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ISM: True Stability?

The May ISM survey presents a much more stable picture than the Chicago report did yesterday, with the headline index dipping a slightly more-than-expected 1.3 points (Consensus: -1.0 point; Decision Economics: +0.8 point), to 53.5.

Importantly, the new orders index actually firmed 1.9 points, to 60.1--indicating that national-level demand is not slowing to the extent that Chicago-area companies (-4.5 points) experienced.

National-level production growth did narrow sharply however (-5.4 points, to 55.6), and backlog declines nevertheless broadened out a bit further (-2.5 points, to 47.0). Employment growth was tapered back very modestly (-0.4 point, to 56.9).

These numbers are clearly not giving the serious hint of a developing negative turning-point signal that the Chicago-survey numbers are--lessening concerns about the risk of a traditional manufacturing downturn. But, the developing issue might just be the threat of a non-traditional, purely self-inflicted, downturn, as companies hunker-down abruptly in the face of ballooning worries about a Eurozone-driven credit-crunch cum global-slowdown.

After the 2008 experience, purely psychological factors may be much more important in company decisionmaking--as confidence in quickly acting governmental shock absorbers is probably quite low.

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