

**Marquette-ISM Report on Manufacturing  
June 2019- Early Release**

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*The Marquette-ISM Report on Manufacturing was prepared by **Katie Ozanich**, a graduate student in Applied Economics at Marquette University, and distributed by **Kelly Wesolowski**, Associate Director of the Center for Supply Chain Management.*

*Please direct data questions and requests for media commentary to Bill Lee.*

*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 2019	May 2019	April 2019
Seasonally adjusted	56.11	47.83	55.04

(Milwaukee, Wisconsin) – June’s Index registered at 56.11, an increase from 47.83 in May. June’s index indicates positive territory.

**What respondents are saying in June 2019:**

- Poor weather and tight capacity in the trucking industry (driven by driver shortage) has hindered on-time delivery of raw materials.
- Production has decreased in line with Seasonality
- A continued shortage of qualified labor for suppliers has led to significant supply chain issues.

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

(\*) 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.

<b>MANUFACTURING AT A GLANCE: June 2019*</b>				
<b>Index</b>	<b>Series</b>	<b>Series</b>	<b>Percentage Point Change</b>	<b>Direction</b>
	<b>Index</b>	<b>Index</b>		
	<b>Jun-19</b>	<b>May-19</b>		
<b>PMI</b>	56.11	47.83	8.3	growing
<b>New Orders</b>	51.23	47.71	3.5	growing
<b>Production</b>	48.26	44.46	3.8	declining
<b>Employment</b>	66.38	61.04	5.3	growing
<b>Supplier Deliveries</b>	68.55	49.60	18.9	slower
<b>Inventories</b>	46.15	36.36	9.8	declining
<b>Customers' Inventories *</b>	40.91	35.00	5.9	declining
<b>Prices *</b>	69.23	62.50	6.7	growing
<b>Backlog of Orders *</b>	45.45	50.00	-4.5	declining
<b>Exports *</b>	56.25	50.00	6.3	growing
<b>Imports *</b>	42.86	41.67	1.2	declining

**What respondents are saying in June 2019:**

- Long term forecasts suggest market increases that are not supported by economic indicators and other key trends.
- Customer sales are steady for most products.

## Blue and White-Collar Employment:

We have collected input on Blue and White Collar Employment. The indices are below for **June 2019, May 2019, and April 2019.**

	Diffusion Index Jun-19	Diffusion Index May-19	Diffusion Index Apr-19	Direction	Comments
Blue Collar	62.3	52.9	53.0	growing	-
White Collar	51.6	57.0	48.9	growing	-

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

## What respondents are saying in June 2019:

- The shortage of qualified labor continues.

## Buying Policy

Average commitment lead-time for Capital Expenditures increased from 101 days to 108 days. Average lead-time for Production Materials decreased from 54 days to 53 days. Average lead-time for Maintenance, Repair and Operating (MRO) Supplies increased from 18 days to 24 days.

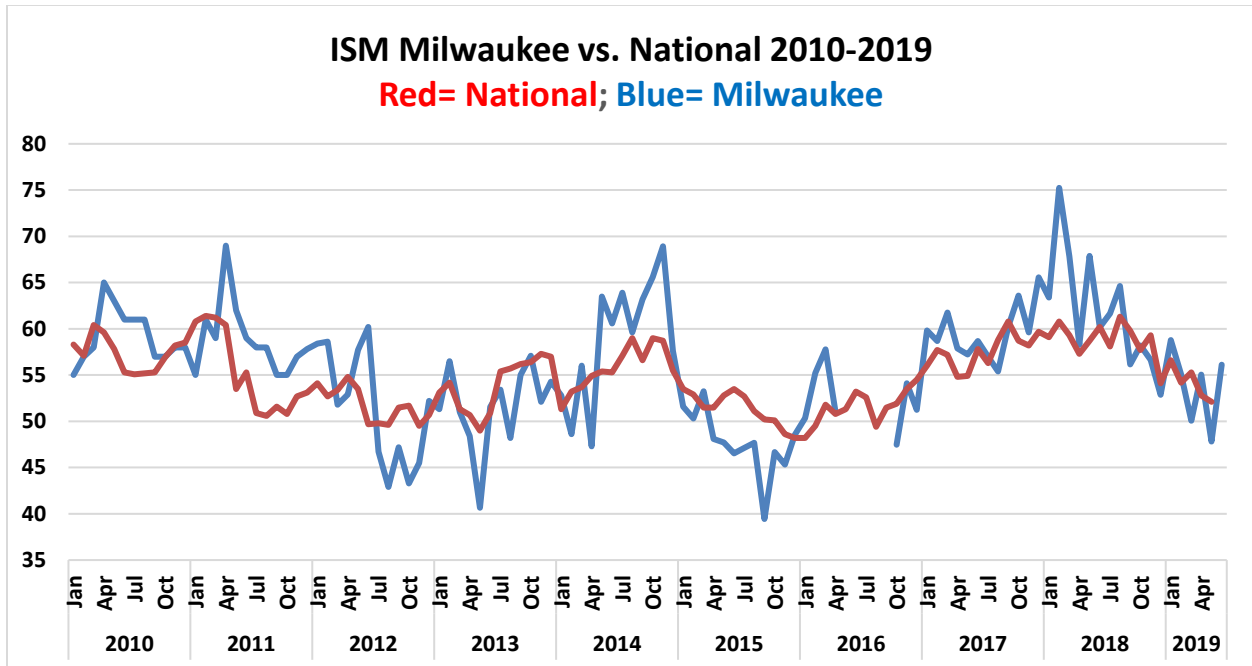
## Six- Month Outlook on Business Conditions

In this outlook, there is an upward shift in positive expectations compared with April in terms of market conditions. Approximately 46% of respondents expect positive conditions, 39% expect conditions to remain the same and 15% of the respondents expect conditions to worsen within the next six months.

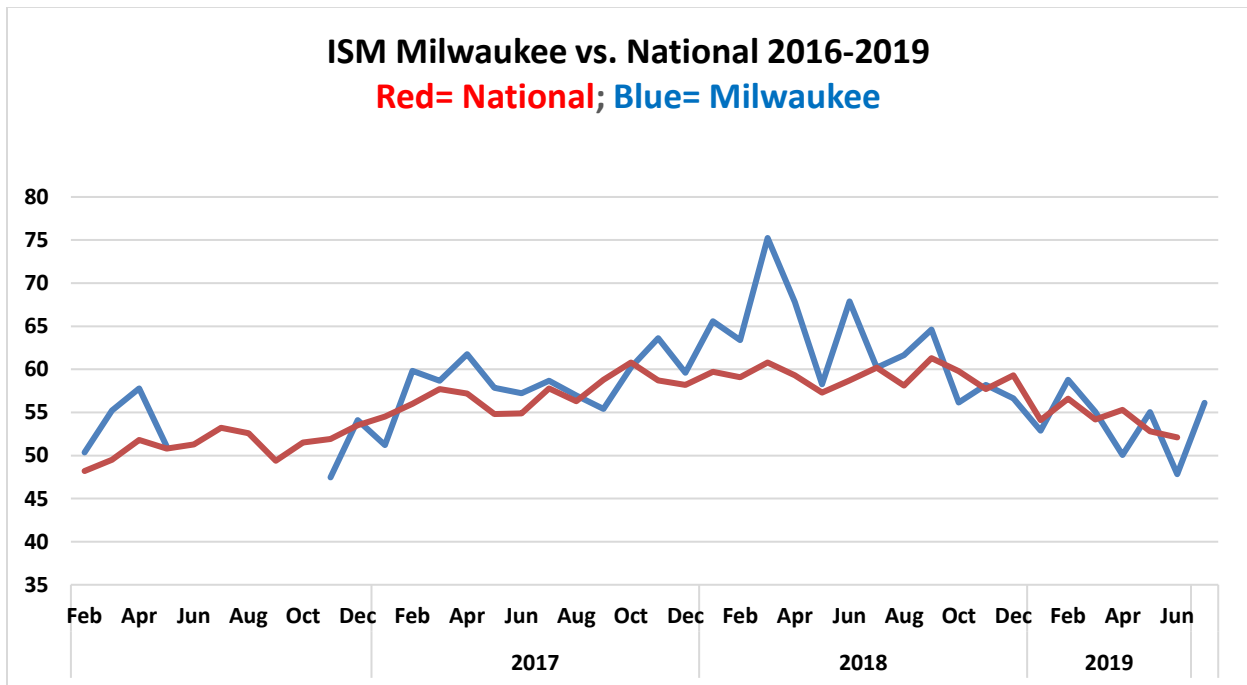
	Expect Positive Conditions	Expect Same Conditions	Expect Worse Conditions	Diffusion Index
Jun-19	38.46%	46.15%	15.38%	61.54%
May-19	46.15%	38.46%	15.38%	65.38%
Apr-19	16.67%	66.67%	16.67%	50.00%

**Milwaukee versus the Nation –**

**January 2010 – June 2019 Graph**



**January 2016- June 2019 Graph**



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

### ISM *Manufacturing Report On Business*<sup>®</sup> 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 x 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>)