

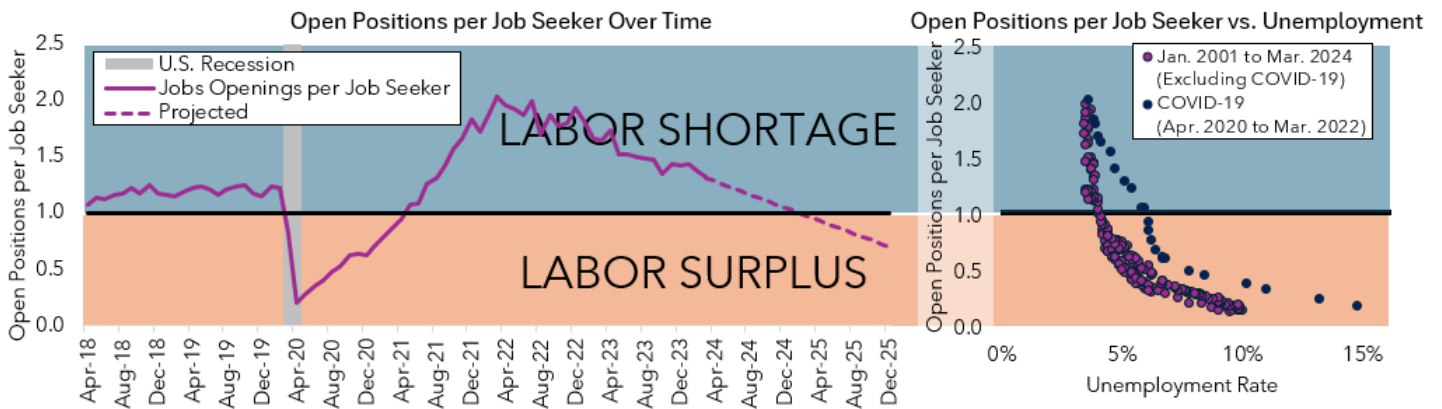


Saturday, May 11, 2024

The Institute for Supply Chain Management’s (ISM) Manufacturing Purchasing Managers Index (PMI), which measures economic activity in manufacturing, came out last week. The index is easy to interpret. The range is 0 to 100. Values below 50 mean contracting activity; over 50 means expanding. The index for April was 49.2. In a way, that’s good; it’s the second highest value in 18 months. On the other hand, still under 50.

Other metrics are as bleak or worse. New manufacturing orders are up only 0.4 percent, while real GDP is up 2.9 percent over the same period. Capacity utilization was 77.3 percent in March, down 1.5 percent over the last year and 2.6 percent below its post-COVID high. In April, manufacturing’s share of U.S. employment was the **lowest it’s ever been**, breaking the record set in March, which had just beat February...you get the idea. And manufacturers are pulling back from hiring even more than other industries. The monthly average number of job openings in manufacturing is down 27 percent over the last year, compared to 16 percent across all industries. Every metric I can find shows U.S. manufacturing is in trouble. Stay tuned.

As mentioned above, jobs data shows firms pulling back from hiring, low unemployment notwithstanding.



The graphs above use the same vertical axis - job openings per job seeker. The graph at left plots this metric’s movement over time and shows a labor shortage since May 2021. We started moving toward equilibrium, **along an almost perfectly straight line**, when the Fed raised rates in March 2022, prompting employers to pull back gradually from hiring. At right is the relationship between jobs per seeker and unemployment. It’s strongly negative during a labor surplus but goes away during a labor shortage. Taken together, these two graphs are basically a countdown clock with around 8-12 months left on it 🤖

Until next week,

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