

# U.S. Data Review

- ISM: further improvement in January; strong employment index
- Construction: residential inched ahead; business & government-related soft

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## ISM Manufacturing Index

The ISM manufacturing index jumped 1.5 percentage points from an already respectable level. The increase was stronger than expected and the new level of 56.0 percent was the highest since November 2014 (chart, left).

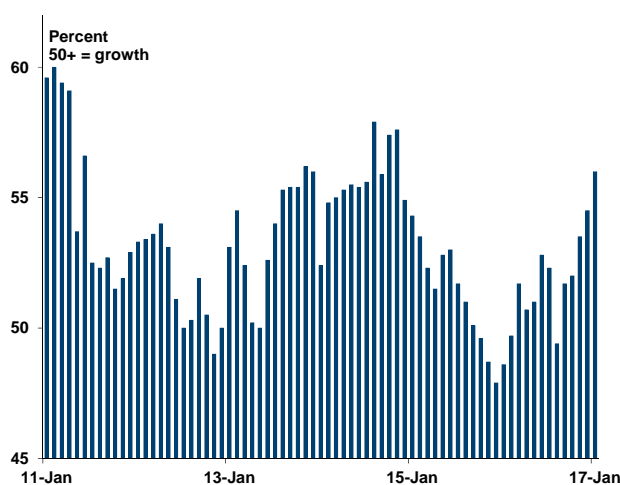
The new orders component, valuable because of its leading indicator properties, changed only marginally, but it was already elevated and thus the new reading should be considered strong (up 0.1 percentage point to 60.4 percent). With orders strong, manufacturers picked up the pace of production (up 2.0 percentage points to 61.4 percent). Firms also hired actively, as the employment index jumped 3.3 percentage points to 56.1 percent, a reading in the upper end of the range of the past five years (chart, right). The inventory and supplier delivery components showed nondescript changes.

The firm pace of activity in January (and December) had an influence on costs, as the price index included with the report rose 3.5 percentage points in the latest month after a surge of 11 percentage points in December. The new reading of 69.0 percent was the highest since May 2011, although the level was not shocking by historical standards (the measure has exceeded 80 percent at times).

## Construction

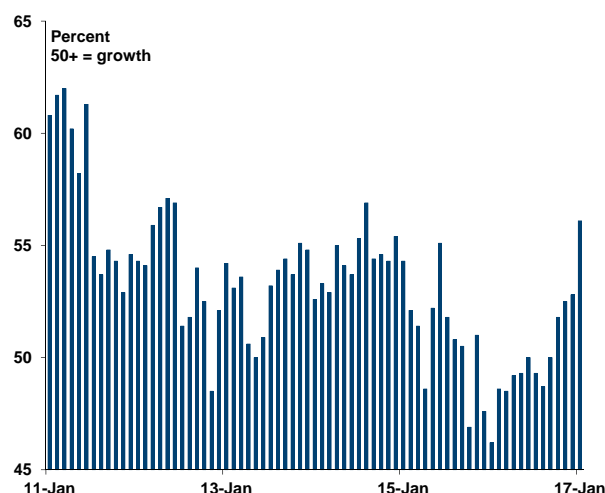
Analysts expected a soft construction report (consensus of 0.2 percent), but the actual was even softer, registering a decline of 0.2 percent. Private residential activity performed reasonably well with an increase of 0.5 percent, which reinforced the upward drifting trend. However, business-related activity was unchanged after dipping on balance in the prior three months. Business-related construction was firm in the first eight months of the year, but it has stalled recently. Government-sponsored construction has been moving in waves in the past few years, and a drop of 1.7 percent in December after four consecutive increases suggests that the latest wave has crested.

### ISM Manufacturing Index



Source: Institute for Supply Management

### ISM Manufacturing -- Employment Index



Source: Institute for Supply Management

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