MARQUETTE UNIVERSITY | BUSINESS
Center for Supply Chain Management

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INSTITUTE FOR SUPPLY MANAGEMENT
ISM—Milwaukee

Marquette ISM® Report on Manufacturing
March 2022- Early Release

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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.*

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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	March 2022	February 2022	January 2022
Seasonally adjusted	53.81	60.72	52.86

(Milwaukee, Wisconsin) –March's Index registered at 53.81, a decrease from 60.72 in February. March's index indicates positive territory.

What are respondents saying in March 2022:

- COVID-19 and Ukrainian crisis are major issues for business.
- Long lead times are still a major problem. No improvement in lead time.
- Exports and imports situation is not improving.
- Supply chain systems still needs to improve.
- Demand for certain products is decreasing.

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

MANUFACTURING AT A GLANCE: March 2022*				
Index	Series Index Mar-22	Series Index Feb-22	Percentage Point Change	Direction
PMI	53.81	60.72	-6.9	growing
New Orders	49.58	51.49	-1.9	declining
Production	40.60	58.45	-17.8	declining
Employment	49.41	64.15	-14.7	declining
Supplier Deliveries	83.87	80.77	3.1	declining
Inventories	45.56	48.73	-3.2	declining
Customers' Inventories *	22.22	25.00	-2.8	declining
Prices *	100.00	86.11	13.9	growing
Backlog of Orders *	58.33	66.67	-8.3	growing
Exports *	40.00	77.78	-37.8	declining
Imports *	41.67	45.00	-3.3	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 March 2022:

- Inflation and rising materials prices are an ongoing issue.
- Labor supply is still a persistent problem.
- Chip shortage still a major problem
- International shipment remains a major issue.
- Supply delivery systems remains slow.

We have collected input on Blue and White Collar Employment. The indices are below for **March 2022, February 2022**, and **January 2022.**

	Diffusion Index Mar-22	Diffusion Index Feb-22	Diffusion Index Jan-22	Direction	Comments
Blue Collar	53.2	64.1	52.3	growing	-
White Collar	45.6	58.6	48.8	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 March 2022:

- Labor shortage still a major problem.
- Blue collar labor shortage is very high.
- Laborers changing jobs frequently.

Buying Policy

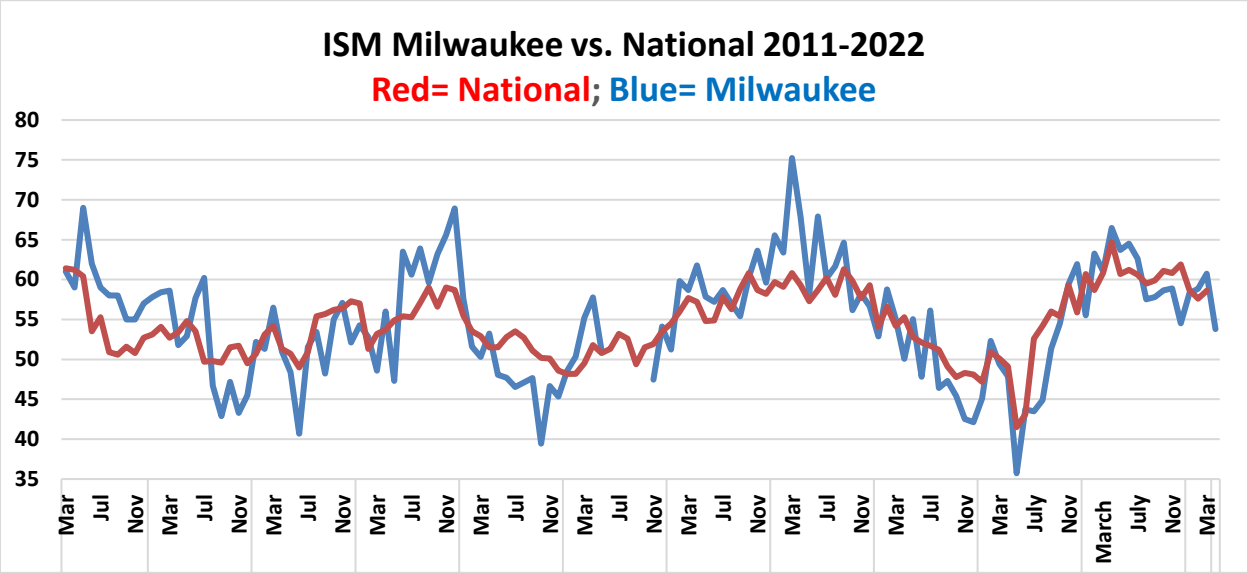
Average commitment lead-time for Capital Expenditures increased from 180 to 203 days. Average lead-time for Production Materials increased from 113 to 132 days. Average lead-time for Maintenance, Repair and Operating (MRO) Supplies increased from 57 to 52 days.

Six- Month Outlook on Business Conditions

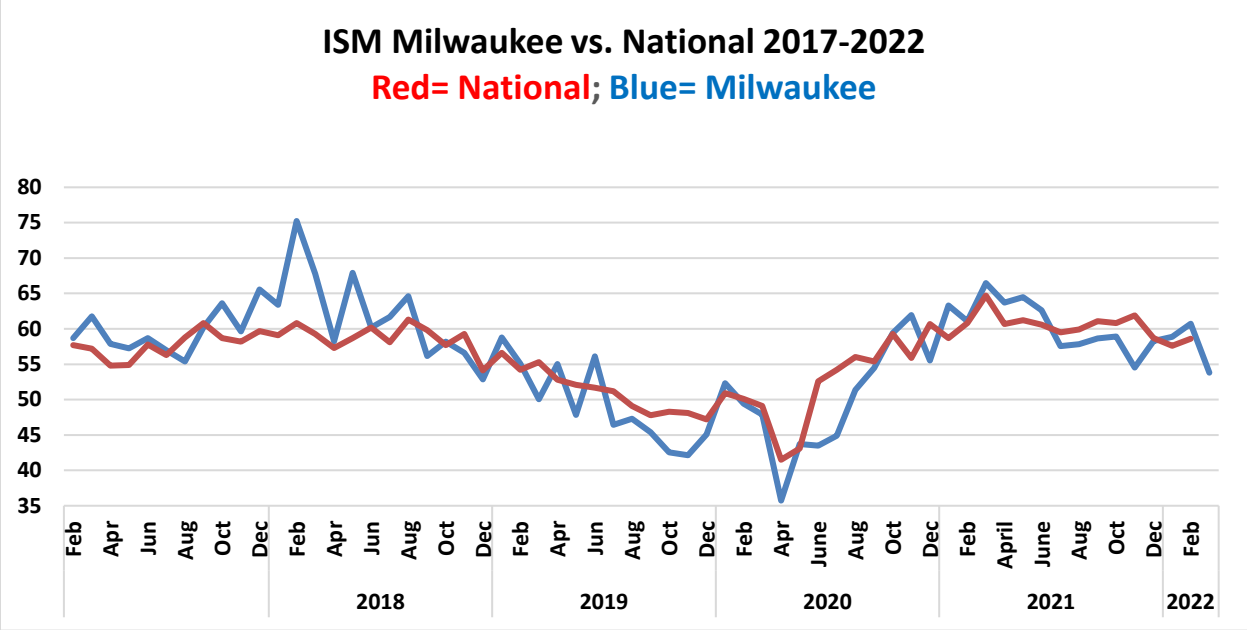
In this outlook, there is a downward shift in positive expectations compared with February and January in terms of market conditions. Approximately 38% of respondents expect positive conditions, 31% expect conditions to remain the same and 31% of the respondents expect conditions to worsen within the next six months.

	Expect Positive Conditions	Expect Same Conditions	Expect Worse Conditions	Diffusion Index
22-Mar	**38.46%**	**30.77%**	**30.77%**	**53.85%**
22-Feb	**33.33%**	**33.33%**	**33.33%**	**50.00%**
22-Jan	**26.67%**	**40.00%**	**33.33%**	**46.67%**

Milwaukee versus the Nation –
January 2011 – March 2022 Graph



January 2017 –March 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 ± .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.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/