

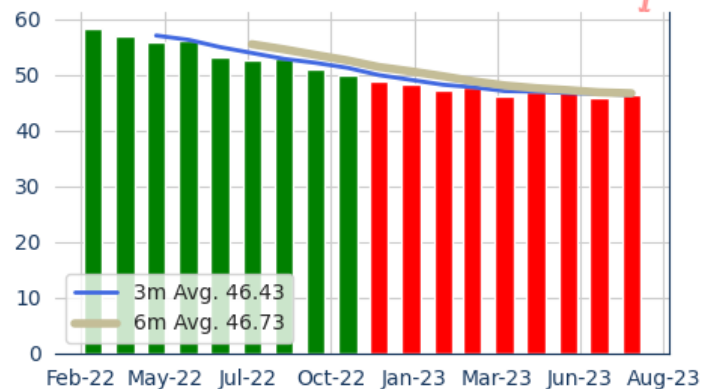
01.Aug.2023

ISM Manufacturing: Continued Cyclical Weakness

Bottom Line: ISM's survey-based index of manufacturing managers edged slightly higher in July but was still below expectations and firmly in contraction territory. On the plus side, manufacturers reported notably slower declines in new orders and production levels. But inventories increased, and manufacturers shed workers at the fastest pace of this cycle. **Overall, the manufacturing sector remains weak as the goods economy remains in recession. Despite that, overall fixed investment related to manufacturing remains robust as many businesses continue to make long-term capital investments, especially those related to "restoring" production and onshoring of supply chains.**

ISM PMI

July: +46.4, consensus: +46.9



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

The ISM Manufacturing Index ROSE 0.4 points to 46.4, BELOW the 3-Month average of 46.43, BELOW the 6-Month average of 46.73 and 6.3 BELOW the year-ago level.

- **New orders** ROSE 1.7 points to 47.3, ABOVE the 3-Month average of 45.17, ABOVE the 6-Month average of 45.42 but 1.3 BELOW the year-ago level.
- **Production** ROSE 1.6 points to 48.3, BELOW the 3-Month average of 48.7, BELOW the 6-Month average of 48.35 and 5 BELOW the year-ago level.
- **Employment** FELL 3.7 points to 44.4, BELOW the 3-Month average of 47.97, BELOW the 6-Month average of 48.35 and 5.4 BELOW the year-ago level.
- **Inventories** ROSE 2.1 points to 46.1, ABOVE the 3-Month average of 45.3, BELOW the 6-Month average of 46.63 but 10.5 BELOW the year-ago level.
- **Prices paid** ROSE 0.8 points to 42.6, BELOW the 3-Month average of 42.87,

BELOW the 6-Month average of 47.05 and 17.4 BELOW the year-ago level.

- **Backlog orders** ROSE 4.1 points to 42.8, ABOVE the 3-Month average of 39.67, ABOVE the 6-Month average of 41.85 but 8.5 BELOW the year-ago level.

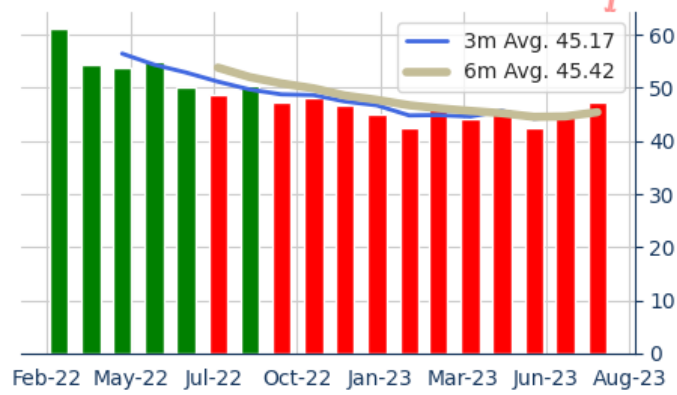
WHAT RESPONDENTS ARE SAYING

- “Current U.S. market conditions of inflationary and recessionary tactics affecting overall business. Customers are reducing or not placing orders as forecast, (putting) internal focus on reducing financial liabilities and overhead costs.” [Computer & Electronic Products]
- “Sales in our industry are extremely slow entering into the second half of the year, and no upturn is expected until at least the fourth quarter.” [Chemical Products]
- “Demand is softening. Some pricing starting to decrease. Back orders mostly resolved.” [Transportation Equipment]
- “Stable demand for the next four to six months, but longer-term uncertainty. While customer growth is projected, we cannot point to fundamentals that sustain it. Supply conditions are similar to pre-pandemic, except for energy and raw input costs. Logistics costs have settled, transit times continue to shorten and capacities at most suppliers are sufficient.” [Fabricated Metal Products]
- “We are still in our slow season but will soon ramp up production to prepare for our busy season in late fall. Inventories aren’t changed much now but will be increasing soon. The reports on cooling inflation and consumer confidence are driving expectations of a very strong back half (of the year).” [Food, Beverage & Tobacco Products]
- “Suppliers are starting to reach out looking for new business. Softening is occurring in the China markets.” [Machinery]
- “Sales remain higher than forecast. Supplier capacity issues remain an issue.” [Miscellaneous Manufacturing]
- “Semiconductor trade restrictions against China have negatively impacted our industrial business in North America.” [Electrical Equipment, Appliances & Components]
- “June was a strong month, but July has been way off for construction.” [Nonmetallic Mineral Products]
- “Order book continues to be strong. Working overtime to complete orders. Labor availability is still the number one constraint impacting production. Cannot find qualified salaried or skilled trades people to hire. Hourly temporary employees are of poor quality and walk off after taking the job.” [Primary Metals]

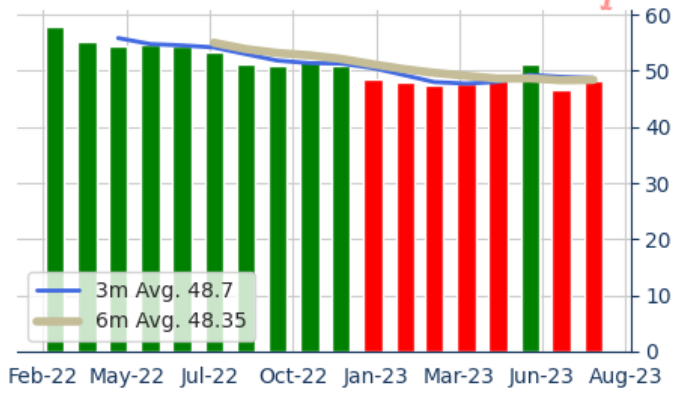
New orders



monthly levels

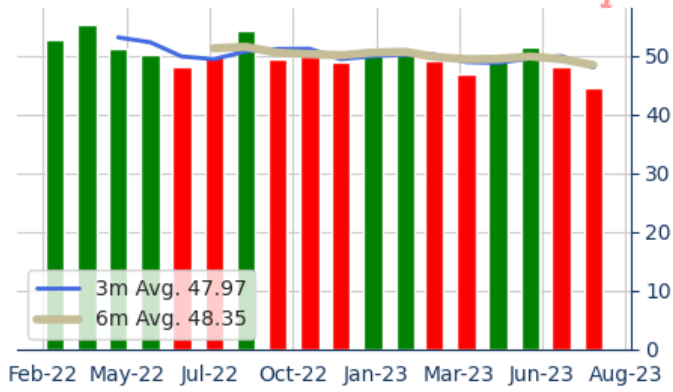


Production



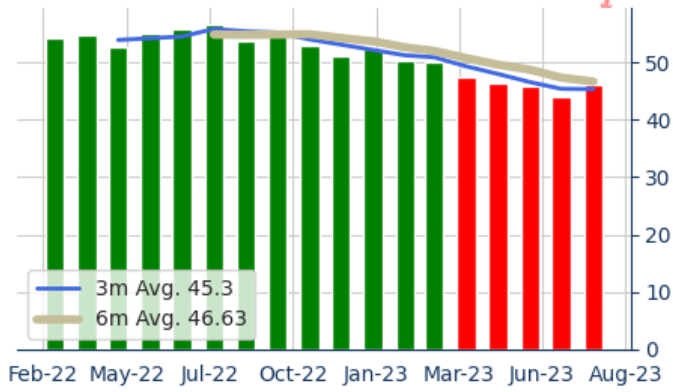
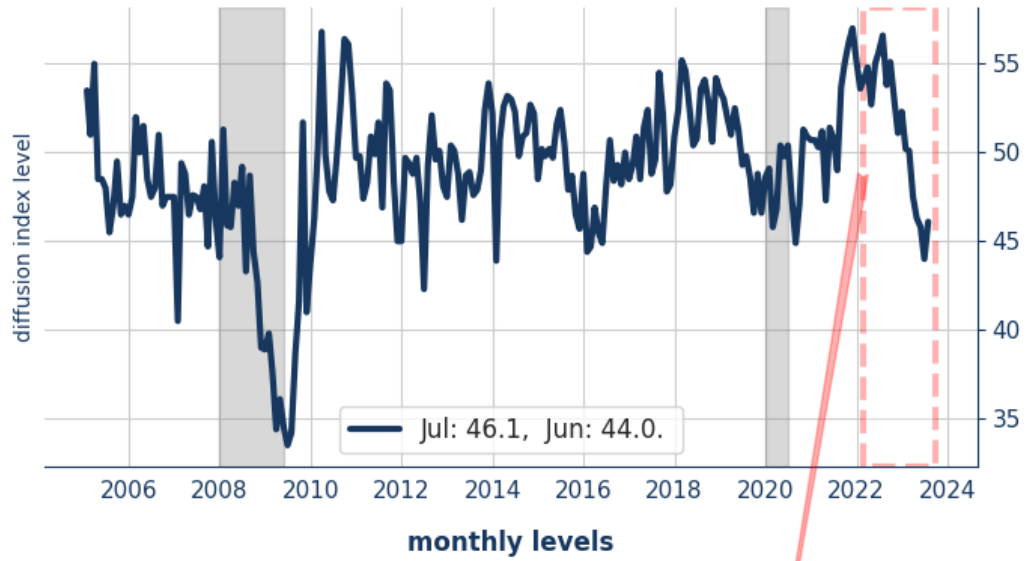
Contingent Macro Advisors 2023 source: Inst. Supply Mgmt. via Bloomberg LP

Employment



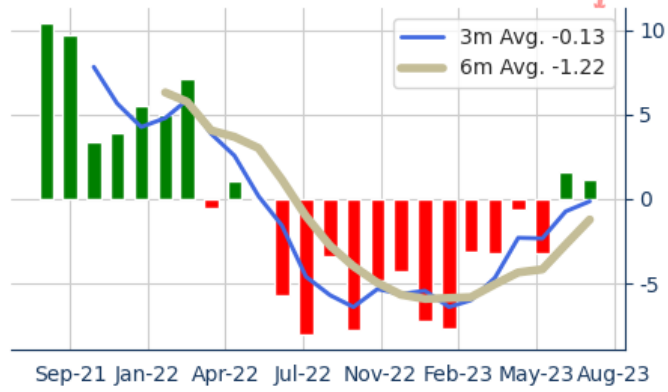
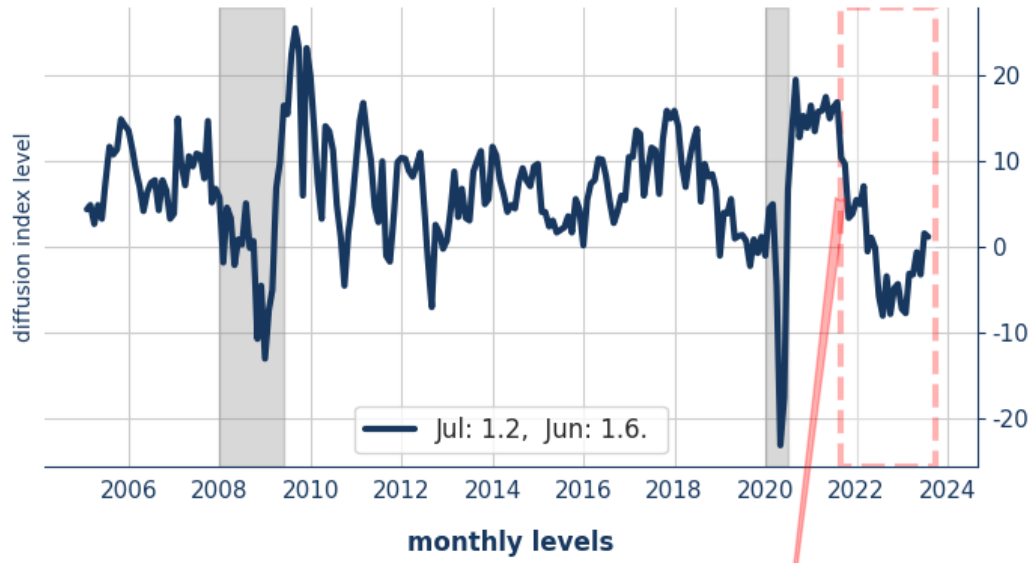
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Inventories

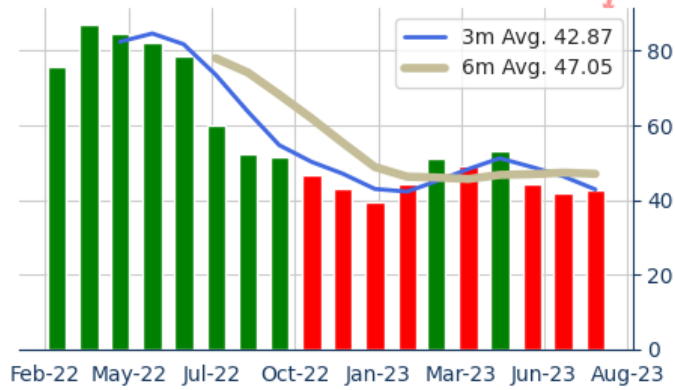


Contingent Macro Advisors 2023 source: Inst. Supply Mgmt. via Bloomberg LP

New Orders Less Inventories



Prices paid



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

ISM Manufacturing Survey	Jul-23	Jun-23	May-23	3m. avg.	6m. avg.	12m. avg.	2022	5y
ISM PMI	46.40	46.00	46.90	46.40	46.70	48.30	53.51	53.90
New orders	47.30	45.60	42.60	45.20	45.40	46.10	51.60	54.40
Production	48.30	46.70	51.10	48.70	48.40	49.30	53.38	54.50
Employment	44.40	48.10	51.40	48.00	48.30	49.50	51.18	50.30
Supplier	46.10	45.70	43.50	45.10	45.00	46.80	57.34	59.30
Inventories	46.10	44.00	45.80	45.30	46.60	49.60	53.98	50.90
Customer Inventories	48.70	46.20	51.40	48.80	48.90	46.60	38.53	39.90
Prices paid	42.60	41.80	44.20	42.90	47.10	46.70	64.77	61.20
Backlog orders	42.80	38.70	37.50	39.70	41.80	43.80	52.60	52.40
Export orders	46.20	47.30	50.00	47.80	48.50	48.20	50.93	51.10

Imports	49.60	49.30	47.30	48.70	49.00	49.10	51.26	51.20
# Industries Reporting Growth	2.00	4.00	4.00	3.30	4.00	5.20	11.50	11.30
# Reporting New Orders	4.00	5.00	3.00	4.00	4.00	3.50	7.42	9.40
Manuf New Orders % Better	15.40	17.70	16.30	16.50	19.30	17.60	21.19	27.70
Manuf New Orders % Same	61.20	57.70	54.00	57.60	55.30	56.60	60.85	53.10
Manuf New Orders % Worse	23.40	24.60	29.70	25.90	25.50	25.80	17.96	19.20
New Orders Less Inventories	1.20	1.60	-3.20	-0.10	-1.20	-3.50	-2.38	3.50

Source: Institute for Supply Management