

# U.S. Data Review

- ISM nonmanufacturing index: new orders and business activity tumble in September
- Factory orders: little changed overall; a rally in nondurable bookings ex-petroleum

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## ISM Nonmanufacturing Index

The ISM nonmanufacturing index fell 3.8 percentage points in September to 52.6 percent, missing the expected reading of 55.0 percent by a sizeable margin. The latest reading continued a downward trend that began late last year and moved the measure to the low portion of the recent range (chart).

Both the new orders and business activity components contributed importantly to the drop in September, as both fell more than six percentage points. The levels of these measures were elevated in August (both above 60 percent), and thus the new readings could still be viewed as respectable (53.7 percent for orders and 55.2 percent for business activity), but the month-to-month declines were notable. The employment index also was soft, falling 2.7 percentage points. The level of this component in the prior month was not impressive, and thus the new reading was disappointing at 50.4 percent. The supplier delivery component increased, but the gain was small and the level low (up 0.5 percentage point to 51.0 percent). In addition, we view this component as less important than orders, employment, and business activity.

Although most elements of the report were soft, the price index moved higher (up 1.8 percentage points to 60.0 percent). While the latest reading on prices was the firmest of the current year, it still lagged the average of 62.1 percent from 2018. (The price index is not a component of the headline measure.)

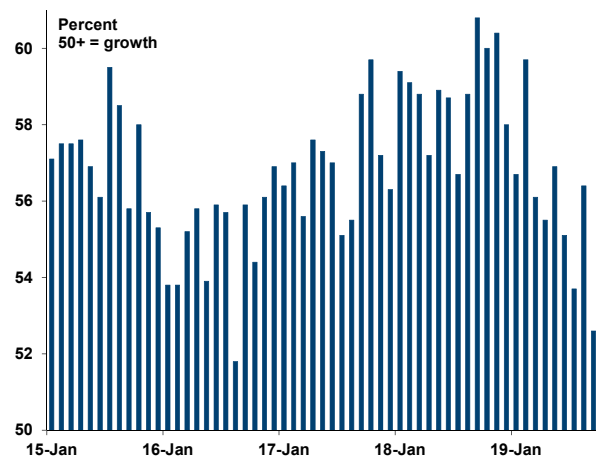
### ISM Nonmanufacturing -- Monthly Indexes

	May-19	Jun-19	Jul-19	Aug-19	Sep-19
ISM Nonmfg. Composite	56.9	55.1	53.7	56.4	52.6
Business activity	61.2	58.2	53.1	61.5	55.2
New orders	58.6	55.8	54.1	60.3	53.7
Employment	58.1	55.0	56.2	53.1	50.4
Supplier deliveries*	49.5	51.5	51.5	50.5	51.0
Prices	55.4	58.9	56.5	58.2	60.0

\* The supplier deliveries index is not seasonally adjusted. The index differs from the other components of the composite measure (business activity, new orders, employment) in interpretation. An index above 50 percent indicates slower deliveries and readings below 50 percent indicate faster deliveries.

Source: Institute for Supply Management via Haver Analytics

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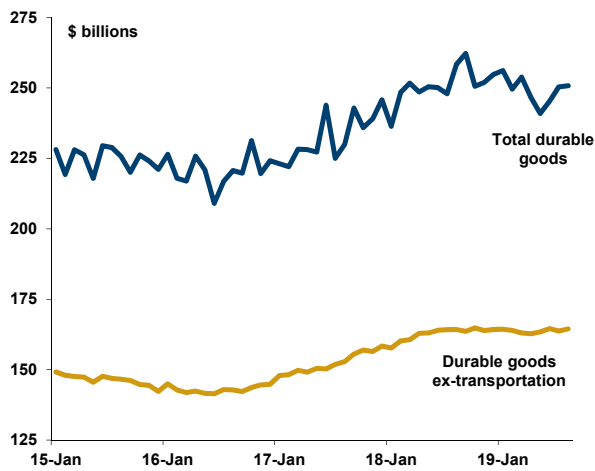
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## Factory Orders

Factory orders dipped 0.1 percent in August, close to the expected decline of 0.2 percent. The already reported durable component rose 0.2 percent, as increases in metal products and machinery offset another aircraft-led drop in the transportation category (bookings for motor vehicles also fell). Total durable orders have moved only slightly lower in the past year despite the softness in the aircraft component. Durable orders ex-transportation have been moving approximately sideways (chart, left). The flat trend represents a break from the advances in 2017 and much of 2018, but considering the possible constraining influences of the trade war and slow global economic growth, the performance is reasonably good.

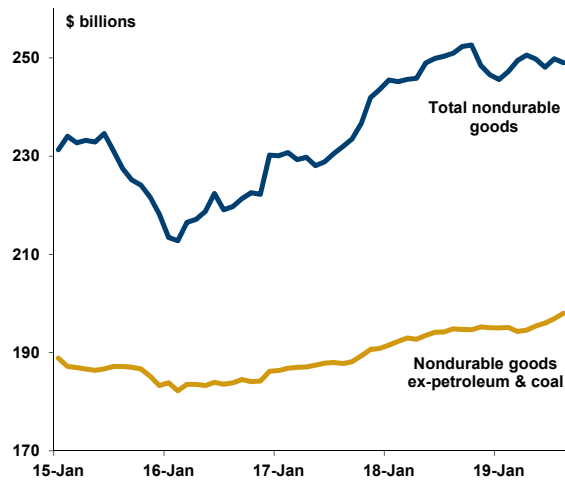
New orders for nondurable goods slipped 0.3 percent, with most of the decline reflecting a drop of 3.6 percent in the petroleum and coal category, which was heavily influenced by lower prices. Excluding petroleum and coal, nondurable orders rose 0.6 percent, which marked the fifth consecutive advance. This series had been moving sideways, but it has improved considerably in recent months (chart, right). The ISM manufacturing index suggests problems in the manufacturing sector; the orders data, while not suggesting robust activity, paint a somewhat brighter picture.

Manufacturers' New Orders



Source: U.S. Census Bureau via Haver Analytics

Manufacturers' New Orders



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