

ISM Index Points to First U.S. Manufacturing Growth Since August

written by admin | April 11, 2016

According to at least one analyst, "the worst is over," and "manufacturing will be less of a drag on the economy."

(IW - Shobhana Chandra: 4-1-16) While manufacturing jobs dropped precipitously for March, manufacturing somehow still expanded for the first time in seven months, fueled by a surge in orders that signals American factories are emerging from their worst slump since the last recession.

The Institute for Supply Management's index climbed to 51.8 from 49.5 in February, figures from the Tempe, Ariz.-based group showed Friday. It was the first time since August that the gauge exceeded 50, the dividing line between growth and contraction.

Factory bookings were the strongest since November 2014 and a measure of production reached a 10-month high as companies made further progress getting inventories in line with sales. The outlook for manufacturing is a bit brighter following a recent recovery in commodities prices and a tempering of the dollar's strength.

"The worst is over," said Harm Bandholz, chief U.S. economist at UniCredit Bank AG. "The rebound in the sentiment data avoids a self-fulfilling negative spiral" and it means "manufacturing will be less of a drag on the economy."

Twelve of 18 industries surveyed by the purchasing managers' group posted growth, including printing, furniture, machinery and plastics. The ISM index was the strongest since July and exceeded the Bloomberg survey median forecast of 51. Economists' estimates ranged from 48 to 53.2.

"There looks like a lot of momentum," Bradley Holcomb, chairman of the ISM

factory survey, said. "Let's be careful to note this is just one month after five months of contraction," he said, adding there is "every reason to be confident about the next few months."

Signs manufacturing is "moving in the right direction" include supplier deliveries showing tightness in the supply chain, customer inventories that are too low, growing backlogs and improving exports, Holcomb said.

The new orders gauge increased to 58.3 from 51.5, and a measure of production rose to 55.3 from 52.8. Thirteen of 18 industries reported a pickup in March bookings. The index for orders waiting to be filled advanced to 51 from 48.5. One weak spot in the report was the factory employment measure, which decreased to 48.1 from the prior month's 48.5.

The index of export orders rose to 52, from 46.5. That marked the biggest jump since April 2011. The gauge of factory inventories edged up to 47 from 45, and customer stockpiles rose to 49 from 47.

The index of prices paid surged 13 points, the most since August 2012, to 51.5. It was the first time since October 2014 that the measure indicated rising prices.