
Rays of recovery - ISM manufacturing index climb in 18 months

Friday, 02 Oct, 2009

According to the latest Manufacturing ISM Report on Business from the Institute for Supply Management, economic activity in manufacturing sector finally expanded in August, following 18 consecutive months of contraction.

ISM said that the overall economy grew for the fourth consecutive month.

Mr Norbert J Ore chair of ISM's Manufacturing Business Survey Committee said that "The year and a half decline in manufacturing output has come to an end, as 11 of 18 manufacturing industries are reporting growth when comparing August to July. While this is certainly a positive occurrence, we have to keep in mind that it is the beginning of a new cycle and that all industries are not yet participating in the growth."

The August PMI of 52.9% was the highest since June 2007, and up by 4 percentage points from the 48.9% in July. A reading above 50% indicates the manufacturing economy is generally expanding. The increase was driven by significant strength in the New Orders index, up by 9.6 points to 64.9%, its highest since December 2004.

Mr Ore said that a PMI in excess of 42.1%, over a period of time, generally indicates an expansion of the overall economy. He added that "The past relationship between the PMI and the overall economy indicates that the average PMI for January through August of 42.2% corresponds to a 0.3% increase in real gross domestic product."

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