

ISM Manufacturing PMI (July) Shows More Growth

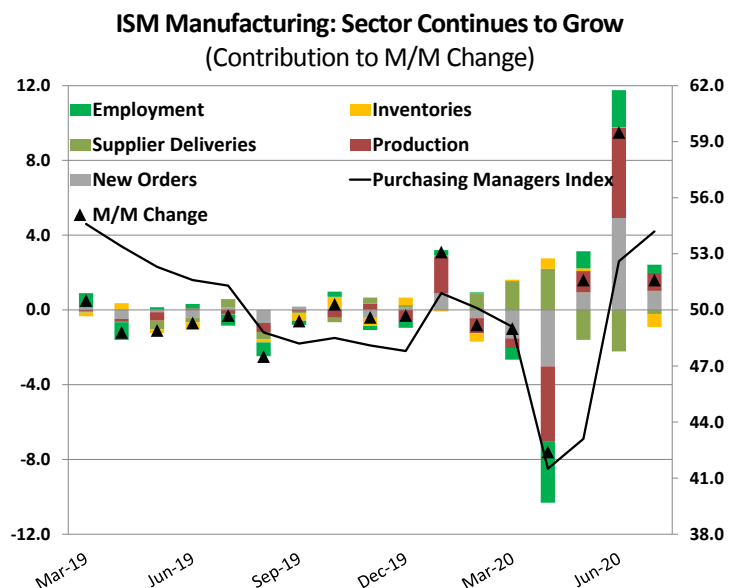
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The **ISM Manufacturing PMI rose to 54.2 in July** (DE 53.9; Consensus 53.6) from 52.6 in June as the Manufacturing Sector continued to recover. Growth for the second consecutive month in New Orders and Production fueled the headline increase. **The Prices Index increased from 51.3 to 53.2** (DE 51.6; Consensus 52) as prices for Raw Materials continued to rise.

Data Details – Growth in Backlogs

The **New Orders Index jumped from 56.4 to 61.5**, with growth in 13 of the 18 industries. Meanwhile, the **Production Index rose from 57.3 to 62.1** with not a single industry reporting contraction. **Order Backlogs grew** after four months of contraction, with the index rising from 45.3 to 51.8.

The **Employment Index remained in contractionary territory** but improved from 42.1 to 44.3. **Inventories contracted** after two months of growth, as the index fell from 50.5 to 47. Supplier Delivery Times continued to get slower but at a less alarming rate, as the index fell from 56.9 to 55.8. Prices rose the most for Plastics, Lumber, Petroleum Products and some Metals.



Sources: ISM, Bloomberg, and Decision Economics, Inc. (DE)

Perspectives – Manufacturing Sector Recovering but Employment Still Weak

Demand picked up in July amid Reopenings. As a result, the **Manufacturing Sector grew for the second straight month**, slightly faster than DE and Consensus forecasts. Order Backlogs finally grew, which is a positive sign as it means New Orders outpaced Production.

There is still **considerable uncertainty** regarding future demand, thus Manufacturers were **reluctant to grow inventories**. Also, Manufacturing Employment continued to suffer, but less severely. Pandemic resurgence could prevent Employment from recovering soon if there are stringent restrictions.

On Wednesday (August 5) the Non-Manufacturing component of the ISM Survey will be released.