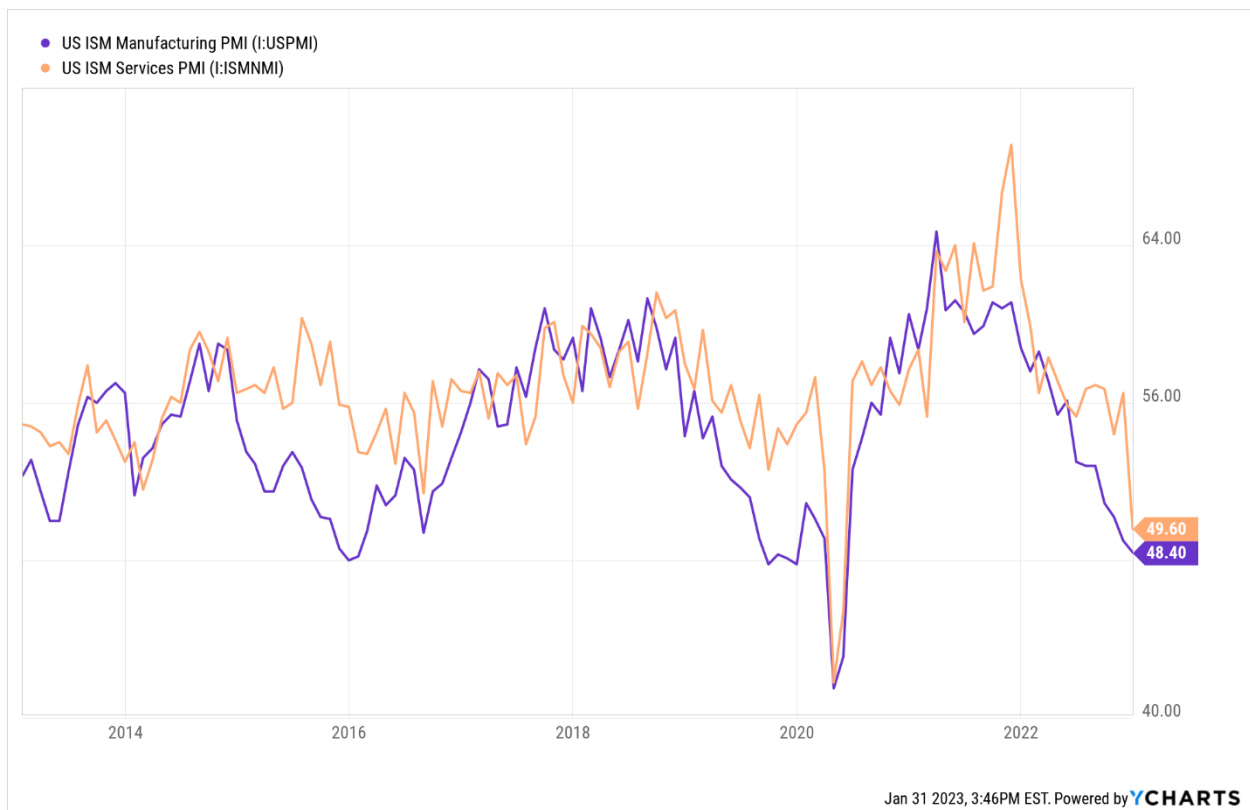


PMIs Are Flashing Recession

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The Purchasing Manager's Index (PMI) is compiled and released monthly by the Institute for Supply Management (ISM). It is based on a monthly survey sent to senior executives at more than 400 companies in various industries with a weighting that reflects their industry's contribution to GDP. The ISM issues separate reports for manufacturing and services each month. The five major survey areas are: new orders, inventory levels, production, supplier deliveries, and employment.



The PMI reports are followed closely as coincident economic indicators because they reflect some of the most current information that comes directly from businesses. During the last 10 years, the only other time that both the manufacturing and services PMI composite scores dipped below 50 was at the beginning of the COVID response in

2/1/2023

February – May 2020. Composite scores above 50 indicate that the economy is expanding, while composite scores below 50 indicate that the economy is contracting.

In the ISM Manufacturing report for December, only two manufacturing industries reported growth: primary metals, and petroleum and coal products. The other 13 manufacturing industries reported business contraction.

In the ISM Services report for December, 11 industries reported that they were in an expansion mode, while 4 industries reported that their business activity had decreased in December. Apparently, the weighting of the 4 industries in contraction or the extent of the decline offset the 11 industries that had experienced growth.

Matt Fleury has been called Goldman Sachs's biggest bear. There are certainly signs of weakness in the economy and corporate earnings reports. But Fleury's conclusion on the financial markets is that "the market is in no mood to go down right now."

If you have any questions or comments, please contact me.

Sincerely,
Robert G. Kahl
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