

U.S. Data Review

- ISM manufacturing: breaches 50-percent threshold
- Construction: firm government activity; slow in the private sector

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ISM

The ISM manufacturing index fell 2.1 percentage points in August to a 49.1 percent. The drop stood in contrast to the expectation of little change and represented the first sub-50 percent reading since August 2016. The latest reading signaled problems in the manufacturing sector, although it was probably not soft enough to suggest recession for the overall economy.

Four of the five components were below 50 percent, with only the supplier deliveries index staying above this critical point (51.4 percent, down from 53.3 percent in July). Elsewhere, the employment index led the decline in the headline measure with a drop of 4.3 percentage points to 47.4 percent (chart). The current reading was well shy of the average of 56.9 percent in 2017 and 2018, and it was among the softest of the current expansion (several readings in late 2015 and 2016 were slightly lower than the August tally). The new orders index also was quite soft, falling 3.6 percentage points to 47.2 percent. The August index for new orders matched the lowest observation for the current expansion (tying June 2012). The production index fell 1.3 percentage points to 49.5 percent and was only marginally above the low for the current expansion (49.2 percent in November 2015).

Construction

Total construction activity in July rose 0.1 percent in July, close to the expected increase of 0.3 percent. The private residential component rose 0.6 percent, but the change followed declines in the prior seven months (and in 13 of the prior 14 months) and thus did not meaningfully alter the soft underlying trend. Private nonresidential construction fell 0.8 percent, continuing a choppy pattern that has left little net change in the past year. Government-related activity rose 0.4 percent. Building by state and local governments rose 0.6 percent in July, continuing strong results seen in the past several months. The July level of activity was below lofty readings in April and May, but it was still firm relative to results last year and the early months of this year. Construction sponsored by the federal government fell 2.4 percent, but the drop merely offset a portion of a jump of 4.3 percent in June and did not alter an upward trend.

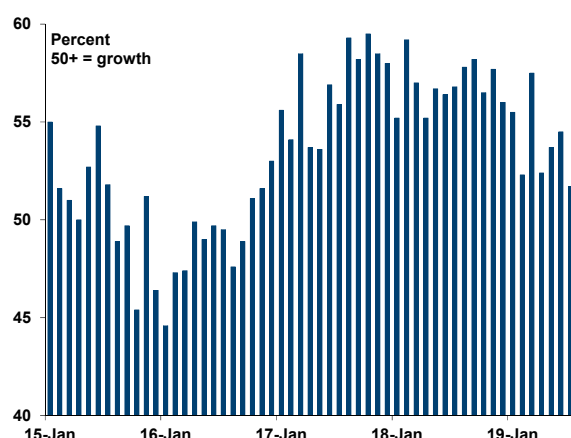
ISM Manufacturing -- Monthly Indexes

	Apr-19	May-19	Jun-19	Jul-19	Aug-19
ISM Mfg. Composite	52.8	52.1	51.7	51.2	49.1
New orders	51.7	52.7	50.0	50.8	47.2
Production	52.3	51.3	54.1	50.8	49.5
Employment	52.4	53.7	54.5	51.7	47.4
Supplier deliveries	54.6	52.0	50.7	53.3	51.4
Inventories	52.9	50.9	49.1	49.5	49.9
Prices paid*	50.0	53.2	47.9	45.1	46.0

* 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: Employment Index



Source: Institute for Supply Management via Haver Analytics

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