BELOW the 3-Month average of 39.77, BELOW the 6-Month average of 41.95 and 14.5 BELOW the year-ago level.

WHAT RESPONDENTS ARE SAYING

- “The slowing U.S. economy is causing the business forecast to be revised/reduced for the remainder of 2023. Customers are less inclined to purchase far in advance.” [Computer & Electronic Products]
- “Customer orders have definitely slowed down. Our company thought the second half of 2023 would be better than the first half, but this doesn’t seem to be the case.” [Chemical Products]
- “There were concerns that second-quarter sales were going to decrease and result in inventory levels rising; however, demand has remained stable so far. Projecting total end-of-year sales to be about where we were last year.” [Transportation Equipment]
- “There is an elevated level of capital project review as recession concerns loom. While not delayed, spending and planning are being managed and prioritized.” [Food, Beverage & Tobacco Products]
- “Markets are stabilizing in the second quarter of 2023 and appear to be trending downward for most commodity chemicals; however, demand versus supply has shifted to customers’ favor.” [Petroleum & Coal Products]
- “Orders and business are steady with a healthy backlog, but new prospective orders seem to be getting pushed back into 2024.” [Machinery]
- “North American demand stabilizing, but European markets showing slowing in the second half of 2023 and 2024.” [Fabricated Metal Products]
- “Here we are almost halfway through the year, and while things are challenging, we may be doing all right.” [Nonmetallic Mineral Products]
- “Input costs for materials continue to decline. Demand is trending to about 2019 levels, accounting for inflation. The COVID-driven demand has moderated.” [Paper Products]
- “Maintaining a strong order backlog. Continue to struggle with hiring hourly factory workers and finding qualified management candidates — higher turnover than desired. Pricing has stabilized, but labor costs remain high.” [Primary Metals]

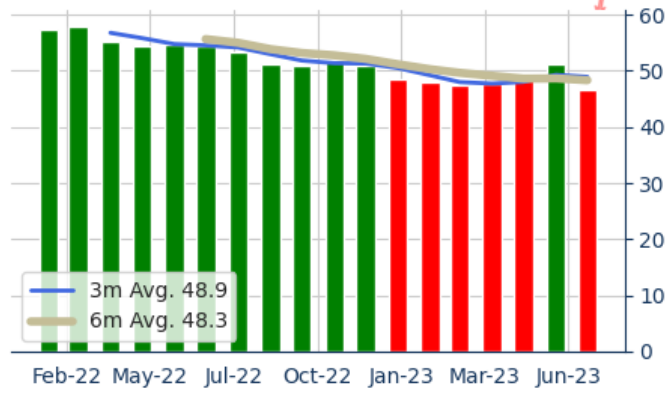
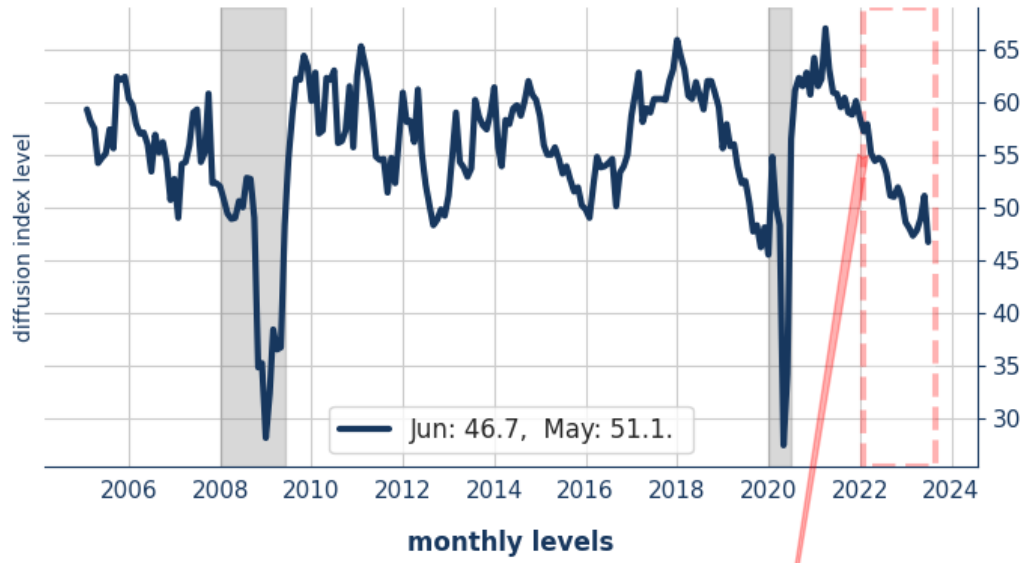
SOURCE: ISMWorld.org

New orders



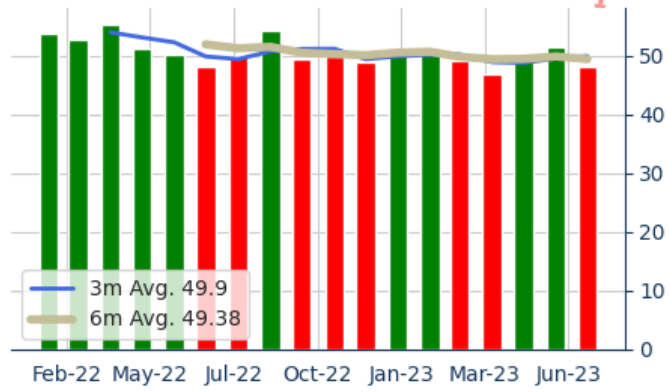
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Production



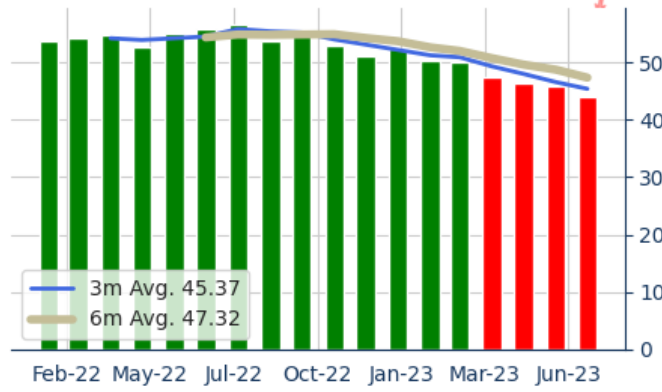
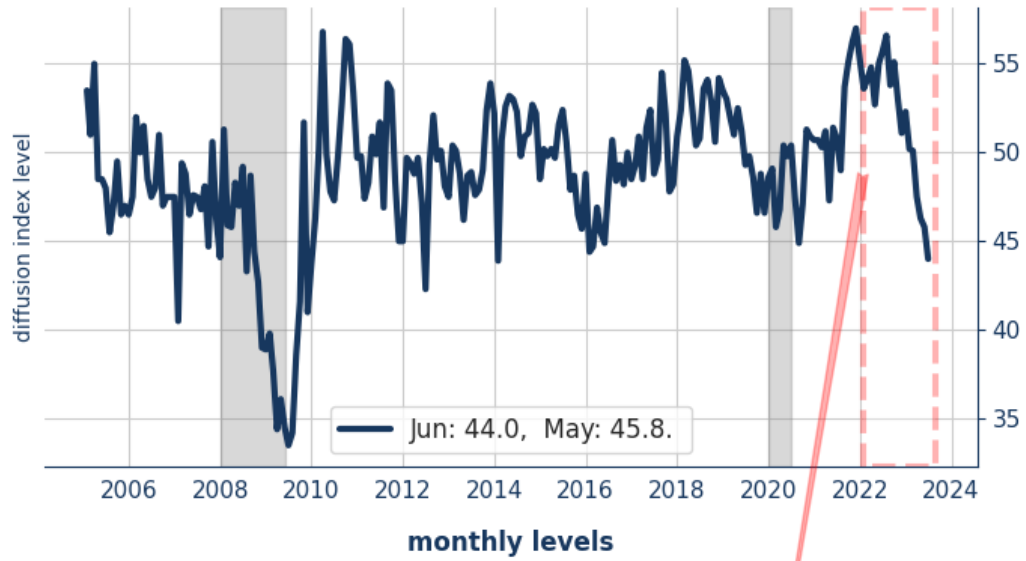
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Employment



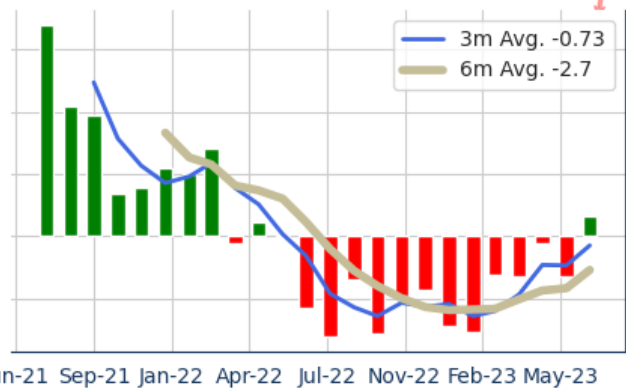
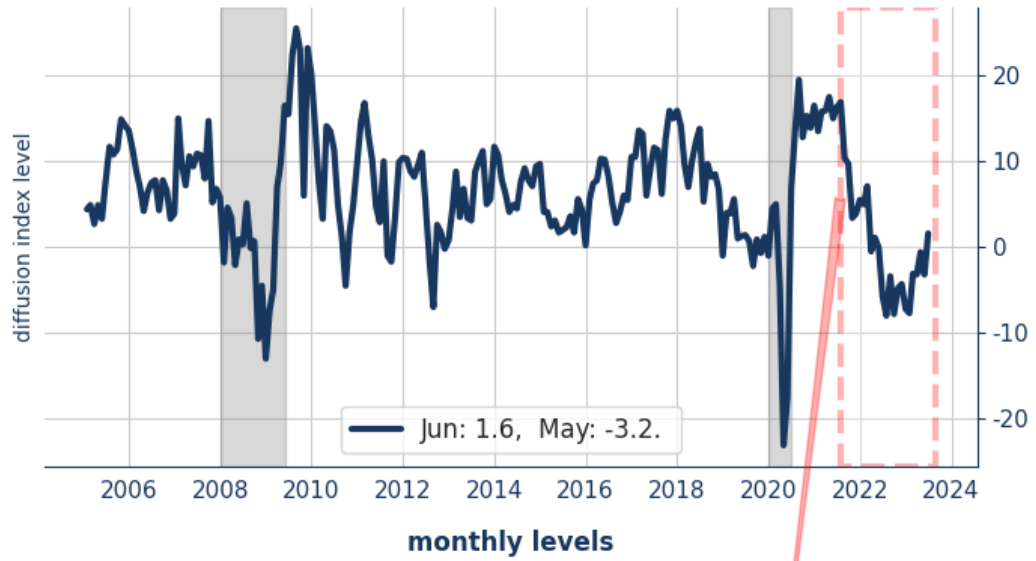
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Inventories



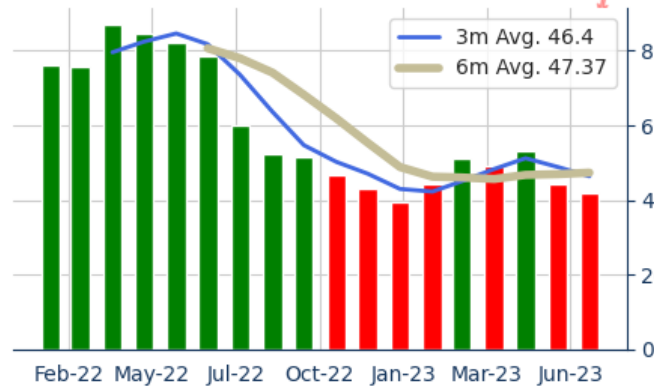
Contingent Macro Advisors 2023 source: Inst. Supply Mgmt. via Bloomberg LP

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 | Jun-23 | May-23 | Apr-23 | 3m. avg. | 6m. avg. | 12m. avg. | 2022 | 5y |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| ISM PMI | 46.00 | 46.90 | 47.10 | 46.70 | 46.90 | 48.80 | 53.51 | 54.10 |
| New orders | 45.60 | 42.60 | 45.70 | 44.60 | 44.60 | 46.20 | 51.60 | 54.60 |
| Production | 46.70 | 51.10 | 48.90 | 48.90 | 48.30 | 49.70 | 53.38 | 54.70 |
| Employment | 48.10 | 51.40 | 50.20 | 49.90 | 49.40 | 49.90 | 51.18 | 50.50 |
| Supplier | 45.70 | 43.50 | 44.60 | 44.60 | 44.90 | 47.60 | 57.34 | 59.60 |
| Inventories | 44.00 | 45.80 | 46.30 | 45.40 | 47.30 | 50.50 | 53.98 | 51.00 |
| Customer Inventories | 46.20 | 51.40 | 51.30 | 49.60 | 48.70 | 45.90 | 38.53 | 39.70 |
| Prices paid | 41.80 | 44.20 | 53.20 | 46.40 | 47.40 | 48.10 | 64.77 | 61.70 |
| Backlog orders | 38.70 | 37.50 | 43.10 | 39.80 | 41.90 | 44.50 | 52.60 | 52.60 |
| Export orders | 47.30 | 50.00 | 49.80 | 49.00 | 49.00 | 48.70 | 50.93 | 51.30 |

| | | | | | | | | |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Imports | 49.30 | 47.30 | 49.90 | 48.80 | 48.70 | 49.50 | 51.26 | 51.30 |
| # Industries Reporting Growth | nan | 4.00 | nan | 4.00 | 4.00 | 6.20 | 11.50 | 11.70 |
| # Reporting New Orders | nan | 3.00 | nan | 3.00 | 2.80 | 3.30 | 7.42 | 9.70 |
| Manuf New Orders % Better | 17.70 | 16.30 | 25.20 | 19.70 | 19.20 | 17.70 | 21.19 | 27.90 |
| Manuf New Orders % Same | 57.70 | 54.00 | 48.20 | 53.30 | 53.50 | 56.80 | 60.85 | 53.10 |
| Manuf New Orders % Worse | 24.60 | 29.70 | 26.60 | 27.00 | 27.30 | 25.50 | 17.96 | 19.00 |
| New Orders Less Inventories | 1.60 | -3.20 | -0.60 | -0.70 | -2.70 | -4.30 | -2.38 | 3.60 |

Source: Institute for Supply Management