

ISM Report: Pace Of Manufacturing Growth Is Quickening

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Activity in the manufacturing sector and the overall economy has been growing for some time, and now it appears that the pace of growth is quickening.

According to the April Manufacturing ISM Report On Business, economic activity in the manufacturing sector expanded in April for the 33rd consecutive month and the overall economy grew for the 35th straight month. Furthermore, the pace in which manufacturing grew was the fastest since June of 2011.

“It’s just a reflection of what I think is a stable economic environment, despite the global concerns about Europe and so on,” says Bradley J. Holcomb, CPSM, CPSD, chair of the Institute for Supply Management Manufacturing Business Survey Committee. “Manufacturing is a reflection of that stability.”

The PMI registered 54.8 percent in April, an increase of 1.4 percentage points when compared with March’s reading of 53.4 percent. A reading above 50 percent indicates the manufacturing economy is generally expanding, while a reading below 50 percent means it is generally contracting.

“The PMI being up 1.4, I love the underpinnings of that,” says Holcomb. “New orders, production, employment, all are up and are at about a one-year high.”

Indeed, those key indexes showed increases in the latest report. The New Orders Index came in at a 13-month high, the ISM Production Index registered a 14-month high, and the Employment Index came in at an 11-month high.

New Orders

The ISM New Orders Index, in particular, saw significant growth. It registered 58.2 percent in April, which is 3.7 percentage points higher than the March reading of 54.5 percent.

According to Holcomb, New Orders is a critical index to monitor when trying to gauge future economic activity.

“New orders are going to be my focus,” he says. “That really is the one index that drives this whole system.”

Production

The ISM Production Index registered 61 percent in April, marking an increase of 2.7 percentage points when compared with a reading of 58.3 percent in March. April

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marked the 35th consecutive month of growth in this area.

Employment

Furthermore, the ISM Employment Index is also trending upward. It registered 57.3 percent in April, 1.2 percentage points higher than the 56.1 percent reported in March.

“(Employment) is pulled along by new orders and production,” says Holcomb. “Employers are adding to their payrolls because of what they see in the new orders. They’re not hesitating.”

Referring to the index, Holcomb adds, ““It’s just a nice, gentle upward trend, which I think will continue for the foreseeable future.”

Prices

Prices of raw materials were on the rise earlier this year, but Holcomb says that had quite a bit to do with suppliers introducing their new pricing at the start of the year. Now the index is more stable. The ISM Prices Index registered 61.0 percent in April, the same as in March and 0.5 less than in February.

“The prices index is pretty moderate and level from last month,” says Holcomb. “It’s much more moderate than at this time in 2011, so there is really no concern with price escalation.”

Overall Outlook

Overall, the April ISM Report On Business is one of the most positive ones that has been released in months. That being said, there isn’t much of a reason to think economic activity in the manufacturing sector shouldn’t continue to expand in the coming months.

“I’m pleasantly surprised with the overall strength, but at the same time I’ve said that this is a sustainable trend, and it continues to be that” says Holcomb.

In his role as the Chair of the Institute for Supply Management Manufacturing Business Survey Committee, Bradley J. Holcomb writes the monthly Manufacturing ISM Report on Business based on the survey results of approximately 350 professionals across 18 different industry sectors. The Report on Business is released on the first business day of each month, and features the PMI Index as its key measure. For more information on the Institute of Supply Management, visit www.ism.ws [1].

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