

U.S. Data Review

- ISM: orders & employment soften considerably in April
- Construction: residential losing ground, nonresidential flattish, gov't corrects slightly

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ISM Manufacturing Index

The ISM manufacturing index fell 2.5 percentage points in April to 52.8 percent, exceeding the expected dip of 0.3 percentage point and pushing it well below the average of 58.8 percent in 2018 and the average of 55.4 percent in the first quarter of this year.

The new orders component led the retreat in April with a drop of 5.7 percentage points to 51.7 percent. While showing considerable month-to-month variation, this measure has been moving irregularly lower since early 2018, with the latest reading 9.7 percentage points below the average from 2018 and 12.3 percentage points below the 2018-Q1 average (chart). The move was striking, but we also should be aware that components can move erratically. For example, the orders component dropped to 51.3 percent in December but bounced back in January to 58.2 percent.

The slow order flow led to a drop in production, with this component easing 3.5 percentage points to 52.3 percent. As with the headline measure and orders component, production was well below the average of 60.7 percent from last year. Manufacturers also slowed the pace of hiring, with the employment index dropping 5.1 percentage points to 52.4 percent. This measure also can move sharply from month-to-month; in fact, it was a touch lower in February (52.3 percent).

The supplier delivery and inventory components increased slightly, but the small changes were swamped by the softness elsewhere. The prices index, which is not a component of the headline measure, fell 4.3 percentage points to 50.0 percent, representing another sign of slow activity.

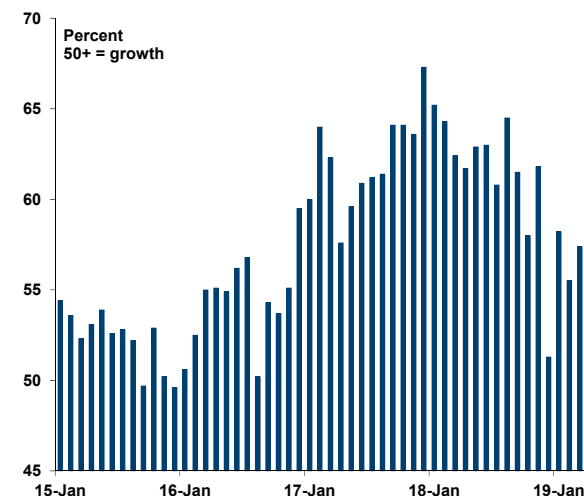
ISM Manufacturing -- Monthly Indexes

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
ISM Mfg. Composite	54.3	56.6	54.2	55.3	52.8
New orders	51.3	58.2	55.5	57.4	51.7
Production	54.1	60.5	54.8	55.8	52.3
Employment	56.0	55.5	52.3	57.5	52.4
Supplier deliveries	59.0	56.2	54.9	54.2	54.6
Inventories	51.2	52.8	53.4	51.8	52.9
Prices paid*	54.9	49.6	49.4	54.3	50.0

* The prices paid index is not seasonally adjusted. The measure is not part of the ISM manufacturing composite index.

Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: New Orders Index



Source: Institute for Supply Management via Haver Analytics

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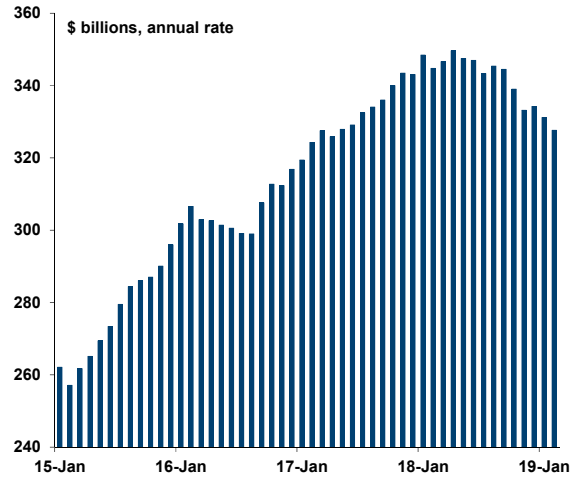
Construction Spending

Total construction activity fell 0.9 percent in March, softer than the expectation of no change. Private residential activity led the decline with a drop of 1.8 percent. The construction of multi-family structures rose 0.7 percent, continuing an upward move that began last fall, but this gain was more than offset by a drop in single-family activity that pulled total new home construction lower and reinforced a downward trend (chart, right). Improvements to existing homes also contributed to the drop in residential construction, as this component fell 3.1 percent in March. Results in the residential sector were revised sharply lower in the prior two months primarily because of a shift in improvements to existing homes (now showing a downward drift rather an upward turn).

Government-related construction fell 1.3 percent, but the decline represented a modest offset to a combined increase of 9.2 percent in January and February. While several areas have contributed to the net advance in the past three months, construction of streets and highways has dominated (chart, below left).

Private nonresidential activity rose 0.5 percent, but it is difficult to get excited about this increase. This area has jumped around from month-to-month in the past year, but it has shown little net change. The latest shift seems to represent another random wiggle (chart, below right).

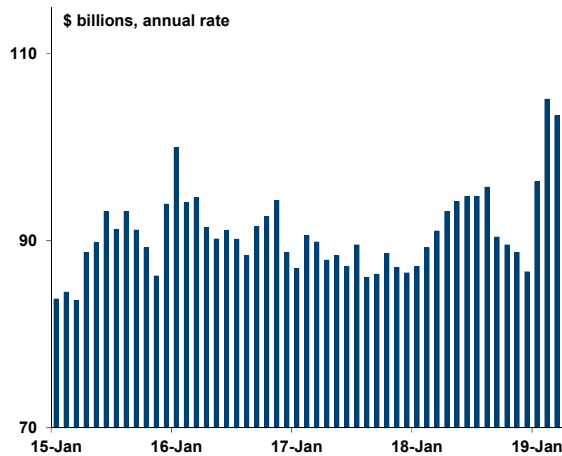
Private New Home Construction*



* Private residential construction excluding improvements to existing homes.

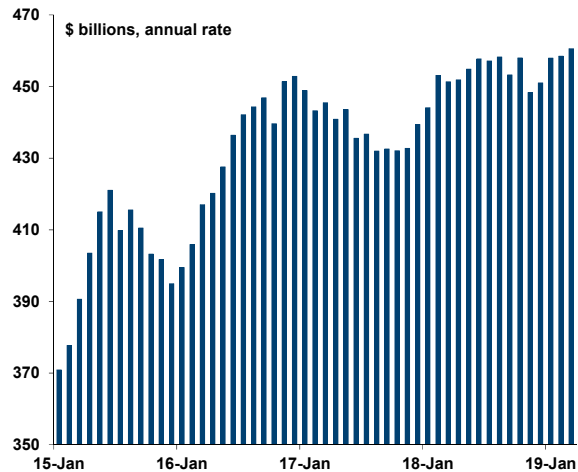
Source: U.S. Census Bureau via Haver Analytics

State & Local Const.: Streets & Highways



Source: U.S. Census Bureau via Haver Analytics

Private Nonresidential Construction



Source: U.S. Census Bureau via Haver Analytics