

# U.S. Flash

## ISM Manufacturing Surges on Production and New Orders Gains

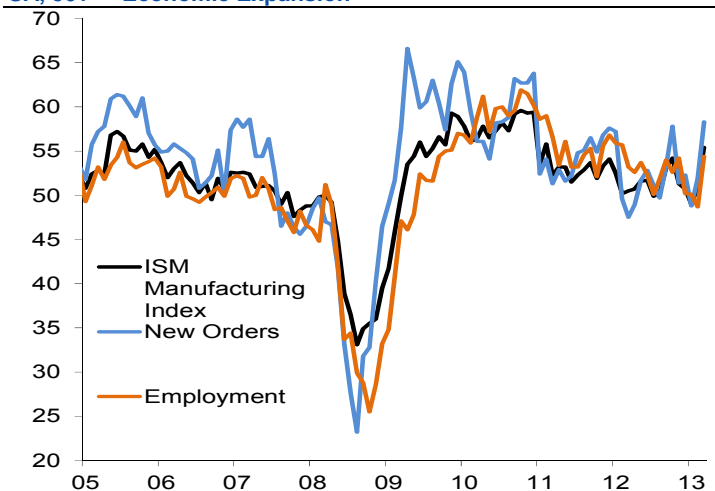
- **The ISM Manufacturing Index jumped to 55.4 from a moderate 50.9 in June**
- **New orders and production both rose to their highest levels since mid-2011**
- **Employment recovered from a below 50 reading, jumping to 54.4**

In line with the better-than-expected manufacturing data coming out from durable goods and the Federal Reserve Surveys, the July ISM Manufacturing Index has surprised much more to the upside than was expected. Jumping from 50.9 in June to a strong 55.4 in July, it seems that the U.S. manufacturing sector continues to shrug off calls from pundits with regard to a weaker starting point moving into 2H13. Its highest reading in more than two years, the survey's components mostly followed the same upward trend with no real outlier purporting some concern. New orders rose by its largest monthly rise since 2009 to 58.3, showing tremendous demand which should translate over time into stronger production figures. Production was the herculean component of the survey, up 11.6 points to its highest reading since 2004. The prolific 65.0 result for production should also help drive some of the speculation that manufacturing is coming back in 2H13 after what was expected to be a pretty slow start for 2013. Helping to drive optimism within the sector, the employment component recovered from its decline below 50 in June, which signaled a slowdown in hiring. From 48.7 to 54.5, the employment reading also hit yearly highs and should help translate into a stronger growth prospect in the mid-term as businesses weigh future prospects and bring on more employees to handle the ramp up in production. As for the remaining components, exports decelerated slightly while the import index ticked upward. Inventories declined as expected given the large outflow of production and new orders.

Overall, the July report for the ISM survey is a relief for those watching the sector as anxiety remained pretty strong at the end of 2Q13 with pessimistic calls for manufacturing still widely touted. With production reaching great heights and employment hinting at further gains to come, our forecast for a stronger manufacturing sector hold and we expect the industry to continue to provide upward potential for the upcoming GDP calculation for 2H13.

Chart 1

**ISM Manufacturing Index, New Orders & Employment**  
SA, 50+ = Economic Expansion



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