

## April ISM Manufacturing Index, March Construction Spending

### *Manufacturing Conditions Still Improving Rapidly*

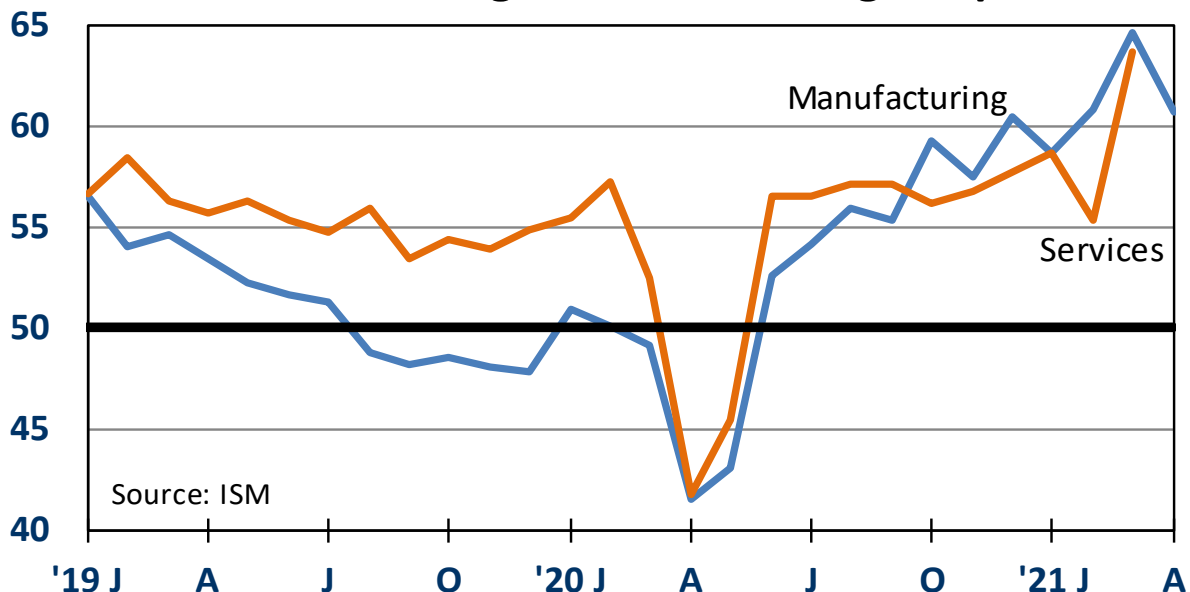
- The ISM Manufacturing Index for April eased to a still-very-positive 60.7 percent.
- Construction Spending inched up by 0.2 percent in March.

The ISM Manufacturing Index for April fell from a robust 64.7 in March, to a still-very-strong 60.7. The index represents a rate of improvement and not a level of output, so the dip into April after a multi-decade high in March is not a negative signal. Nine out of ten sub-indexes were positive, including new orders, production and employment. The prices sub-index increased from a very high 85.6 in March to an ultra-high 89.6 in April, indicating very strong price pressure in supply chains. Only the inventories sub-index was below 50, indicating contraction. This is consistent with very tight supply chains, and shows that the first quarter inventory drawdown, see in Q1 GDP data, is extending into Q2. All eighteen industries reported growth for the month. Anecdotal comments were focused on stresses in supply chains coming from strong product demand and difficulty securing inputs. We expect tight supply chain conditions to remain at least through summer.

Total construction spending increased by 0.2 percent in March. Spending on private residential projects increased by 1.7 percent for the month, driven by single-family construction. Private non-residential construction spending eased by 0.9 percent with declines in most major categories. Total public construction spending dropped by 1.5 percent ahead of any new federal infrastructure plan. We expect public projects to gain support from a federal infrastructure plan, pending the congressional vote later this summer. Total construction spending in March was up 5.3 percent over the previous year, buoyed by private residential, but held in check by public projects.

**Market Reaction:** U.S. equity markets were mixed after the open. The yield on 10-Year Treasury bonds dipped to 1.62 percent. NYMEX crude oil is up to \$64.46/barrel. Natural gas futures are up to \$2.96/mmbtu.

## Manufacturing Index Still Strong in April



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