

U.S. Data Review

- ISM: another sub-50 reading
- Construction: government activity remains firm; residential perhaps stirring

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ISM Manufacturing Index

The ISM manufacturing index lost additional ground in September, dropping 1.3 percentage points to 47.8 percent. The drop contrasted with a small expected gain to 50.0 percent and marked the second consecutive reading below 50 percent. The latest reading was the lowest since the 46.3 percent tally in June 2009 (although the observation for January 2016 was close at 48.0 percent).

The new orders component remained soft in September, as the increase of 0.1 percentage point was inconsequential and the level of the measure was low at 47.3 percent. Within the orders realm, the index of new export orders fell 2.3 percentage points to 41.0 percent and was the weakest reading among all the measures included in the report. The soft results on the export front suggest that the trade war is influencing the manufacturing sector. With order flows soft, production retreated, with this component dropping 2.2 percentage points to 47.3 percent. The employment index also was weak, falling 1.1 percentage points to 46.3 percent.

The report is clearly signaling weakness in the manufacturing sector, but keep in mind that the index is not well suited for drawing conclusions about the magnitude of change. Respondents have only three responses to each survey question (activity is stronger, weaker, or the same). In a softening environment, purchasing managers would give the same answer (weaker) if the drop in activity was less than one percent or more than 10 percent.

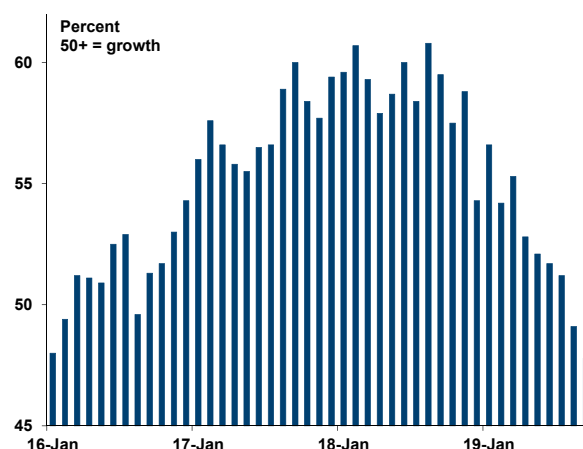
ISM Manufacturing -- Monthly Indexes

	May-19	Jun-19	Jul-19	Aug-19	Sep-19
ISM Mfg. Composite	52.1	51.7	51.2	49.1	47.8
New orders	52.7	50.0	50.8	47.2	47.3
Production	51.3	54.1	50.8	49.5	47.3
Employment	53.7	54.5	51.7	47.4	46.3
Supplier deliveries	52.0	50.7	53.3	51.4	51.1
Inventories	50.9	49.1	49.5	49.9	46.9
Prices paid*	53.2	47.9	45.1	46.0	49.7

* 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 Index



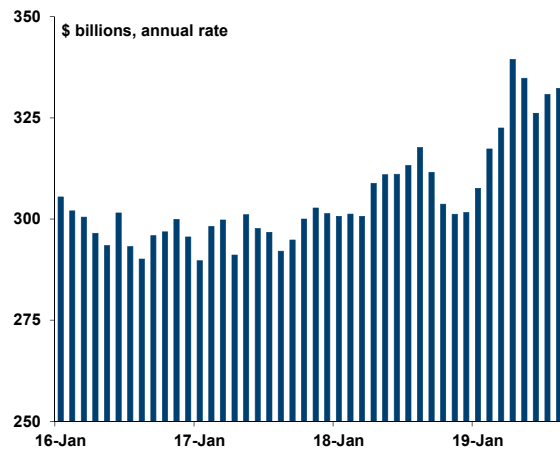
Source: Institute for Supply Management via Haver Analytics

Construction

Total construction activity rose 0.1 percent, lighter than the expected increase of 0.5 percent. The private nonresidential sector might be viewed as the source of the softer-than-expected results, as activity dropped 1.0 percent in August. The retreat continued an irregular downward trend that began last fall (downward revisions in June and July totaling 0.9 percent also contributed to the softness in this area).

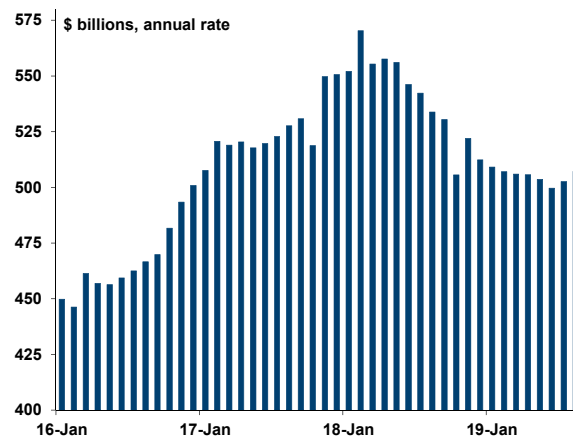
Public construction advanced 0.4 percent, continuing a firm performance that has been in place throughout the year (chart, left). Outlays in several areas have contributed (highways and streets, public safety, water and sewage systems, office buildings). Private residential activity rose 0.9 percent after a gain of 0.6 percent in July. The recent changes interrupted a downward trend that had been in place since early 2018, although the offset has been modest (chart, right).

Public-Sector Construction



Source: U.S. Census Bureau via Haver Analytics

Private Residential Construction



Source: U.S. Census Bureau via Haver Analytics