

Marquette ISM® Report on Manufacturing
June 2022

Contact: Dr. Marko Bastl
Associate Professor of Supply Chain Management
Director, Center for Supply Chain Management
Marquette University
(414) 288-6866
Marko.Bastl@marquette.edu

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*The Marquette-ISM Report on Manufacturing was prepared by **Onamica Dhar**, 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 **Dr. Marko Bastl**.*

This report should not be confused with the Report On Business®, PMI®, NMI®, published by the Institute of Supply Management® (ISM®). 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 2022	May 2022	April 2022
Seasonally adjusted	58.39	51.96	52.86

(Milwaukee, Wisconsin) –June’s Index registered at 58.39, an increase from 51.96 in May. June’s index indicates positive territory.

What are respondents saying in June 2022:

- Higher oil prices increase prices of goods and services.
- Ukrainian crisis is still a major issue for business.
- Inflation increases the price of goods and services.
- Long lead times are still a major problem.
- Exports and imports are still facing challenges.

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

MANUFACTURING AT A GLANCE: June 2022*				
Index	Series	Series	Percentage Point Change	Direction
	Index	Index		
	Jun-22	May-22		
PMI	58.39	51.96	6.4	growing
New Orders	52.37	38.35	14.0	growing
Production	47.44	40.53	6.9	declining
Employment	47.53	52.66	-5.1	declining
Supplier Deliveries	75.88	70.09	5.8	declining
Inventories	68.75	58.19	10.6	growing
Customers' Inventories *	18.18	36.67	-18.5	declining
Prices *	92.86	95.00	-2.1	growing
Backlog of Orders *	71.43	55.00	16.4	growing
Exports *	50.00	41.67	8.3	growing
Imports *	37.50	45.45	-8.0	declining

(*) 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. **Note:** A reading above 50 percent indicates that the manufacturing economy is generally expanding (**growing**); below 50 percent indicates that it is generally contracting (**declining**). Supplier Deliveries is the one exception, where it is the reversed relationship. Above 50 percent indicates declining, below 50 percent indicates growing.

What are respondents saying in June 2022:

- International transportation is still a problem.
- Oil price affects business.
- Supply chain issues still a major problem.
- Price of electronic and hydraulic components is increasing for chip shortage.

We have collected input on Blue and White Collar Employment. The indices are below for **June 22, May 2022, and April 2022**.

	Diffusion Index June-22	Diffusion Index May-22	Diffusion Index April-22	Direction	Comments
Blue Collar	51.2	55.2	45.9	growing	-
White Collar	40.7	45.1	42.3	declining	-

Note: These have been calculated based on the seasonally adjusted (SA) Blue and White Collar indices. A reading above 50 percent indicates that the manufacturing economy is generally expanding (**growing**); below 50 percent indicates that it is generally contracting (**declining**).

What are respondents saying in June 2022:

- Wage competition for skilled labor.
- Firms want to hire more employees.

Buying Policy

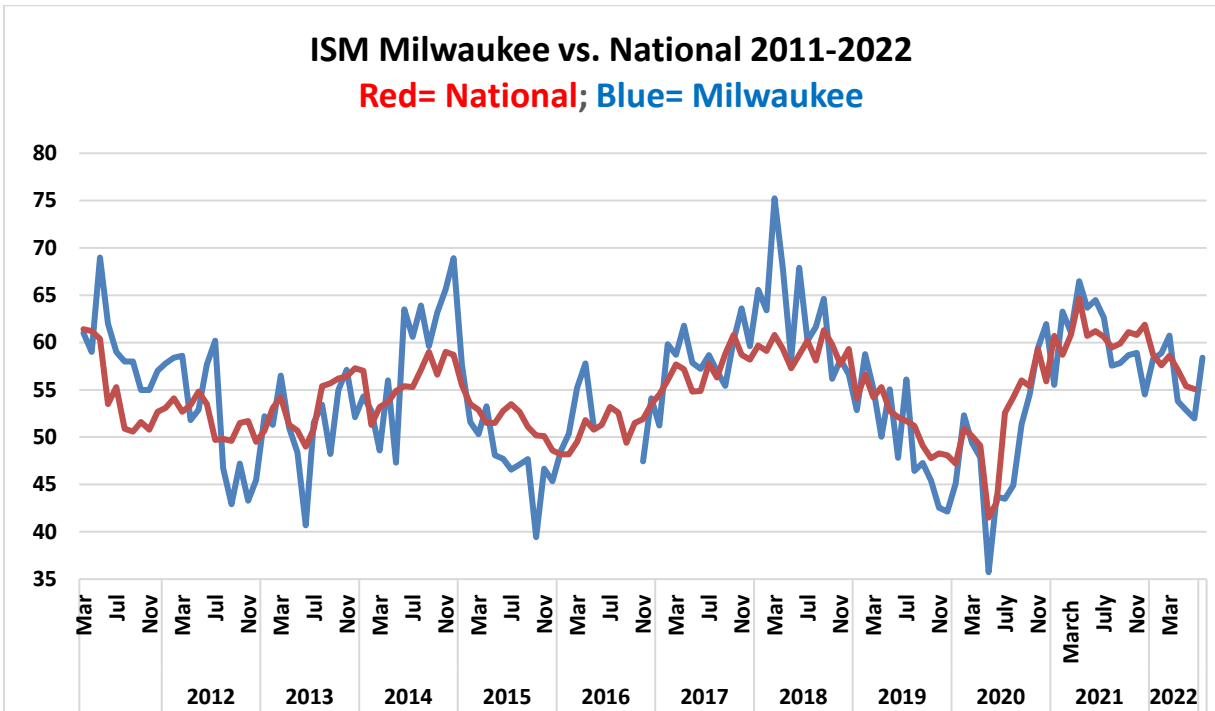
Average commitment lead-time for Capital Expenditures decreased from 214 to 175 days. Average lead-time for Production Materials increased from 109 to 161 days. Average lead-time for Maintenance, Repair and Operating (MRO) Supplies increased from 55 to 57 days.

Six- Month Outlook on Business Conditions

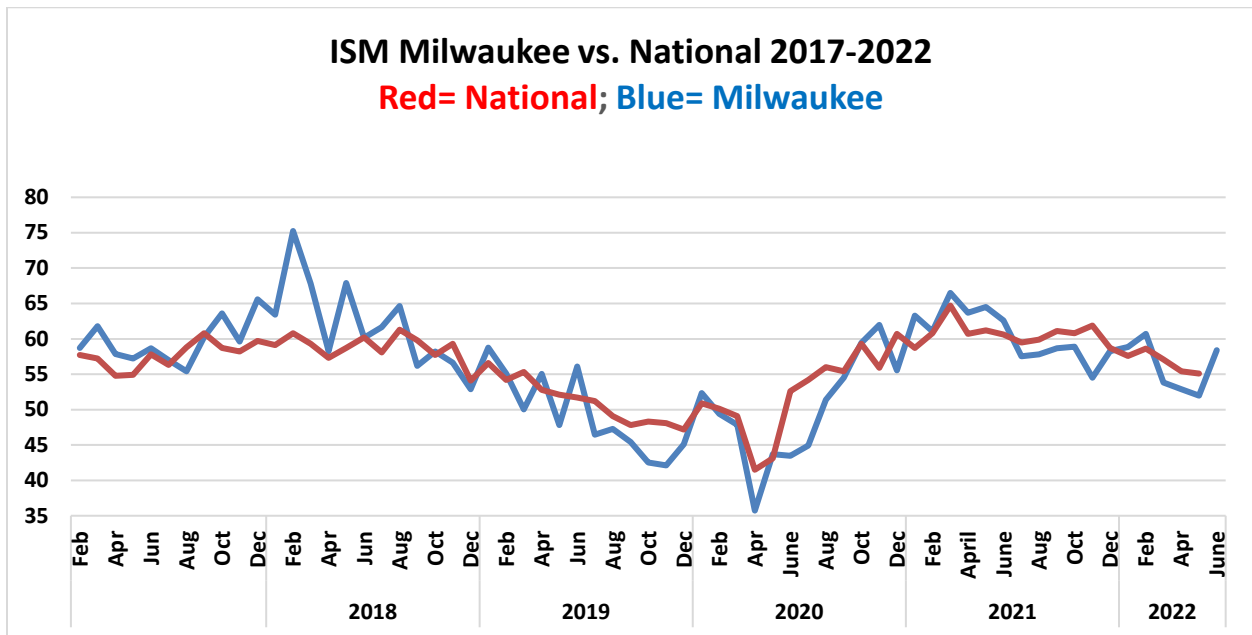
In this outlook, there is an downward shift in positive expectations compared with May and April in terms of market conditions. Approximately 23% of respondents expect positive conditions, 38% expect conditions to remain the same and 38% of the respondents expect conditions to worsen within the next six months.

	Expect Positive Conditions	Expect Same Conditions	Expect Worse Conditions	Diffusion Index
22-Jun	23.08%	38.46%	38.46%	42.31%
22-May	30.00%	40.00%	30.00%	50.00%
22-Apr	21.43%	28.57%	50.00%	35.71%

**Milwaukee versus the Nation –
January 2011 – June 2022 Graph**



January 2017 – June 2022 Graph



Insights on the ISM® PMI® from Institute for Supply Management®:

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.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/>