

Marquette-ISM Report on Manufacturing  
June 2017- Final Release

Contact: Dr. Douglas Fisher  
Director, Center for Supply Chain Management  
Marquette University  
(414) 288-3995  
[douglas.fisher@marquette.edu](mailto:douglas.fisher@marquette.edu)

Released: July 04, 2017

***Final Version (includes ISM National Results for June 2017)***

The Marquette-ISM Report on Manufacturing was prepared by **Phyo T Aung**, a graduate student in Applied Economics at Marquette University, and distributed by **Beth Krey**, Associate Director of the Center for Supply Chain Management.

Please direct data questions and requests for media commentary to Dr. Fisher.

This report should not be confused with the ISM National Report published by the Institute of Supply Management. While a reasonable attempt has been made to remain consistent with the national report, the contents of this report reflect only information pertinent to the southeast Wisconsin and northern Illinois region. This report is not used in the calculation of the national report.

**Summary**

Milwaukee-area PMI	June 2017	May 2017	April 2017
Seasonally adjusted	58.68	57.22	57.87

(Milwaukee, Wisconsin) – June’s Index registered at 58.68, a increase from the 57.22 in May. May’s Index indicates positive territory.

**What respondents are saying in June 2017:**

- In rush of orders in June, potential infrastructure spending is pushing some orders in, others out. Supply Chain's issue is internal design capacity (2 open positions)
- Commodity pricing is still increasing (this) month due to raw material shortages - pricing increases still in the range of 8%.
- Continued near term order strength, but limited long term forecast confidence
- Incoming orders continue to be stronger than forecast

- Big orders came through due to marketing/sales pump up. However, getting concerned about capacity to continue to support higher demand

*Important: See explanatory notes on the survey and diffusion index at the end of this report.*

MANUFACTURING AT A GLANCE: June 2017*				
Index	Series	Series	Percentage	Direction
	Index	Index	Point	
	Jun-17	May-17	Change	
PMI	58.68	57.22	1.5	growing
New Orders	63.07	62.77	0.3	growing
Production	61.46	65.43	-4.0	growing
Employment	65.17	65.57	-0.4	growing
Supplier Deliveries	64.13	49.16	15.0	slower
Inventories	39.58	43.18	-3.6	declining
Customers' Inventories *	35.71	30.00	5.7	declining
Prices *	73.91	72.73	1.2	growing
Backlog of Orders *	54.55	57.50	-3.0	growing
Exports *	67.65	63.33	4.3	growing
Imports *	59.38	60.71	-1.3	growing

(\*) The indices are seasonally adjusted *except for* the Customers' Inventories, Prices, Backlog of Orders, Exports, and Imports Indexes, which do not meet the accepted criteria for seasonal adjustments.

#### What respondents are saying in June 2017:

- Balance of hand-to-mouth and 12-week lead time orders
- World source location changes. China to Mexico as an example.
- Some rush items up, some using order volume to reduce
- Use it as a tool for hedging prices for future inventory levels
- Notice or indications of inflation/raw materials
- Booked through the end of the year

## Blue and White-Collar Employment:

We have collected input on Blue and White Collar Employment. The indices are below for April 2017, May 2017 and June 2017.

	Diffusion Index Apr-17	Diffusion Index May-17	Diffusion Index Jun-17	Direction	Comments
Blue Collar	61.9	65.7	59.1	growing	-
White Collar	54.4	57.0	55.3	growing	-

**Note:** These have been calculated based on the seasonally adjusted (SA) Blue and White Collar indices.

## What respondents are saying in June 2017:

- Not enough qualified candidates
- Hiring additional sales staff

## Buying Policy

Average commitment lead-time for Capital Expenditures decreased from 118 days to 111 days. Average lead-time for Production Materials decreased from 41 days to 40 days. Average lead-time for Maintenance, Repair and Operating (MRO) Supplies decreased from 24 days to 20 days.

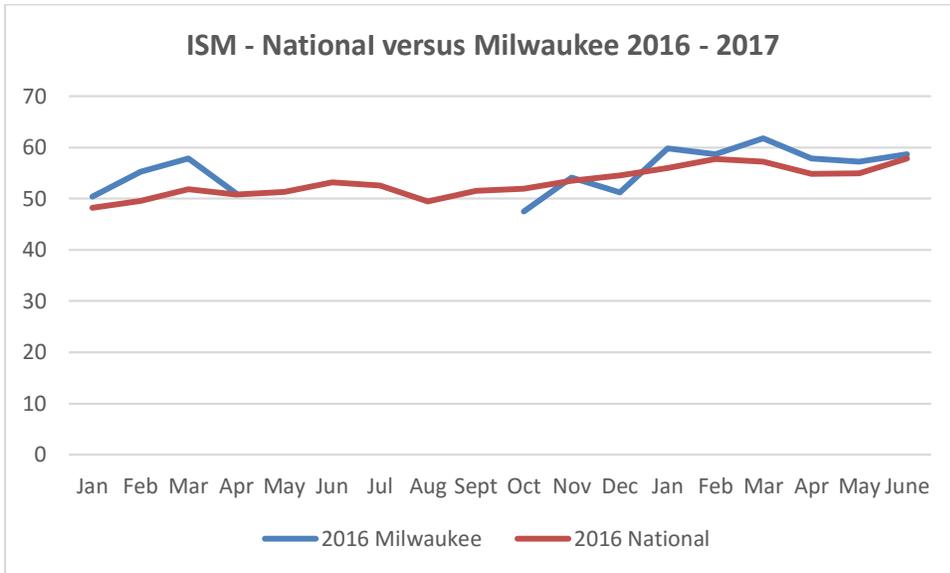
## Six- Month Outlook on Business Conditions

In this outlook, there is an downward shift in positive expectations compared with May in terms of market conditions. Approximately 41.67% of respondents expect positive conditions, 50% expect conditions to remain the same and 8.33% of the respondents expect conditions to worsen within the next six months.

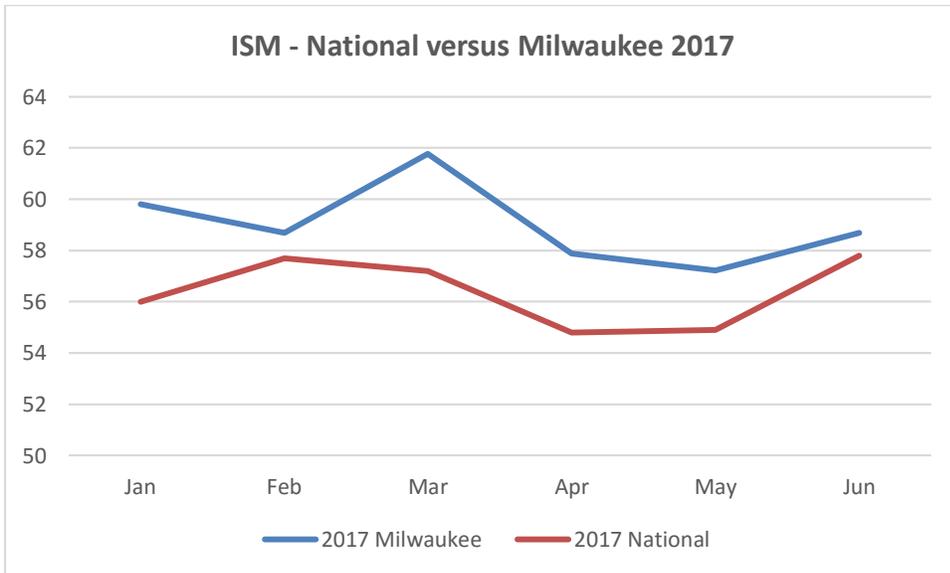
	Expect Positive Conditions	Expect Same Conditions	Expect Worse Conditions	Diffusion Index
Jun-17	41.67%	50.00%	8.33%	66.67%
May-17	50.00%	36.36%	13.64%	68.18%
Apr-17	48.00%	48.00%	4.00%	72.00%

## Milwaukee versus the Nation –

*Jan,2016-June,2017 Graph*



## **2017 graph**



## Insights on the ISM PMI from the National Organization:

### ISM *Manufacturing Report On Business*® Background

In February 1982, the PMI was developed by the U.S. Department of Commerce (DOC) and ISM. The index, based on analytical work by the DOC, adjusts five components of the Institute's monthly survey — new orders, production, employment, supplier deliveries and inventories — for normal seasonal variations, applies equal weights to each and then calculates them into a single monthly index number.

An update of research originally done by Theodore S. Torda, the late economist for the DOC, shows a close parallel between growth in real Gross Domestic Product (GDP) and the PMI. The index can explain about 60 percent of the annual variation in GDP, with a margin of error that averaged  $\pm .48$  percent during the last ten years. George McKittrick, an economist at the DOC, said "Not only does the PMI track well with the overall economy, but the indication provided by ISM data about how widespread changes are, complements analogous government series that show size and direction of change."

In January 1989, the Supplier Deliveries Index from the *Report* became a standard element of the DOC's Bureau of Economic Analysis Index of Leading Economic Indicators. The data was incorporated into the index from June 1976 forward. In January 1996, The Conference Board began compiling this index.

### What Is a Diffusion Index?

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. The percent response to the "Better," "Same" or "Worse" question is difficult to compare to prior periods. Therefore, the percentages are "diffused" for this purpose. A diffusion index takes those indicating "Better" and half of those indicating "Same" and adds the percentages. This effectively measures the bias toward a positive (above 50 percent) or negative index (below 50 percent). For example, if the response is 20 percent "Better," 70 percent "Same," and 10 percent "Worse," then the diffusion index would be 55 percent ( $20\% + [0.50 \times 70\%]$ ). The data for each question is converted to a diffusion index and then seasonally adjusted.

**For each index, a reading above 50 percent indicates expansion of an index, while a reading below 50 percent indicates it is generally declining. And a reading of 50 percent indicates "no change" from the previous month. Supplier Deliveries is an exception. A Supplier Deliveries Index above 50 percent indicates slower deliveries, and below 50 percent indicates faster deliveries.**

(<https://www.instituteforsupplymanagement.org/files/ISMREPORT/ROBBroch08.pdf>)