Daiwa Capital Markets

U.S. Data Review

- ISM: slight decline in November from an already low level
- Construction: broad-based softness in October

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ISM Manufacturing

The ISM manufacturing index slipped 0.2 percentage point in November to 48.1 percent. The change was small, but it occurred from an already low level and it stood in contrast to an expected increase of 0.9 percentage point. November marked the fourth consecutive reading below the 50-percent threshold.

ISM Manufacturing -- Monthly Indexes

	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
ISM Mfg. Composite	51.2	49.1	47.8	48.3	48.1
New orders	50.8	47.2	47.3	49.1	47.2
Production	50.8	49.5	47.3	46.2	49.1
Employment	51.7	47.4	46.3	47.7	46.6
Supplier deliveries	53.3	51.4	51.1	49.5	52.0
Inventories	49.5	49.9	46.9	48.9	45.5
Prices paid*	45.1	46.0	49.7	45.5	46.7

** 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

The new orders component, valuable because of its leading indicator properties, fell 1.9 percentage points to 47.2 percent. The latest observation was the lowest since the recession (April 2009). The employment index also disappointed with a drop of 1.1 percentage points to 46.6 percent. A few other observations in the current cycle were lower, but the November total was very much in the low portion of the range. Despite the slow order flow and drop in hiring, the production index rose 2.9 percentage points. However, this measure remained below the critical value of 50 percent (49.1 percent).

The inventory and supplier delivery components, which we consider less important than orders, production, and employment, posted mixed results. The inventory index fell 3.4 percentage points to 45.5 percent, a three-year low. The supplier delivery index rose 2.5 percentage points to 52.0 percent. This measure had spent only one recent month (October) below 50 percent.

Construction

Total construction activity fell 0.8 percent in October, a marked contrast to the expected increase of 0.4 percent. All three major components contributed to the drop. Private residential activity fell 0.9 percent. Single-family construction was firm with an increase of 1.6 percent (the fourth consecutive gain), but this jump was offset by declines in multi-family construction and by improvements to existing homes. Private nonresidential construction fell 1.2 percent, marking the fifth decline in the past seven months (against 2 minuscule increases). Government-related construction eased 0.2 percent, but the dip occurred from an elevated level and the performance thus far this year has been firm despite some month-to-month variation.

Although results for October were soft, upward revisions to the level of activity in August and September tempered the disappointment. August was 1.5 percent firmer than previously believed, while September was 0.6 percent better than the initial estimate.

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