

# U.S. Data Review

- ISM: off in July; barely above 50 percent
- Construction: correction in gov't activity; private sector remains slow

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## ISM Manufacturing Index

Several indicators related to the manufacturing sector have improved recently, but the ISM index did not follow this lead. The headline index slipped 0.5 percentage point in July to 51.2 percent, shy of the expected reading of 52.0 percent and well below observations seen during most of last year (an average of 59.4 percent in the first three quarters of 2018).

The drop in July was led by the production component, which tumbled 3.3 percentage points to 50.8 percent (chart, right). With production soft, manufacturers were not active in hiring, as the employment index fell 2.8 percentage points to 51.7 percent. Both measures were at their lowest levels in more than two years. The orders component rose in July, but the change was modest at 0.8 percentage point and the level of the index was low at 50.8 percent.

The supplier delivery and inventory indexes both rose in July (up 2.6 and 0.4 percentage points, respectively), but their levels were low (53.3 percent and 49.5 percent, respectively). Also, we consider these components less important than orders, production, and employment, and thus we did not find much encouragement in the increases. With the orders index low, and with employment and production easing to the low-50-percent area, the report in total was soft.

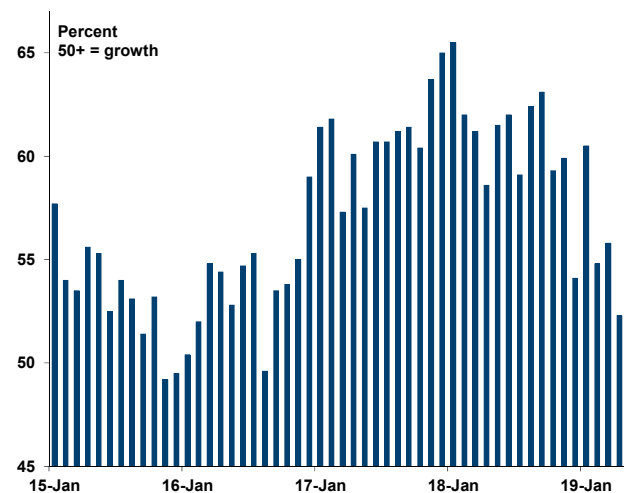
### ISM Manufacturing -- Monthly Indexes

|                            | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 |
|----------------------------|--------|--------|--------|--------|--------|
| <b>ISM Mfg. Composite</b>  | 55.3   | 52.8   | 52.1   | 51.7   | 51.2   |
| <b>New orders</b>          | 57.4   | 51.7   | 52.7   | 50.0   | 50.8   |
| <b>Production</b>          | 55.8   | 52.3   | 51.3   | 54.1   | 50.8   |
| <b>Employment</b>          | 57.5   | 52.4   | 53.7   | 54.5   | 51.7   |
| <b>Supplier deliveries</b> | 54.2   | 54.6   | 52.0   | 50.7   | 53.3   |
| <b>Inventories</b>         | 51.8   | 52.9   | 50.9   | 49.1   | 49.5   |
| <b>Prices paid*</b>        | 54.3   | 50.0   | 53.2   | 47.9   | 45.1   |

\* 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: Production Index



Source: Institute for Supply Management via Haver Analytics

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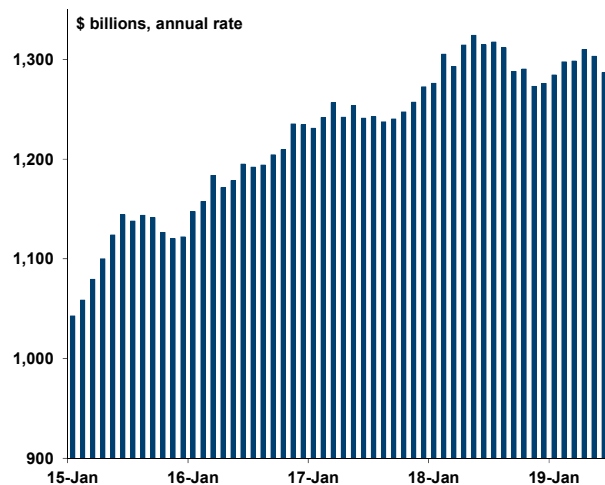
## Construction

Total construction activity fell 1.3 percent in June, notably softer than the expected increase of 0.3 percent. The surprising drop was tempered to a degree by upward revisions in the prior two months equivalent to 0.7 percentage point of growth, but still, the overall results were softer than expected (chart, left). In addition, all of the upward revision occurred in improvements to existing homes, which is a volatile area and the underlying trend remained downward.

All three key components (private residential, private nonresidential, and government) posted declines in June, but the government sector stood out with a drop of 3.7 percent. The retreat is not entirely surprising, as activity had jumped to a level well above other recent observations, and a correction seemed likely. The drop was moderate relative to earlier gains, and the new level of activity remained firm relative to results in most of last year. The advances in April and May were revised lower, but they were still strong (chart, right).

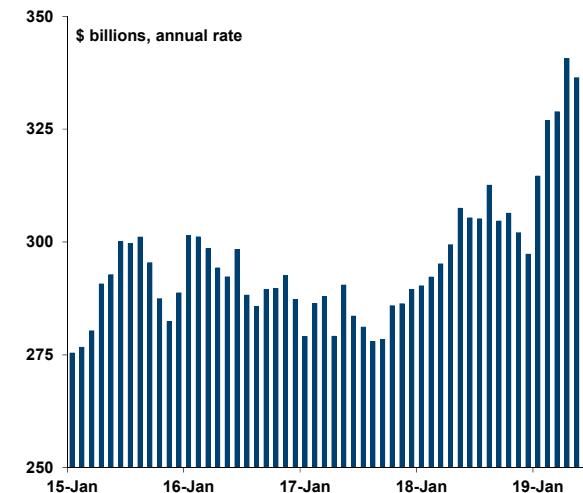
Results in the private sector were soft, as residential activity fell 0.5 percent and nonresidential construction slipped 0.3 percent. Residential construction has been moving lower on balance since the spring of last year, as softness in new single-family activity and improvements to existing homes has offset a good performance in the multi-family sector. Private nonresidential activity has been moving in waves since early 2018, with the ups and downs tracing a sideways trend.

### Total Construction Activity



Source: U.S. Census Bureau via Haver Analytics

### Public-Sector Construction



Source: U.S. Census Bureau via Haver Analytics