

Datanote: US ISM Manufacturing PMI, March

**In one line: A gradual recovery
ahead**

- The ISM manufacturing index jumped to 50.3 in March, from 47.8, well above the consensus, 48.3.

The upturn in the headline index of the ISM manufacturing report comes despite falls in the ISM-comparable components of four of the five Fed

manufacturing surveys in March, and the small decline in the S&P Global US Manufacturing PMI. The headline index of the ISM is now back above the 50 mark for the first time since September 2022, and both the ISM and S&P Global PMI now seem to have broken out of the narrow depressed range where they had been stuck for some time. That said, any recovery in manufacturing will probably be gradual given that inventories are elevated, external demand is soft, and long-term interest rates remain

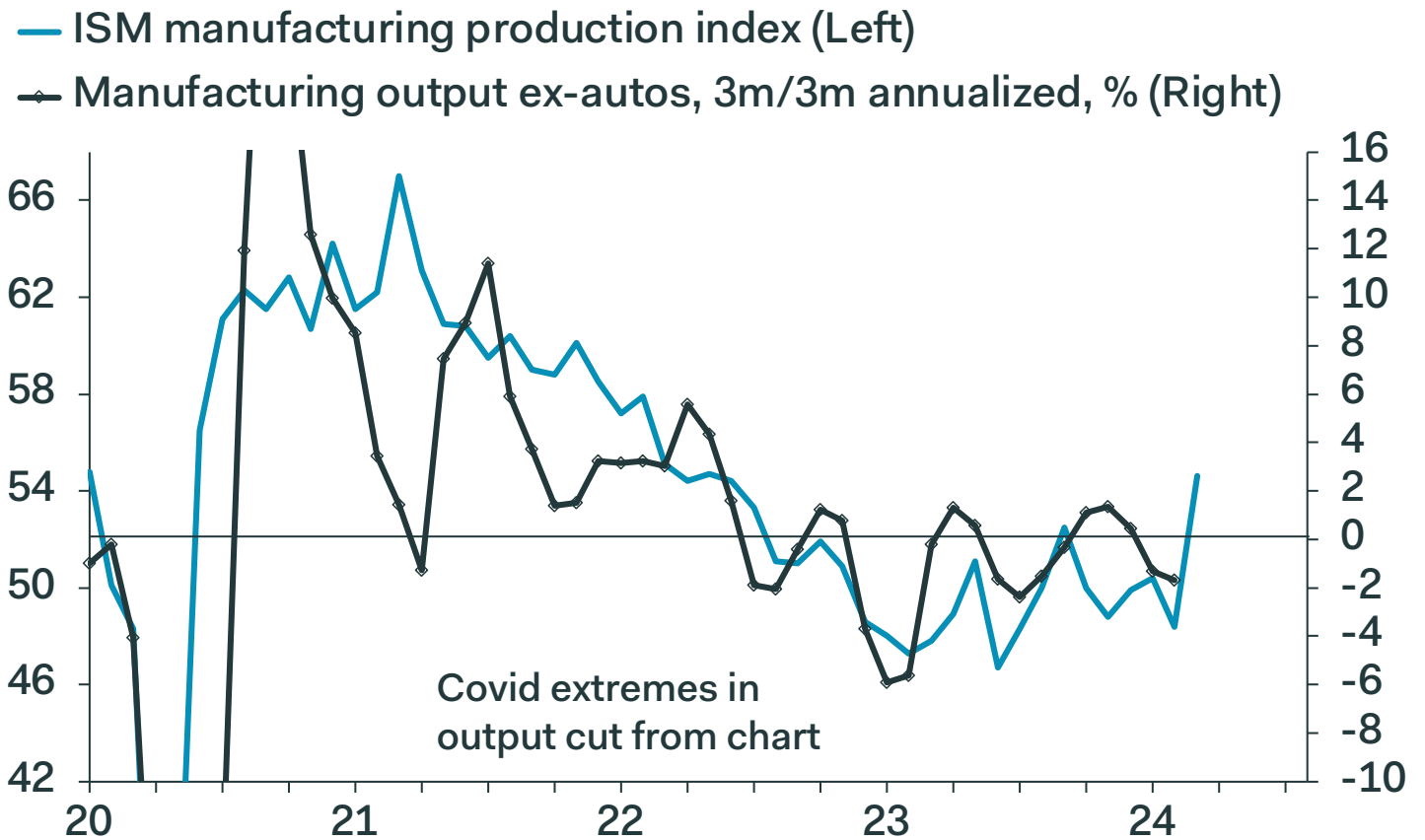
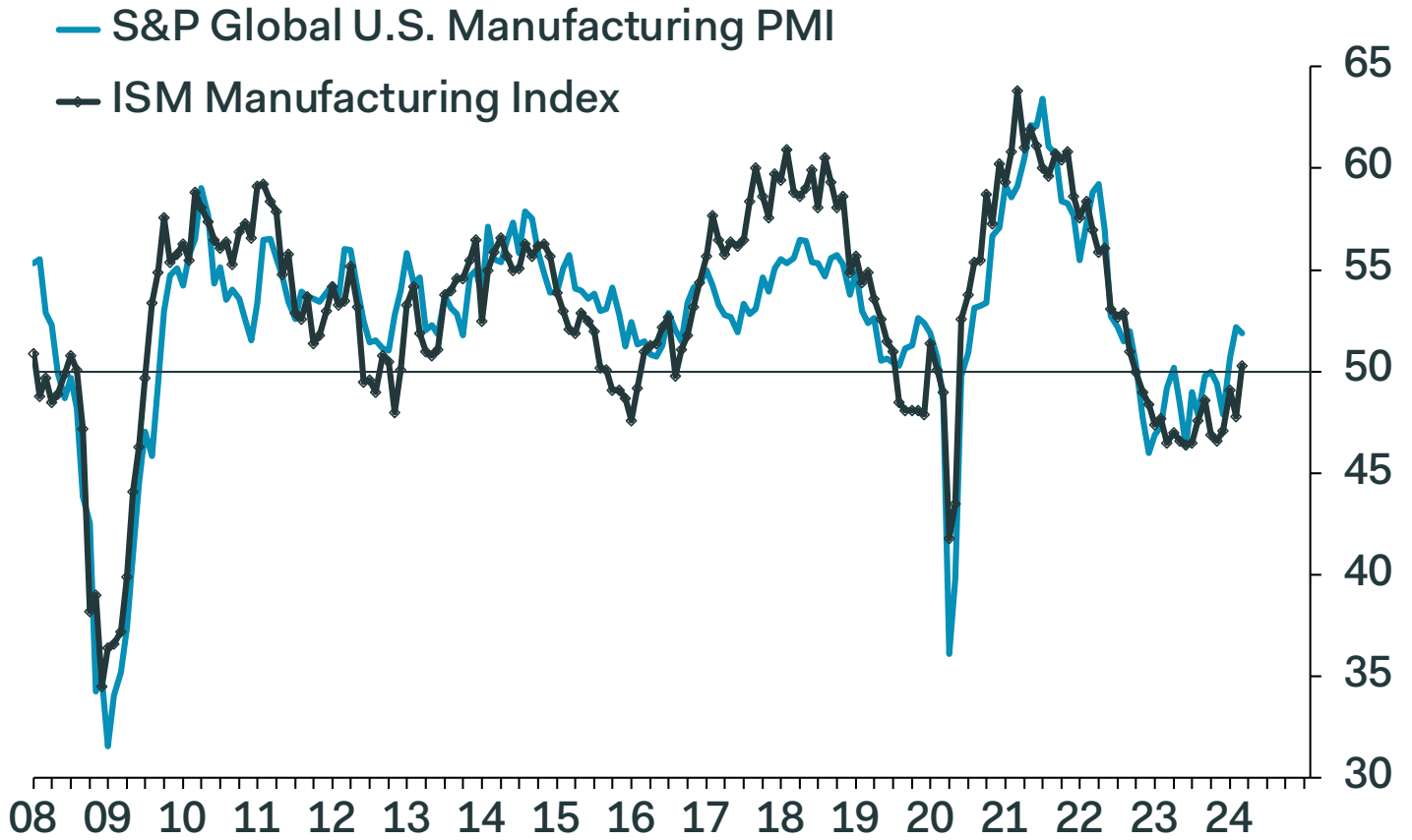
relatively high.

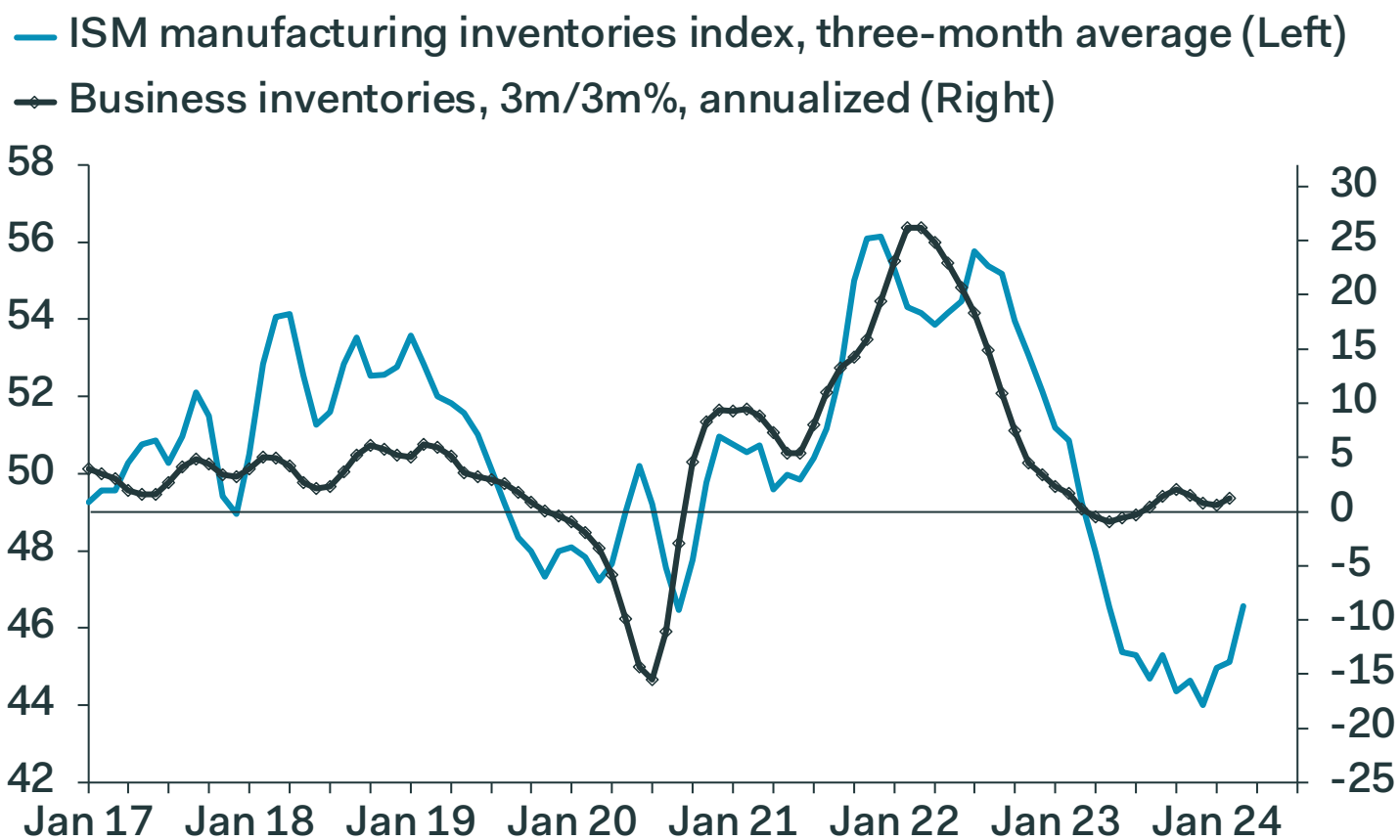
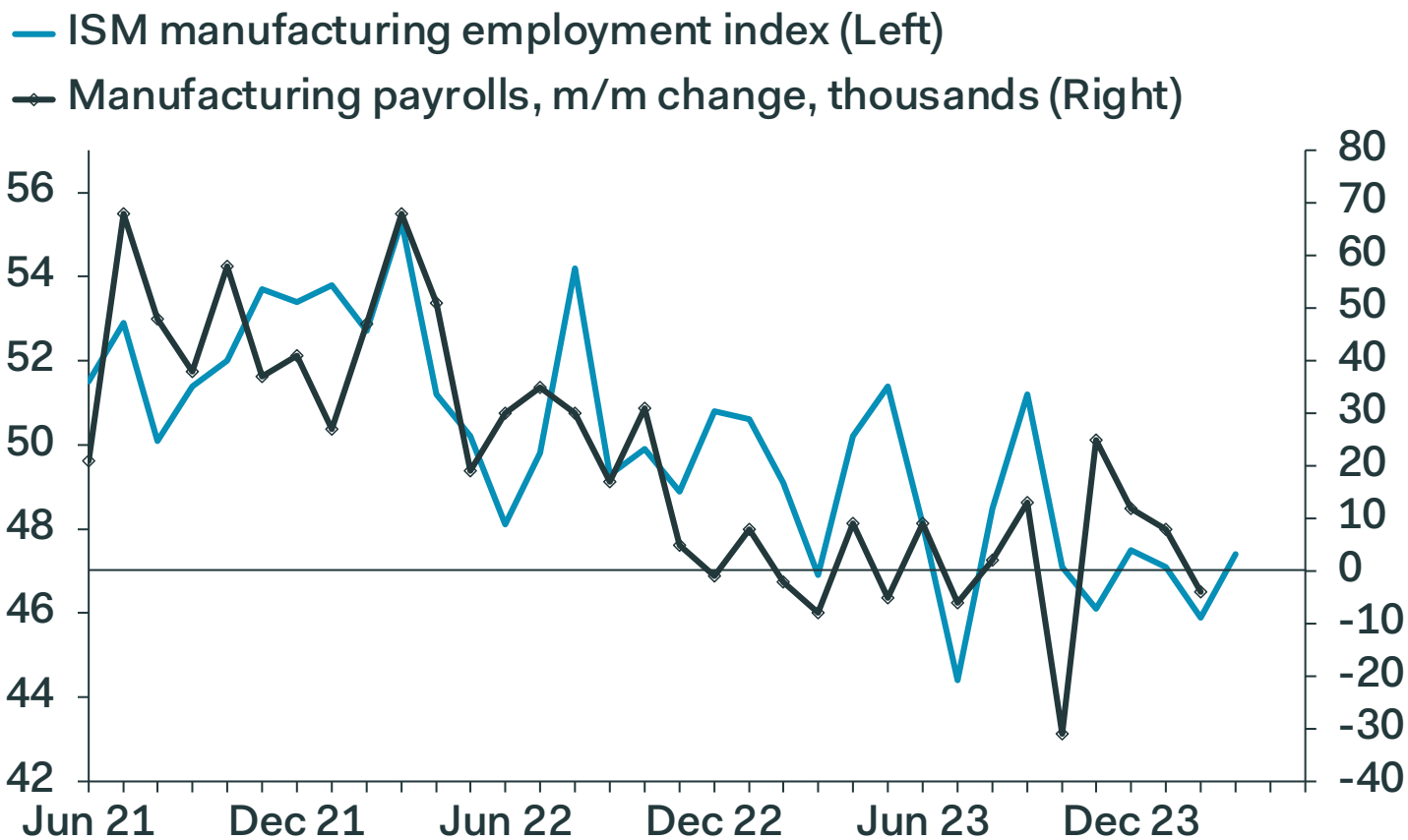
Four of the ISM headline subindexes increased in March, but the 6.2-point surge in production drove about half the gain in the headline. The jump in the production index to its highest level in nearly two years suggests that manufacturing output will break out of its long stagnation in the coming months, and the 2.2-point increase in the new orders subindex also bodes well for the near-term outlook. Elsewhere, the employment

balance edged up, to 47.4 from 45.9, although it is a poor guide to manufacturing payrolls and, in any case, manufacturing accounts for less than 9% of overall payrolls. The inventories subindex rose too by 2.9 points, 48.2, but this subindex has also been an unreliable guide to changes in business inventories lately.

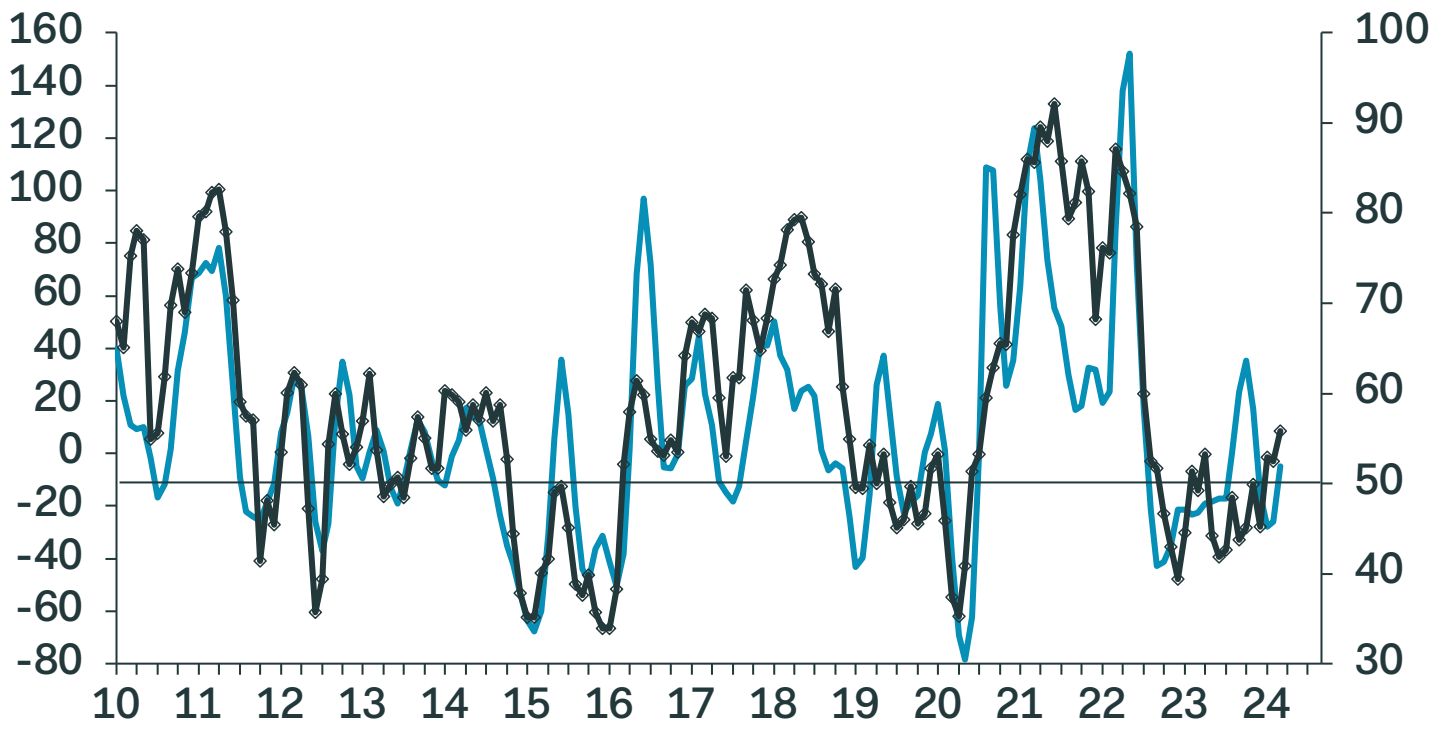
The prices paid subindex, meanwhile, jumped to 55.8 from 52.5, its highest level since July 2022. But shifts in prices paid mostly reflect swings in

commodity prices rather than broader prices pressures for goods. The average of the survey's order backlogs and delivery times indexes has been a far better indicator of underlying goods inflation over the past couple of years. This average edged down in March, and continues to point to further declines in core goods prices.





— S&P/GS Commodity Price Index, 3m/3m%, annualized (Left)
 —◆ ISM manufacturing prices paid index (Right)



— ISM manufacturing, ave. of order backlog and delivery times (Left)
 —◆ CPI core goods ex-autos, 3m/3m%, annualized (Right)

