

U.S. Data Review

- ISM: production-led drop to multi-year low
- Construction: residential and government-related doing well

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ISM Manufacturing

The ISM manufacturing index fell 0.9 percentage point in December to 47.2 percent, a contrast to the expected increase of 0.9 percentage point. The latest figure represented the fifth consecutive reading below 50 percent and the softest total in more than 10 years (June 2009, the trough of the Great Recession, registered an index value of 46.3 percent).

The production component led the retreat in the headline index, dropping 5.9 percentage points to 43.2 percent, easily the softest result of the current expansion. In fact, the latest tally was the lowest since April 2009 (36.7 percent, when the economy was still in recession). The employment index also was weak, posting a drop of 1.5 percentage points to 45.1 percent. One observation in the current expansion was lower (January 2016, 44.6 percent); otherwise, one has to go back to the trough of the recession to find a lower value (June 2009, 45.0 percent). The new orders component fell only slightly (off 0.4 percentage point), but it started at a low level and the new reading of 46.8 percent represented the weakest showing in more than 10 years (April 2009, 46.0 percent).

The supplier delivery and inventory indexes posted gains (up 2.6 percentage points to 54.6 percent, and up 1.0 percentage point to 46.5 percent). However, we consider these components less important than orders, production, and employment, and these measures made for a decidedly disappointing report.

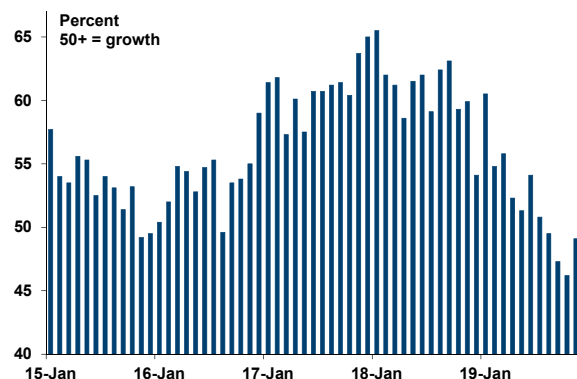
ISM Manufacturing -- Monthly Indexes

	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
ISM Mfg. Composite	49.1	47.8	48.3	48.1	47.2
New orders	47.2	47.3	49.1	47.2	46.8
Production	49.5	47.3	46.2	49.1	43.2
Employment	47.4	46.3	47.7	46.6	45.1
Supplier deliveries	51.4	51.1	49.5	52.0	54.6
Inventories	49.9	46.9	48.9	45.5	46.5
Prices paid*	46.0	49.7	45.5	46.7	51.7

* 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: Production Index



Source: Institute for Supply Management via Haver Analytics

Construction

Total construction activity rose 0.6 percent in November, close to the expected gain of 0.4 percent. In addition, results in the prior two months were revised upward, with the combined adjustments leaving the level of building in October 2.0 percent firmer than previously believed.

Private residential construction led the advance with an increase of 1.9 percent. Construction of new single-family homes was strong (up 1.2 percent, marking the fifth consecutive increase), as was improvements to existing homes (up 3.4 percent, also marking the fifth consecutive advance). Private nonresidential activity fell 1.2 percent, continuing the downward drift that began in the spring. Government-related construction rose 0.9 percent, marking the fifth consecutive increase and nearly offsetting all of a soft patch seen in the spring. Government-related building was only slightly shy of the cyclical peak in April.

All things considered, a favorable report despite the slow results in the private nonresidential sector.

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