

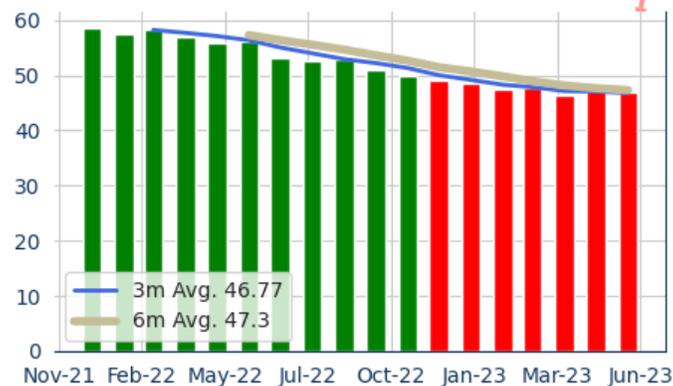
01.Jun.2023

ISM Manufacturing: Weak But Still Hints of Bottoming

Bottom Line: ISM's survey-based index of manufacturing managers fell slightly in May. While firmly in contraction territory, there were signs of a potential bottoming in activity. New orders retreated to the lowest levels of this cycle, but production increased for the first time in six months. Moreover, prices paid fell sharply, and managers reported fewer supply constraints. Anecdotal reports suggested hints of slow but slightly positive growth in the 2nd half. **Overall, the manufacturing sector will likely remain a drag on 2nd Quarter growth, but there is scope for the sector to be flat in the 3rd Quarter and mild positive by late in the year.**

ISM PMI

May: +46.9, consensus: +47



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

The ISM Manufacturing Index FELL 0.2 points to 46.9, ABOVE the 3-Month average of 46.77, BELOW the 6-Month average of 47.3 but 9.2 BELOW the year-ago level.

- New orders FELL 3.1 points to 42.6, BELOW the 3-Month average of 44.2, BELOW the 6-Month average of 44.53 and 12.3 BELOW the year-ago level.
- Production ROSE 2.2 points to 51.1, ABOVE the 3-Month average of 49.27, ABOVE the 6-Month average of 48.62 but 3.6 BELOW the year-ago level.
- Employment ROSE 1.2 points to 51.4, ABOVE the 3-Month average of 49.5, ABOVE the 6-Month average of 49.83 and 1.2 ABOVE the year-ago level.
- Inventories FELL 0.5 points to 45.8, BELOW the 3-Month average of 46.53, BELOW the 6-Month average of 48.7 and 9.2 BELOW the year-ago level.
- Prices paid FELL 9 points to 44.2, BELOW the 3-Month average of 48.87, BELOW the 6-Month average of 46.97 and 38 BELOW the year-ago level.

- Backlog orders FELL 5.6 points to 37.5, BELOW the 3-Month average of 41.5, BELOW the 6-Month average of 42.4 and 21.2 BELOW the year-ago level.

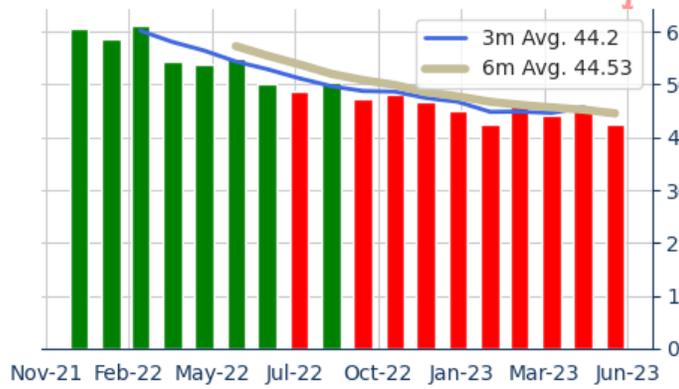
WHAT RESPONDENTS ARE SAYING

- “Overall impact for our business is mixed. Our scientific instrumentation business continues to be weakened by lending to support capital purchasing, while services and consumables stay on track and continue to increase in some markets. Hiring has slowed in response to continued global uncertainty on inflation and unrest in Europe.” [Computer & Electronic Products]
- “Demand continues to gain momentum due to new business pipelines finally yielding billable production. Personal care and home care are drivers.” [Chemical Products]
- “We continue to have a strong backlog for our customer orders; however, new orders are slowing. Our supplier on-time delivery continues to be a challenge for us, and we still face price increases on a weekly basis. Labor shortages are getting better within our organization and throughout our supply chain.” [Transportation Equipment]
- “Pricing seems to be becoming the primary focus of supply and sourcing teams, as customers and consumers are beginning to push back. While inflation is easing on some discretionary goods, high food costs persist across most categories.” [Food, Beverage & Tobacco Products]
- “Business is returning to pre-pandemic levels. There is increased demand in commercial/government markets and reduced demand in residential/consumer markets.” [Machinery]
- “Less volatility in customer demand from one month to six months out; seeing signs of slowing in the second half of 2023 and potentially into early 2024. Logistics, particularly from East Asia, continue to return to historical-level transit times; Europe and India remain elevated. Supply shortages are limited to select items only. Suppliers are still seeking price increases but are too late to be asking now.” [Fabricated Metal Products]
- “Although sales are slightly lower, they are holding at current rate — soft, not catastrophic.” [Furniture & Related Products]
- “Moderate increase in customer orders/demand, supplier deliveries improving, and raw material prices stable to soft.” [Plastics & Rubber Products]
- “Business conditions are good, demand remains strong, and we are continuing to ramp up production to keep up.” [Miscellaneous Manufacturing]
- “Industrial and high-tech demands are pushing out, as a slowdown is clear. This is stunting growth and currently making 2023 demand look flat to only slightly up, compared to original projections of 10-percent growth.” [Electrical Equipment, Appliances & Components]

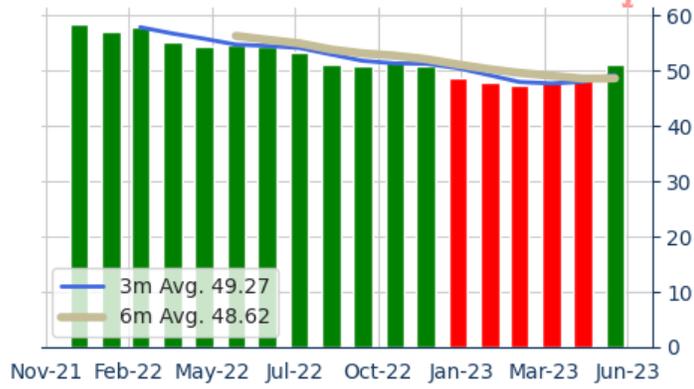
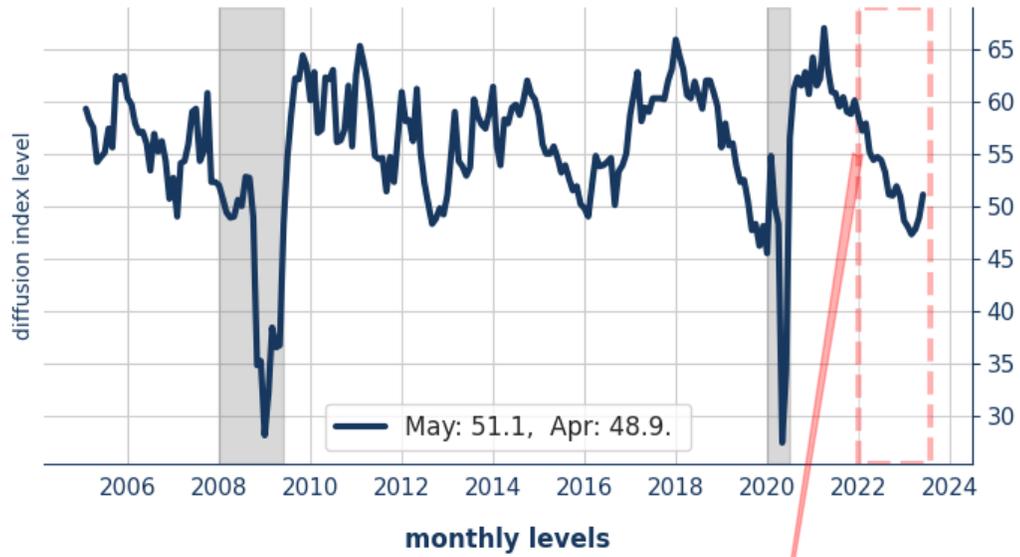
New orders



monthly levels

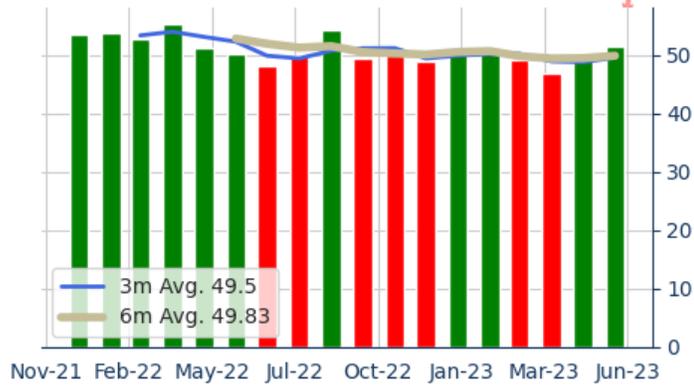
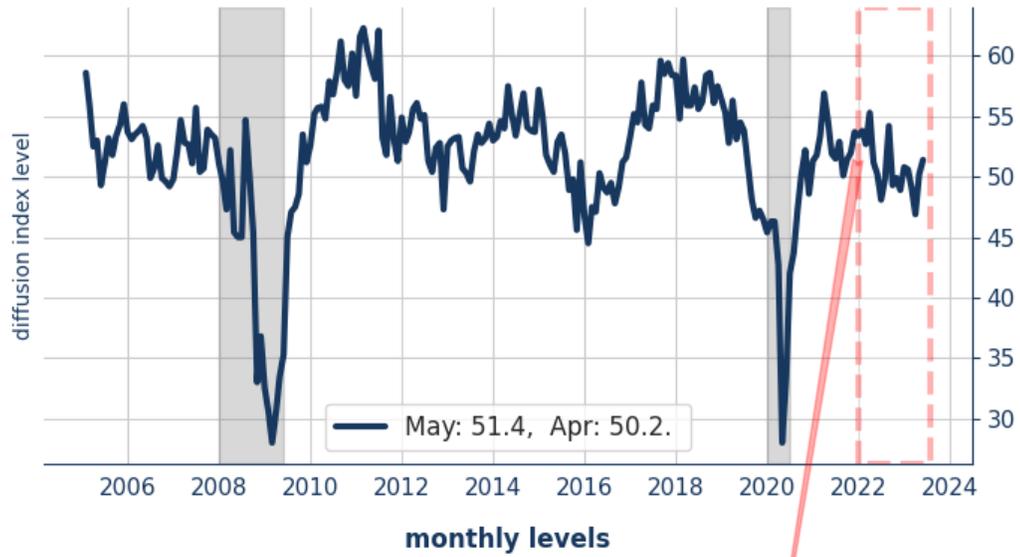


Production



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

Employment



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

Inventories

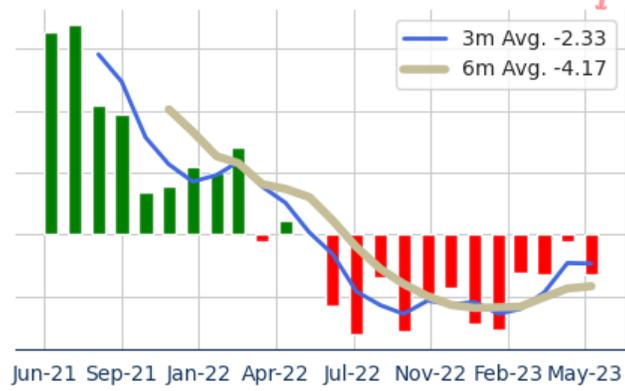


monthly levels



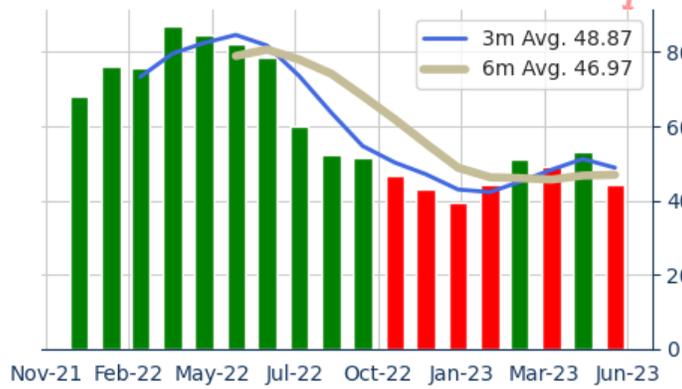
Contingent Macro Advisors 2023 source: Inst. Supply Mgmt. via Bloomberg LP

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	May-23	Apr-23	Mar-23	3m. avg.	6m. avg.	12m. avg.	2022	5y
ISM PMI	46.90	47.10	46.30	46.80	47.30	49.40	53.51	54.30
New orders	42.60	45.70	44.30	44.20	44.50	46.50	51.60	54.90
Production	51.10	48.90	47.80	49.30	48.60	50.40	53.38	54.90
Employment	51.40	50.20	46.90	49.50	49.80	49.90	51.18	50.60
Supplier	43.50	44.60	44.80	44.30	44.80	48.60	57.34	60.00
Inventories	45.80	46.30	47.50	46.50	48.70	51.50	53.98	51.10
Customer Inventories	51.40	51.30	48.90	50.50	49.00	45.00	38.53	39.60
Prices paid	44.20	53.20	49.20	48.90	47.00	51.20	64.77	62.30
Backlog orders	37.50	43.10	43.90	41.50	42.40	45.70	52.60	53.00
Export orders	50.00	49.80	47.60	49.10	48.80	49.00	50.93	51.40

Imports	47.30	49.90	47.90	48.40	48.00	49.60	51.26	51.50
# Industries Reporting Growth	4.00	nan	6.00	5.00	3.60	7.00	11.50	11.80
# Reporting New Orders	3.00	nan	5.00	4.00	2.80	3.70	7.42	9.80
Manuf New Orders % Better	16.30	25.20	19.60	20.40	18.90	17.80	21.19	28.30
Manuf New Orders % Same	54.00	48.20	56.00	52.70	52.60	57.40	60.85	53.00
Manuf New Orders % Worse	29.70	26.60	24.40	26.90	28.40	24.90	17.96	18.70
New Orders Less Inventories	-3.20	-0.60	-3.20	-2.30	-4.20	-4.90	-2.38	3.80

Source: Institute for Supply Management