



# What's in Store For 2020?: ISM<sup>®</sup>'s *Report On Business*<sup>®</sup>

*January 9, 2020*  
*Fort Washington, Pennsylvania*

BUSINESS EDUCATION SERIES - JANUARY DINNER MEETING



**Paul Lee**  
**Director, ISM Research & Analytics**  
Institute for Supply Management®

Paul is responsible for overseeing production of the monthly *Report On Business*® and for executing ISM's primary research initiatives. Under his leadership, the *Report On Business* team is working to extend the reach and coverage of this well respected portfolio of macroeconomic indicators.

Working collaboratively with internal and external clients, the research team scopes, designs, and executes programs to discover and deliver actionable information and intelligence that drives and enhances organizational performance.

Paul has over 20 years of commercial research and analytics experience in the non-profit, healthcare, broadcasting, and construction materials industries, including eight years as a Senior Manager of Research for J.D. Power and Associates. Paul earned his M.B.A. from Arizona State University and his B.A. from Harvard University.

# WHY TALK ABOUT THE *REPORT ON BUSINESS*®?

- Free benefit for supply management and allied practitioners
- Apparently, mostly used by Wall St. types
- Provides insights into all sectors of the economy ***not available anywhere else***
  - Agriculture, Forestry, Fishing & Hunting
  - Mining
  - Utilities
  - Construction
  - Wholesale Trade
  - Retail Trade
  - Transportation & Warehousing
  - Information
  - Finance & Insurance
  - Real Estate, Rental & Leasing
  - Professional, Scientific & Technical Services
  - Management of Companies & Support Services
  - Educational Services
  - Health Care & Social Assistance
  - Arts, Entertainment & Recreation
  - Accommodation & Food Services
  - Public Administration
  - Other Services
  - Food, Beverage & Tobacco Products
  - Textile Mills
  - Apparel, Leather & Allied Products
  - Wood Products
  - Paper Products
  - Printing & Related Support Activities
  - Petroleum & Coal Products
  - Chemical Products
  - Plastics & Rubber Products
  - Nonmetallic Mineral Products
  - Primary Metals
  - Fabricated Metal Products
  - Machinery
  - Computer & Electronic Products
  - Electrical Equipment, Appliances & Components
  - Transportation Equipment
  - Furniture & Related Products
  - Miscellaneous Manufacturing

WHY TALK ABOUT THE *REPORT ON BUSINESS*®?

Because it gives you  
an **edge** and makes you  
***more effective.***

# AGENDA

Background: ISM<sup>®</sup>'s *Report On Business*<sup>®</sup>

2020 Macroeconomic Outlook

Constructing Your Own Real-time Economic Dashboard

Questions & Discussion

The data presented herein is obtained from a survey of manufacturing and non-manufacturing supply executives based on information they have collected within their respective organizations. ISM<sup>®</sup> makes no representation regarding the individual company data collection procedures. The data presented herein should be compared to all other economic data sources when used in decision-making.

Statements included herein that are not historical facts, including without limitation statements concerning future strategy, plans, objectives, expectations and intentions, projected revenues, possible index values, and/or rates of GDP growth or decline are forward-looking statements. Such forward-looking statements involve a number of risks and uncertainties and are subject to change at any time.

All forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by this cautionary statement. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. We do not undertake any obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

# BACKGROUND: ISM<sup>®</sup>'S *REPORT ON BUSINESS*<sup>®</sup>



# BUSINESS SURVEY REPORT

## JULY 29, 1931

### The Bulletin of the National Association of Purchasing Agents

Business Survey Report  
The Coal Market  
Weekly Commodity Indices



Electric Energy Consumed  
When Is Competition Unfair?

Volume II July 29, 1931 No. 30

The Bulletin of the National Association of Purchasing Agents is published weekly by the National Association of Purchasing Agents, Inc., 11 Park Place, New York, N. Y. Editorial Office and Business Management in the same building as the National Association of Purchasing Agents. Entered as second-class matter January 9, 1930, at the post office at New York, N. Y., under the Act of March 3, 1879. Subscription price is \$2.00 per year. Subscribers should give notice of change of address three weeks in advance. Address all correspondence relative to the Bulletin to the National Association of Purchasing Agents.

#### Report of the Business Survey Committee of the N.A.P.A. July 25th, 1931

(Note: The following is the composite opinion of purchasing agents who comprise The Business Survey Committee. The survey was developed originally to render reports to the Chamber of Commerce of the U. S. A. of whose Business Survey Conference Mr. John R. Fairhead was our representative. The Chamber of Commerce conference was disbanded a few months ago but the value of the report prepared by purchasing agents was such as to warrant a continuance of the Survey as a definite feature of N. A. P. A. activity. Mr. Fairhead, Director of Purchases, Fairbanks, Morse & Co., Chicago, has accepted the Chairmanship of the new Business Survey Committee of the N. A. P. A. The excellence of the composite reports prepared through contributions of the selected committee of purchasing agents has resulted in an urgent appeal by members and the public press for their continuance. The report will appear as a regular monthly feature of The Bulletin.)

##### EASTERN STATES

This section reports some improvement in the textile and shoe industries in New England, with the machine tool industry at a very low ebb.

**Price Trends:** Generally steady with no upturn in sight.

**Collections:** While showing no change from previous experiences, are generally slow.

**Inventories:** Still declining, with low volume of sales at hardly satisfactory margins of profit.

##### CENTRAL STATES

Firmness reported in prices of scrap iron and steel, pig iron marking time. With any show of activity prices of these commodities are expected to advance.

**Price Trends:** Generally sidewise, with some advances in general prices expected before the end of the year.

**Auto Sales:** Reported less than last month, and less than same month a year ago.

**Unemployment:** On the increase, and carloadings are also falling off.

**Steel Industry:** At about 35% of capacity; while prices are rather steady, the character of orders makes it difficult to realize profit on sales. Improvement in the steel industry is expected during the fourth quarter.

##### SOUTH WESTERN STATES

**Price Trends:** Prices in general are steady at low levels, except petroleum products which have suffered serious declines, with, however, some recent recovery.

**Collections:** Difficult, and while funds for credit purposes seem to be ample this is not freely available even for choice credit risks.

**Unemployment:** Increasing in industry, but is partly offset by public works.

##### WESTERN STATES

In general much the same situation prevails as to credit, collections, prices and volume of business. The situation in the Northwest has been aggravated by serious bank failures which have had a depressing effect. Lumber and mining industries are seriously depressed by lack of demand and low prices, with no prospect of improvement in the immediate future.

##### CANADA

A general leveling of prices reported, with slight increases and decreases, with no definite trend.

**Credit:** Reported as being plentiful, but the demand inconsiderable.

**Collections:** In Eastern Canada good, while west of the Great Lakes rather difficult.

The general situation is aggravated by failure of the wheat crop in Saskatchewan and financial troubles of the pulp and paper industry. There is no expression of confidence in immediate upturn in business.

##### SUMMARY

**Prices:** Sidewise to weak.

# MANUFACTURING REPORT ON BUSINESS®

## JANUARY 2020 REPORT ON DECEMBER 2019 DATA

[Home](#)

FOR RELEASE: January 3, 2020

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### December 2019 Manufacturing ISM® Report On Business®

Choose a Section

PMI® at 47.2%  
GDP Growing at 1.3%

**New Orders, Production, and Employment Contracting**  
**Supplier Deliveries Slowing at Faster Rate; Backlog Contracting**  
**Raw Materials Inventories Contracting; Customers' Inventories Too Low**  
**Prices Increasing; Exports and Imports Contracting**

(Tempe, Arizona) — Economic activity in the **manufacturing sector** contracted in December, and the overall economy grew for the 128th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM® Report On Business®**.

The report was issued today by Timothy R. Fiore, CFSM, C.P.M., Chair of the Institute for Supply Management® (ISM®) Manufacturing Business Survey Committee: "The December PMI® registered 47.2 percent, a decrease of 0.9 percentage point from the November reading of 48.1 percent. This is the PMI's lowest reading since June 2009, when it registered 46.3 percent. The New Orders Index registered 46.8 percent, a decrease of 0.4 percentage point from the November reading of 47.2 percent. The Production Index registered 43.2 percent, down 5.9 percentage points compared to the November reading of 49.1 percent. The Backlog of Orders Index registered 43.3 percent, up 0.3 percentage point compared to the November reading of 43 percent. The Employment Index registered 45.1 percent, a 1.5 percentage point decrease from the November reading of 46.6 percent. The Supplier Deliveries Index registered 54.6 percent, a 2.6 percentage point increase from the November reading of 52 percent. The Inventories Index registered 46.5 percent, an increase of 1.1 percentage point from the November reading of 45.5 percent. The Prices Index registered 51.7 percent, a 5 percentage point increase from the November reading of 46.7 percent. The New Export Orders Index registered 47.3 percent, a 0.6 percentage point decrease from the November reading of 47.9 percent. The Imports Index registered 46.8 percent, a 0.5 percentage point increase from the November reading of 46.3 percent.

"Comments from the panel were consistent with November, with sentiment improving compared to the third quarter. December was the 16th consecutive month of PMI® contraction, at a faster rate compared to the prior month. Demand contracted, with the New Orders Index contracting faster. The Customers' Inventories Index remaining at too low status and the Backlog of Orders Index contracting for the eighth straight month (and at similar rates to November). The New Export Orders Index contracted for the second month in a row, recording 10 months of poor performance and likely contributing to the faster contraction of the New Orders Index. Consumption (measured by the Production and Employment indexes) contracted, due primarily to lack of demand, contributing negatively (a combined 7.4 percentage point decrease) to the PMI® calculation. Inputs — expressed as supplier deliveries, inventories and imports — improved in December, due primarily to slowing contraction in inventories and supplier deliveries remaining in expansion territory. Imports contraction eased slightly. Overall, inputs indicate (1) supply chains began to stress in December and (2) companies remained cautious that materials received would be consumed by the end of the fourth quarter. Prices increased for the first time since May 2019, a positive for 2020.

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# TYPICAL MEDIA COVERAGE: JANUARY 2020

## Manufacturing

### Latest News ALL TIMES EASTERN

- 10:01a **U.S. ISM manufacturing survey falls to 47.2% in December from 48.1%**
- 10:01a **Stocks extend losses after December ISM manufacturing data**
- 10:01a **S&P 500 and Dow down 0.7%; Nasdaq Composite retreats 0.8%**
- 10:10a **ISM's 47.2% reading in December the lowest since June 2009**
- 10:27a **U.S. manufacturing slumps worsens in December as ISM index falls to 10-year low**

U.S. manufacturing-sector slump worsens in December; ISM index hits 10-year low

## Non-Manufacturing

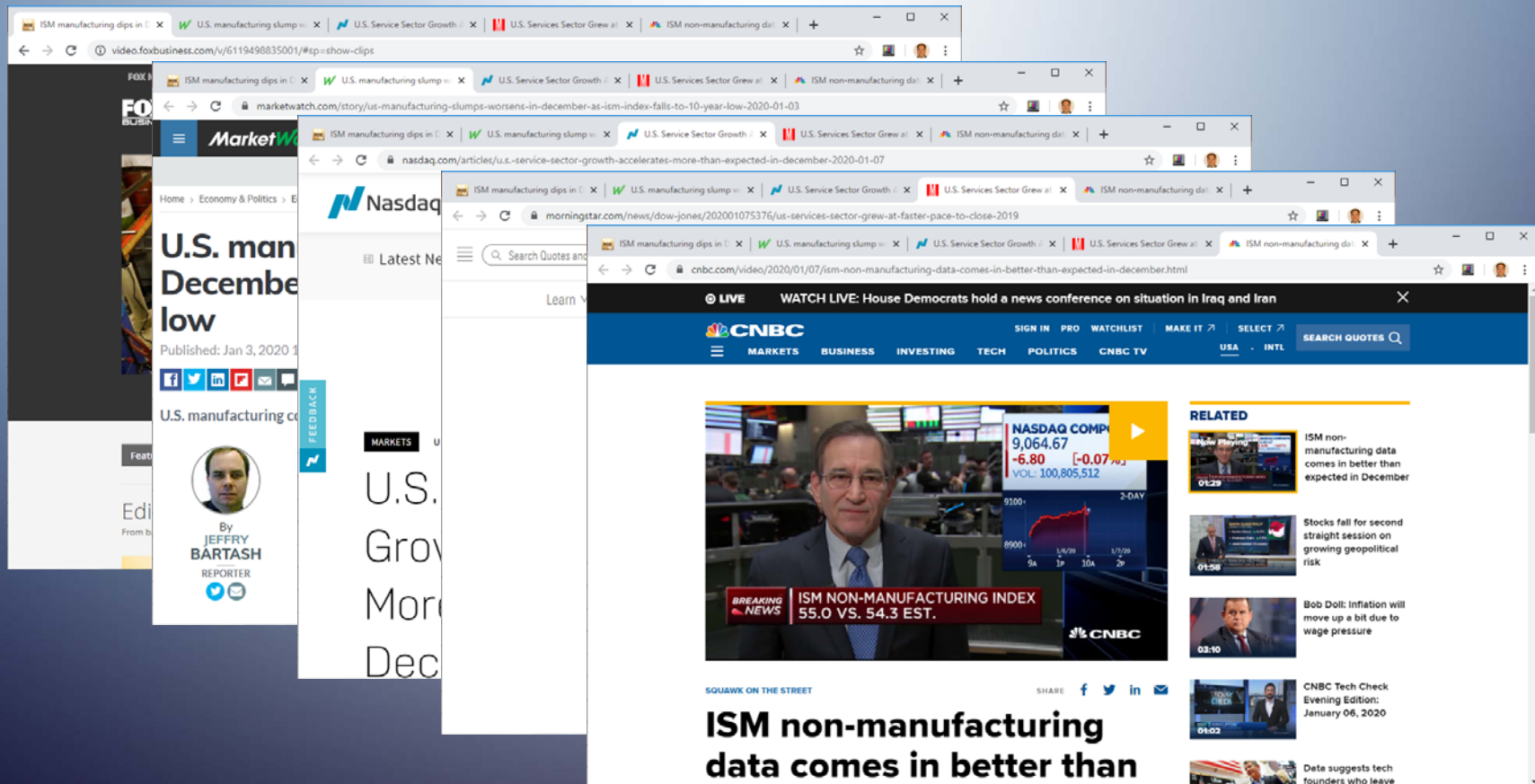
### Latest News ALL TIMES EASTERN

- 10:01a **Treasury yields tick higher after stronger-than-expected ISM services reading**
- 10:01a **10-year yield at 1.813%; 2-year yield at 1.550%; 30-year yield at 2.294%**
- 10:01a **ISM services index rises to 55% in December from 53.9%**
- 10:03a **Stocks pare losses on economic data**
- 10:30a **The huge service side of the U.S. economy sped up at the end of 2019, ISM finds**
- 4:31p **UPDATED U.S. stocks close lower as Middle East tensions overshadow optimistic economic data**

# THE OCTOBER 2019 DIPS



# TYPICAL MEDIA COVERAGE: JANUARY 2020



# COUNCIL OF ECONOMIC ADVISERS PRESS CONFERENCE, SEPTEMBER 10, 2018

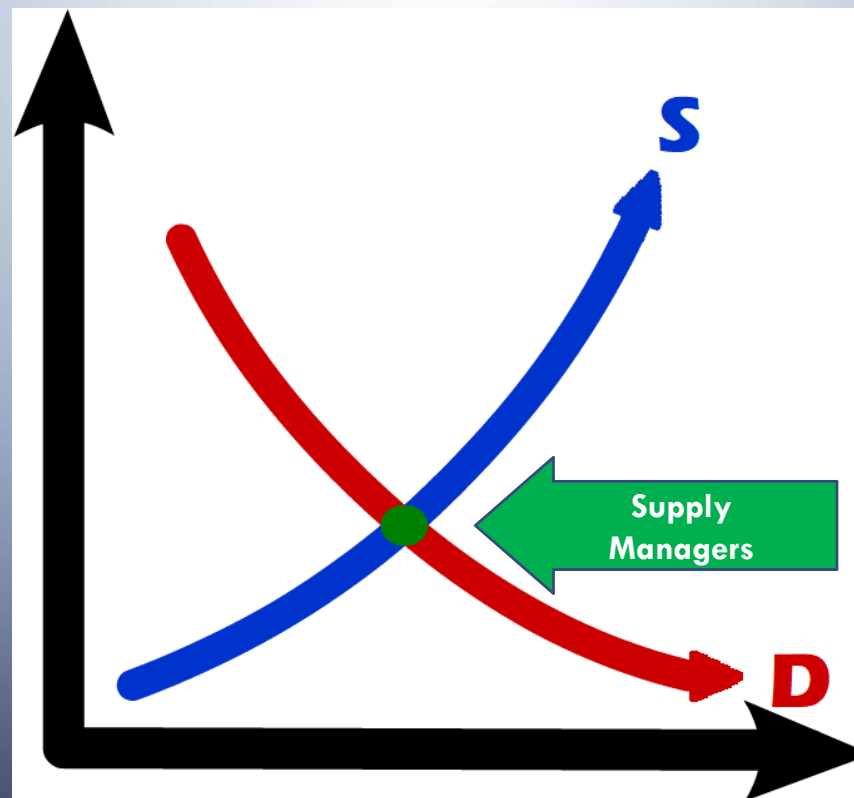
Here we're looking at the ISM purchasing managers index, which is a survey of people who are purchasing managers for manufacturing firms. And so they're the folks that, you know, as the title suggests, manage the purchases. And so it's a really great indicator of the economy because you can survey them and say, "Hey, have you been buying lots of stuff this month or have you not?" And the index shows what their responses look like.

Kevin Hassett

Press Briefing by Press Secretary Sarah Sanders and CEA  
Chairman Kevin Hassett (September 10, 2018 )

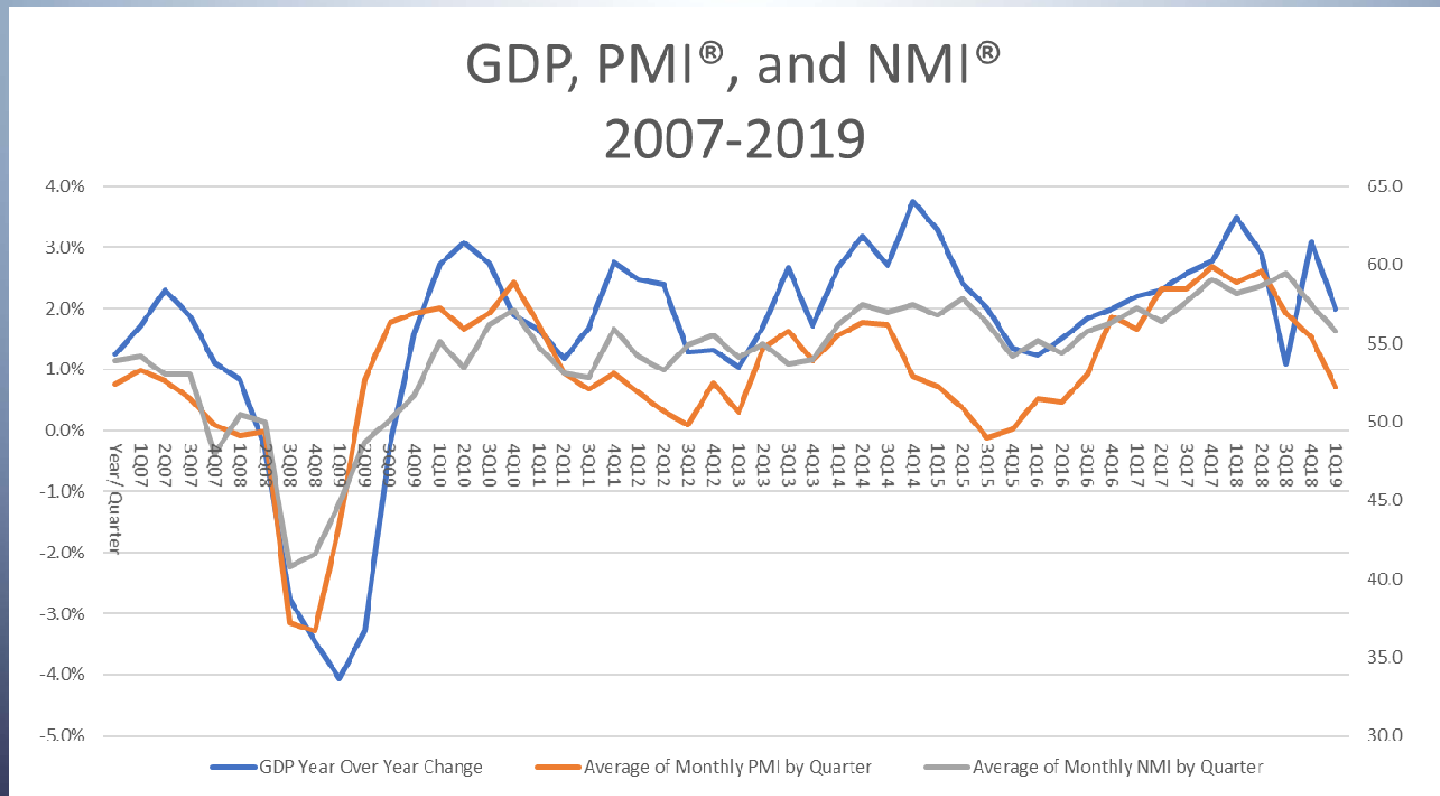


# SUPPLY MANAGEMENT: THE INTERSECTION OF SUPPLY AND DEMAND





# U.S. GDP, PMI®, AND NMI® GENERALLY TRACK TOGETHER



[www.instituteforsupplymanagement.org](http://www.instituteforsupplymanagement.org)

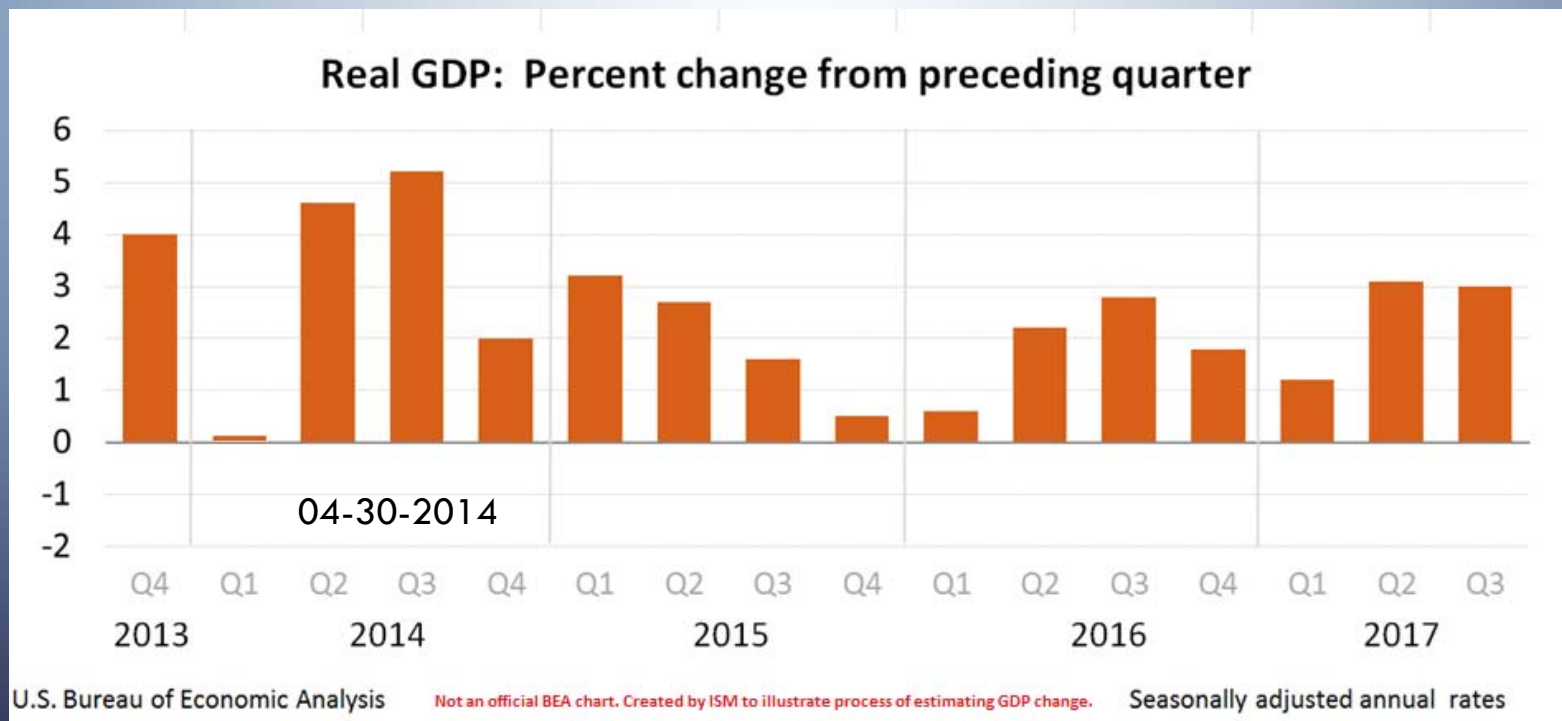


# JANUARY 2014 GDP “SURPRISE”

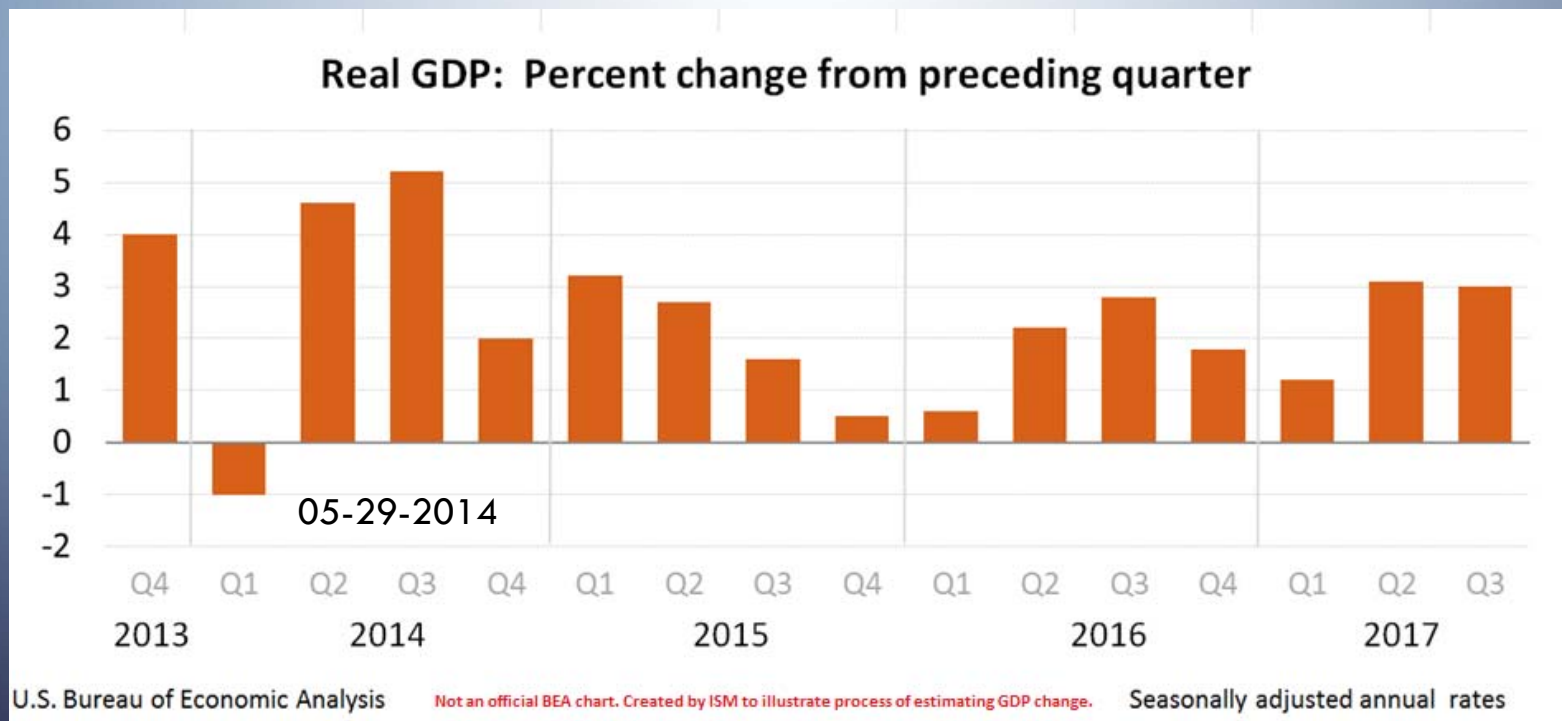
MANUFACTURING AT A GLANCE JANUARY 2014						
Index	Series Index Jan	Series Index Dec	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
<b>PMI®</b>	51.3	56.5	-5.2	Growing	Slower	8
<b>New Orders</b>	51.2	64.4	-13.2	Growing	Slower	8
<b>Production</b>	54.8	61.7	-6.9	Growing	Slower	17
<b>Employment</b>	52.3	55.8	-3.5	Growing	Slower	7
<b>Supplier Deliveries</b>	54.3	53.7	+0.6	Slowing	Faster	8
<b>Inventories</b>	44.0	47.0	-3.0	Contracting	Faster	2
<b>Customers' Inventories</b>	44.0	47.5	-3.5	Too Low	Faster	26
<b>Prices</b>	60.5	53.5	+7.0	Increasing	Faster	6
<b>Backlog of Orders</b>	48.0	51.5	-3.5	Contracting	From Growing	1
<b>Exports</b>	54.5	55.0	-0.5	Growing	Slower	14
<b>Imports</b>	53.5	55.0	-1.5	Growing	Slower	12
<b>OVERALL ECONOMY</b>				Growing	Slower	56
<b>Manufacturing Sector</b>				Growing	Slower	8

**Manufacturing ISM Report On Business®** data is seasonally adjusted for New Orders, Production, Employment and Supplier Deliveries.

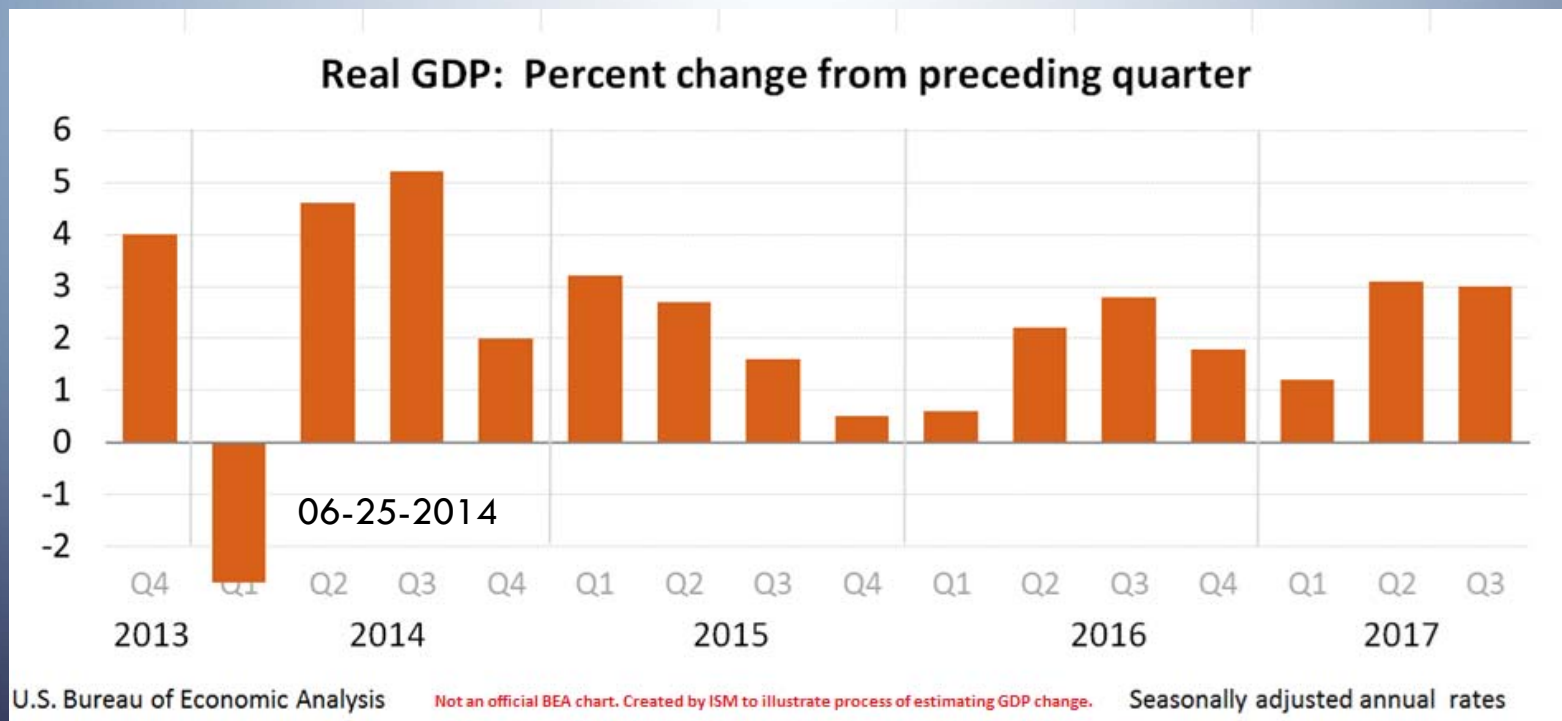
# FIRST QUARTER 2014 GDP “SURPRISE”



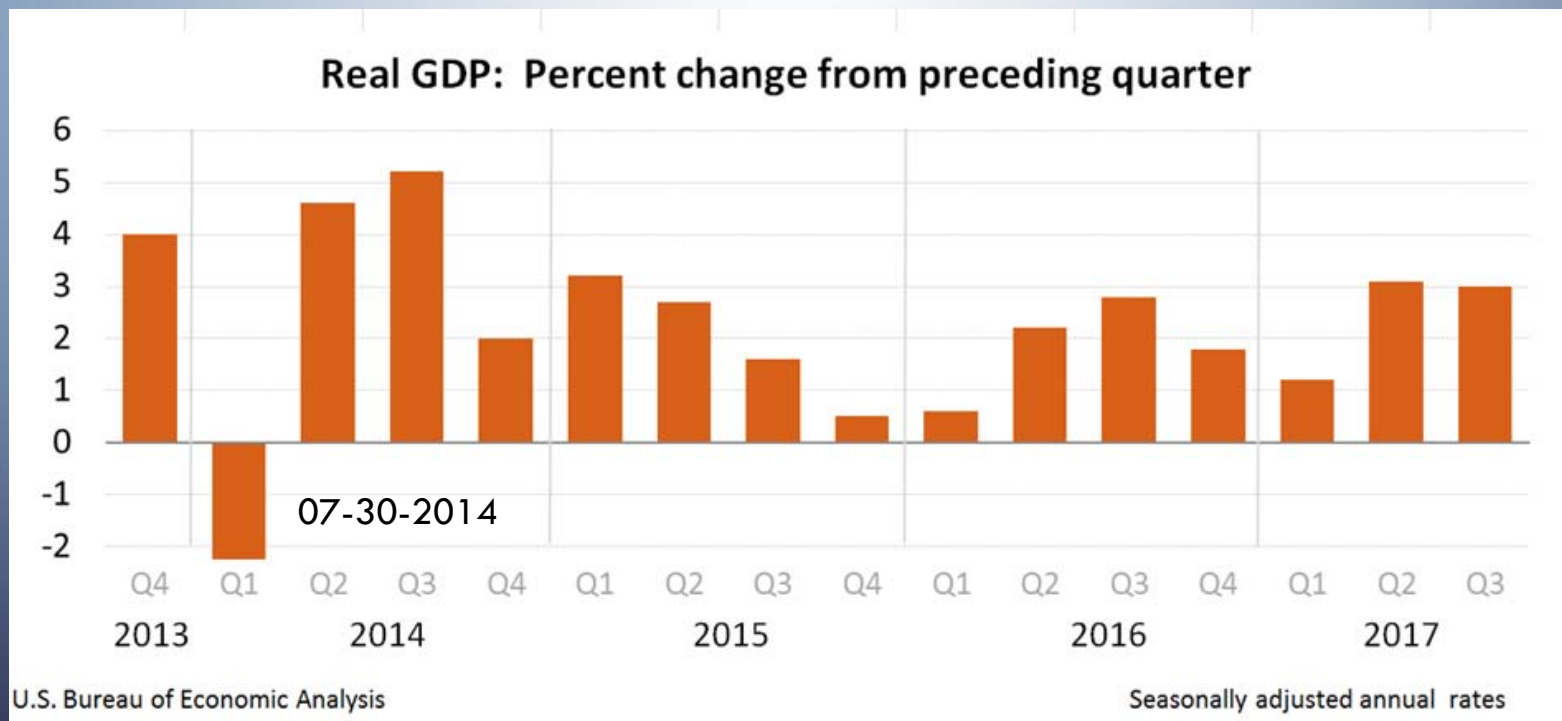
# FIRST QUARTER 2014 GDP “SURPRISE”



# FIRST QUARTER 2014 GDP “SURPRISE”



# FIRST QUARTER 2014 GDP “SURPRISE”



# PMI® AND NMI® INDEXES

PMI® Index	NMI® Index
New Orders	New Orders
Production	Business Activity
Employment	Employment
Supplier Deliveries	Supplier Deliveries
Inventories	
Other Manufacturing	Other Non-Manufacturing
	Inventories
Prices	Prices
Backlog of Orders	Backlog of Orders
New Export Orders	New Export Orders
Imports	Imports
Customer Inventories	Inventory Sentiment



# PRODUCING THE [DIFFUSION] INDEXES

We don't ask for quantitative values (e.g., revenue, new order value, back order value, number of FTEs, etc.)

How many units did you produce *this month compared to last month?*

Fewer  
10%

The same  
70%

More  
20%

35%

+

20%

Diffusion Index:

55%

**0%: All reporting lower    50%: Balanced mix    100%: All reporting higher**

# 2020 MACROECONOMIC OUTLOOK

## PMI® AND NMI® INDEX TRAILING 12 MONTHS

<i>Month</i>	<i>PMI®</i>	<i>NMI®</i>		<i>Month</i>	<i>PMI®</i>	<i>NMI®</i>
<b>Dec 2019</b>	<b>47.2</b>	<b>55.0</b>		<b>Jun 2019</b>	<b>51.7</b>	<b>55.1</b>
<b>Nov 2019</b>	<b>48.1</b>	<b>53.9</b>		<b>May 2019</b>	<b>52.1</b>	<b>56.9</b>
<b>Oct 2019</b>	<b>48.3</b>	<b>54.7</b>		<b>Apr 2019</b>	<b>52.8</b>	<b>55.5</b>
<b>Sep 2019</b>	<b>47.8</b>	<b>52.6</b>		<b>Mar 2019</b>	<b>55.3</b>	<b>56.1</b>
<b>Aug 2019</b>	<b>49.1</b>	<b>56.4</b>		<b>Feb 2019</b>	<b>54.2</b>	<b>59.7</b>
<b>Jul 2019</b>	<b>51.2</b>	<b>53.7</b>		<b>Jan 2019</b>	<b>56.6</b>	<b>56.7</b>
<b>Average for 12 months – PMI: 51.8, NMI: 55.8</b> <b>High – PMI: 56.6, NMI: 59.7</b> <b>Low – PMI: 47.2, NMI: 52.6</b>						

## PMI® AND NMI® TRENDS AND THE OVERALL ECONOMY

A PMI® above **42.9 percent**, over a period of time, generally indicates an expansion of the overall economy. Therefore, the December PMI® indicates growth for the **128th consecutive month in the overall economy**, and the fifth month of contraction in the manufacturing sector following 35 straight months of growth.

An NMI® above **48.6 percent**, over time, generally indicates an expansion of the overall economy. Therefore, the December NMI® indicates growth for the **125th consecutive month in the overall economy** and expansion in the non-manufacturing sector for the 119th consecutive month.

# PMI® AND NMI® TRENDS FOR THE LAST FIVE RECESSIONS

Great Recession			Recession of 2001			Recession of 1990			Recession of 1980			Recession of 1982		
Month	PMI	NMI	Month	PMI	NMI	Month	PMI	NMI	Month	PMI	NMI	Month	PMI	NMI
Jul 2007	51.8	53.6	Jul 2000	52.5	55.3	Jan-90	47.2	--	Jul-79	51.3	--	Jan-81	49.2	--
Aug 2007	52.2	52.7	Aug 2000	49.9	57.6	Feb-90	49.1	--	Aug-79	49.5	--	Feb-81	48.8	--
Sep 2007	53.8	52.6	Sep 2000	49.7	56.7	Mar-90	49.9	--	Sep-79	49.6	--	Mar-81	49.6	--
Oct 2007	52.8	53.6	Oct 2000	48.7	56.7	Apr-90	50.0	--	Oct-79	49.0	--	Apr-81	51.6	--
Nov 2007	51.5	52.8	Nov 2000	48.5	56.2	May-90	49.5	--	Nov-79	48.0	--	May-81	53.5	--
Dec 2007	50.1	52.5	Dec 2000	43.9	54.0	Jun-90	49.2	--	Dec-79	44.8	--	Jun-81	50.7	--
Jan 2008	50.9	44.8	Jan 2001	42.3	51.6	Jul-90	45.6	--	Jan-80	46.2	--	Jul-81	46.7	--
Feb 2008	48.8	49.9	Feb 2001	42.1	51.3	Aug-90	45.1	--	Feb-80	50.2	--	Aug-81	48.3	--
Mar 2008	49.7	49.4	Mar 2001	43.1	50.7	Sep-90	44.5	--	Mar-80	43.6	--	Sep-81	42.5	--
Apr 2008	48.5	51.9	Apr 2001	42.7	48.3	Oct-90	43.2	--	Apr-80	37.4	--	Oct-81	40.0	--
May 2008	48.9	51.5	May 2001	41.3	49.0	Nov-90	41.3	--	May-80	29.4	--	Nov-81	36.1	--
Jun 2008	49.9	48.1	Jun 2001	43.2	50.1	Dec-90	40.8	--	Jun-80	30.3	--	Dec-81	37.8	--
Jul 2008	50.8	50.1	Jul 2001	43.5	48.1	Jan-91	39.2	--	Jul-80	35.0	--	Jan-82	38.2	--
Aug 2008	50.1	50.6	Aug 2001	46.3	46.9	Feb-91	39.4	--	Aug-80	45.5	--	Feb-82	38.3	--
Sep 2008	47.2	49.4	Sep 2001	46.2	49.5	Mar-91	40.7	--	Sep-80	50.1	--	Mar-82	36.8	--
Oct 2008	38.2	44.7	Oct 2001	40.8	44.8	Apr-91	42.8	--	Oct-80	55.5	--	Apr-82	37.8	--
Nov 2008	39.0	37.8	Nov 2001	44.1	48.2	May-91	44.5	--	Nov-80	58.2	--	May-82	35.5	--
Dec 2008	34.5	40.0	Dec 2001	45.3	49.1	Jun-91	50.3	--	Dec-80	53.0	--	Jun-82	38.3	--
Jan 2009	36.4	43.0	Jan 2002	47.5	48.9	Jul-91	50.6	--				Jul-82	38.4	--
Feb 2009	36.6	41.6	Feb 2002	50.7	52.7	Aug-91	52.9	--				Aug-82	38.3	--
Mar 2009	37.2	40.1				Sep-91	54.9	--				Sep-82	38.8	--
Apr 2009	39.9	43.7				Oct-91	53.1	--				Oct-82	39.4	--
May 2009	44.1	44.4				Nov-91	49.5	--				Nov-82	39.2	--
Jun 2009	46.3	46.4				Dec-91	45.8	--				Dec-82	42.8	--
Jul 2009	49.7	47.1										Jan-83	46.0	--
Aug 2009	53.4	48.9										Feb-83	54.4	--
Sep 2009	54.9	50.1										Mar-83	53.9	--
Oct 2009	57.6	51.0										Apr-83	54.2	--
Nov 2009	55.4	49.5										May-83	56.1	--
Dec 2009	55.8	49.7										Jun-83	57.5	--

The recessions are shaded in gray with the index low point in red. NMI® figures that are orange italic are calculated, but not officially released.

# FALL SEMIANNUAL FORECAST

DECEMBER 2019

## BUSINESS OUTLOOK

Outlook — Next 12 Months				
	Manufacturing		Non-Manufacturing	
	Predicted for 2019 Dec 2018	Predicted for 2020 Dec 2019	Predicted for 2019 Dec 2018	Predicted for 2020 Dec 2019
<b>Better</b>	48%	42%	45%	37%
<b>Same</b>	36%	34%	45%	49%
<b>Worse</b>	16%	24%	10%	14%
<b>Diffusion Index</b>	65.8%	59.1%	67.7%	61.4%



# FALL SEMIANNUAL FORECAST

## DECEMBER 2019

### BUSINESS REVENUES

Business Revenues — 2020 vs. 2019				
	Manufacturing		Non-Manufacturing	
	Predicted Dec 2019	% Change	Predicted Dec 2019	% Change
<b>Higher</b>	58%	+10.4%	50%	+8.7%
<b>Same</b>	29%	NA	39%	NA
<b>Lower</b>	13%	-9.2%	11%	-8.3%
<b>Net Average</b>		+4.8%		+3.4%

# FALL SEMIANNUAL FORECAST

DECEMBER 2019

## CAPITAL EXPENDITURES

### Predicted Capital Expenditures 2020 vs. 2019

	Manufacturing		Non-Manufacturing	
	Predicted Dec 2019	Magnitude of Change	Predicted Dec 2019	Magnitude of Change
<b>Higher</b>	29%	+21.3%	36%	+13.8%
<b>Same</b>	42%	NA	45%	NA
<b>Lower</b>	29%	-29.0%	19%	-19.4%
<b>Net Average</b>		-2.1%		+1.3%

# RESPONDENT QUOTES

## JANUARY 2020 REPORT/DECEMBER 2019 DATA

### MANUFACTURING/NON-MANUFACTURING

“Due to **sluggish sales**, we have **introduced promotions** to generate increased sales.” *(Chemical Products)*

“**Cautiously optimistic** is the rule these days. Sales are decent, but we're **wondering what 2020** will bring. Still hedging that it will be successful — but maybe not as much as this year.” *(Transportation Equipment)*

“**Down month-to-month, but up over last year.**” *(Miscellaneous Manufacturing)*

“Anticipated large export orders did not materialize. As a result, expected **U.S. production has decreased.**” *(Fabricated Metal Products)*

“Dealer inventories have rebounded, and overall **customer market has softened**, resulting in corrections to near-term production schedules and a tentative forecast outlook.” *(Machinery)*

“**Export markets continue to weaken** for plastic resins — Mexican producers are actually trying to sell product back into the U.S. due to weak in-country demand.” *(Plastics & Rubber Products)*

“The shorter-than-normal holiday season tightens sales opportunities; however, **initial trends have been favorable.**” *(Retail Trade)*

“We are seeing **extended lead times for already purchased materials across the board**. Suppliers, as well, are warning that they are seeing longer lead times for engineered and manufactured goods.” *(Utilities)*

“Overall business is down from this time last year, but **sales have increased over the last month**, causing more buys with our suppliers.” *(Wholesale Trade)*

“New **prospects have improved this month**, although **continuing uncertainty** is causing clients to delay confirmation.” *(Professional, Scientific & Technical Services)*

# FALL SEMIANNUAL FORECAST

## DECEMBER 2019

### EMPLOYMENT

#### EMPLOYMENT - Predicted Changes Between End of 2019 and the End of 2020

	Manufacturing		Non-Manufacturing	
	Predicted Dec 2019	Magnitude of Change	Predicted Dec 2019	Magnitude of Change
<b>Higher</b>	28%	+7.9%	37%	+5.4%
<b>Same</b>	54%	NA	52%	NA
<b>Lower</b>	18%	-11.0%	11%	-7.0%
<b>Net Average</b>		+0.1%		+1.2%

# FALL SEMIANNUAL FORECAST

DECEMBER 2019

## LABOR COSTS

### Labor and Benefit Costs — Predicted Rate Change End of 2019 vs. End of 2020

	Manufacturing		Non-Manufacturing	
	Predicted Dec 2019	Magnitude of Change	Predicted Dec 2019	Magnitude of Change
<b>Higher</b>	66%	+3.6%	59%	+3.9%
<b>Same</b>	27%	NA	36%	NA
<b>Lower</b>	7%	-22%	5%	-10.2%
<b>Net Average</b>		+0.7%		+1.8%

# FALL SEMIANNUAL FORECAST

DECEMBER 2019

## INPUT PRICES

### Predicted Price Changes Between End of 2019 and End of 2020

	Manufacturing		Non-Manufacturing	
	Predicted Dec 2019	Magnitude of Change	Predicted Dec 2019	Magnitude of Change
<b>Higher</b>	50%	+5.0%	57%	+4.6%
<b>Same</b>	26%	NA	31%	NA
<b>Lower</b>	24%	-5.9%	12%	-6.6%
<b>Net Average</b>		+1.1%		+1.9%

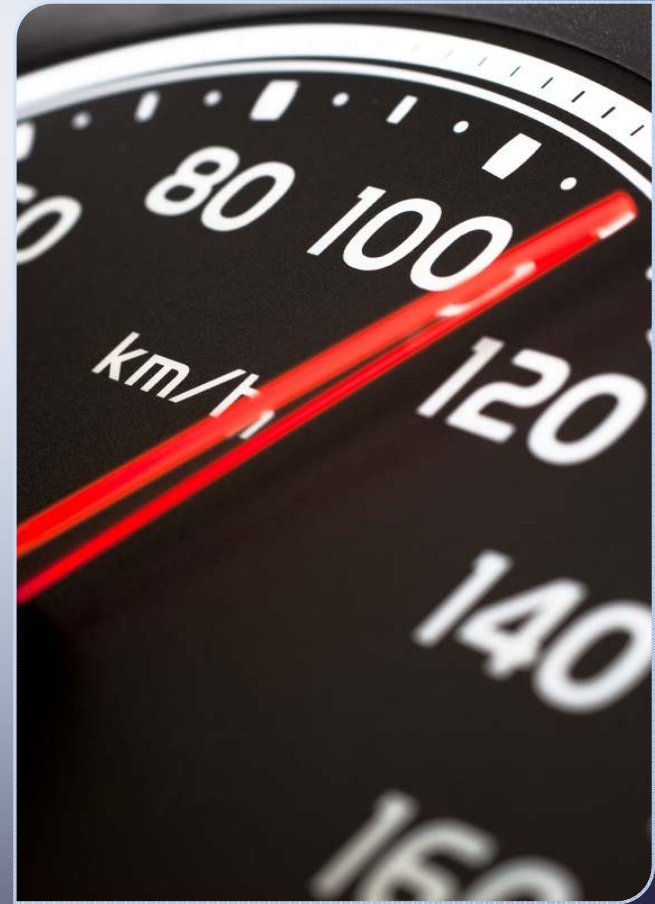




# **CONSTRUCTING YOUR OWN REAL-TIME ECONOMIC DASHBOARD**

# THE ISM<sup>®</sup> ECONOMIC DASHBOARD

- SECTOR RELATIVE POSITION ANALYSES
- U.S. GDP GROWTH RATE
- SUPPLIER LEAD TIMES
- INPUT PRICES
- COMMODITY PRICING AND AVAILABILITY



# KEY SECTORS/SUBSECTORS FOR THE GREATER PHILADELPHIA AREA

- **Chemical Products**
- **Miscellaneous Manufacturing**
- **Plastics & Rubber Products**
- **Health Care & Social Assistance**
- **Retail Trade**
- **Transportation & Warehousing**
- **Furniture and Related Products**
- **Printing & Related Support Activities**
- **Utilities**

# SECTOR RELATIVE POSITION ANALYSES

For information on the Economic Dashboard and/or constituent elements,

please contact Paul Lee, Institute for Supply Management,

[plee@instituteforsupplymanagement.org](mailto:plee@instituteforsupplymanagement.org)

# SECTOR RELATIVE POSITION ANALYSES

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# PMI®/NMI®: KEY GREATER PHILADELPHIA SECTORS/SUB-SECTORS

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# THE ISM<sup>®</sup> “SPEEDOMETER”

## JANUARY 2020 REPORT/DECEMBER 2019 DATA

### MANUFACTURING (PMI<sup>®</sup>)

The past relationship between the PMI<sup>®</sup> and the overall economy indicates that the PMI<sup>®</sup> for December (47.2 percent) corresponds to a 1.3-percent increase in real gross domestic product (GDP) on an annualized basis.

### NON-MANUFACTURING (NMI<sup>®</sup>)

The past relationship between the NMI<sup>®</sup> and the overall economy indicates that the NMI<sup>®</sup> for December (55 percent) corresponds to a 2.2-percent increase in real gross domestic product (GDP) on an annualized basis.

# THE ISM<sup>®</sup> “SPEEDOMETER”

JANUARY 2020 REPORT/DECEMBER 2019 DATA

## MANUFACTURING

$$1.3\% \times 12\% = 0.16\%$$

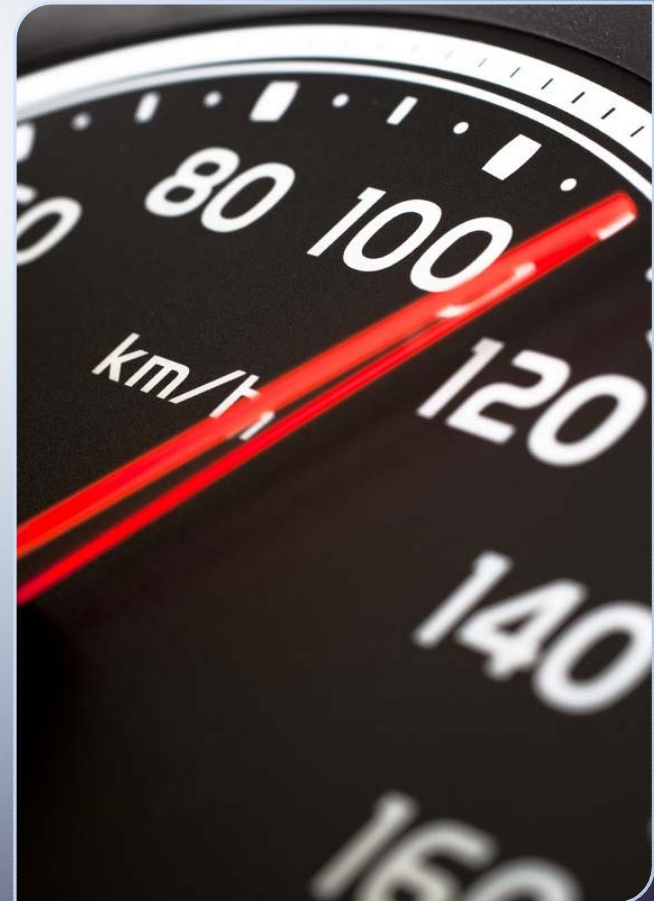
## NON-MANUFACTURING

$$2.2\% \times 88\% = 1.94\%$$

## OVERALL ECONOMY

$$0.16\% + 1.94\% = 2.10\%$$

**2.1% GDP GROWTH (ANNUALIZED)**



# MANUFACTURING SUPPLIER LEAD TIMES

Supplier Deliveries	% Slower	% Same	% Faster	Index
December 2019	11.5	81.4	7.0	54.6
November 2019	11.3	80.8	8.0	52.0
October 2019	10.0	80.1	9.9	49.5
September 2019	10.8	81.0	8.2	51.1

The delivery performance of suppliers to manufacturing organizations was slower in December, as the Supplier Deliveries Index registered 54.6 percent. This is 2.6 percentage points higher than the 52 percent reported for November.

"**Supplier deliveries continue to become more difficult**, recording their strongest levels since February 2019, when the index registered 54.9 percent. The index expansion, coupled with price growth, is **a positive indicator for Q1**. However, supplier capacity remains at satisfactory levels to support current production output," says Fiore.

The six industries reporting slower supplier deliveries in December — listed in order — are: Fabricated Metal Products; Textile Mills; Computer & Electronic Products; Machinery; **Miscellaneous Manufacturing**; and **Chemical Products**. The five industries reporting faster supplier deliveries in December are: Wood Products; Primary Metals; Electrical Equipment, Appliances & Components; **Plastics & Rubber Products**; and Transportation Equipment.

# SUPPLIER DELIVERIES:

## KEY GREATER PHILADELPHIA SECTORS/SUB-SECTORS

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# SLOWING SUPPLIER DELIVERIES COINCIDE WITH INCREASING PRICES



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# NON-MANUFACTURING INPUT PRICES

Prices	% Higher	% Same	% Lower	Index
December 2019	16	79	5	58.5
November 2019	18	76	6	58.5
October 2019	19	74	7	56.6
September 2019	24	70	6	60.0

Prices paid by non-manufacturing organizations for materials and services **increased in December for the 31st consecutive month**. ISM®'s Non-Manufacturing Prices Index registered 58.5 percent; the same figure reported in November.

The nine non-manufacturing industries reported an increase in prices paid during the month of December — listed in order — are: Accommodation & Food Services; Construction; Wholesale Trade; **Health Care & Social Assistance**; Utilities; **Retail Trade**; Information; Finance & Insurance; and Public Administration. The three industries that reported a decrease in prices in December are: Management of Companies & Support Services; Mining; and Professional, Scientific & Technical Services. Six industries reported no change in December compared to November.

## PRICES PAID: KEY GREATER PHILADELPHIA SECTORS/SUB-SECTORS

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# MANUFACTURING/NON-MANUFACTURING COMMODITIES

## UP IN PRICE, DOWN IN PRICE, IN SHORT SUPPLY

### MANUFACTURING

January 2020 Report/December 2019 Data

**Commodities Up in Price** Aluminum Products Copper Products; Scrap Metals; Steel — Hot Rolled (2); Steel — Stainless (3); Steel Products and Valves.

**Commodities Down in Price** Caustic Soda (3); Corrugate; High-Density Polyethylene; Freight (3); Natural Gas; Nickel; Polypropylene (2); and Steel (6).

**Commodities in Short Supply** Aluminum Products Machined Parts; and Titanium.

### NON-MANUFACTURING

January 2020 Report/December 2019 Data

**Commodities Up in Price** Beef Products; Cheese Products (2); Fuel; and Oriented Strand Board.

**Commodities Down in Price** Lettuce; and Steel Products (6).

**Commodities in Short Supply** Blades; Construction Contractors (2); Construction Subcontractors (24) IV Solutions (3); Labor (15); Labor — Construction (45) Labor — Temporary (6); and Pharmaceuticals (4).

# **ECONOMIC DASHBOARD KEY GREATER PHILADELPHIA SECTORS/SUB-SECTORS**

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Current Non-Manufacturing Report  
[www.instituteforsupplymanagement.org/nmi](http://www.instituteforsupplymanagement.org/nmi)



Current Manufacturing Report  
[www.instituteforsupplymanagement.org/pmi](http://www.instituteforsupplymanagement.org/pmi)



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## QUESTIONS & DISCUSSION

### THANK YOU!

PAUL LEE

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