

U.S. Data Review

- ISM: improvement in orders & production pull the index above 50
- Construction: weak business and government activity offsets moderate residential building

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ISM Manufacturing Index

The ISM manufacturing index jumped 3.1 percentage points in January to 50.9 percent, marking the first reading above 50 since July and easily beating the expected increase of 1.3 percentage points. Order flows strengthened noticeably, with this measure jumping 4.4 percentage points to 52.0 percent, and the firmer pace of orders led to a surge in production (up 9.5 percentage points to 54.3 percent, chart). Both of these components were better than their averages of 51.2 percent in 2019 but they lagged substantially the averages of more than 60 percent in 2018. The employment index also improved in January, but it was less impressive than new orders and production, as this measure rose only 1.4 percentage points and remained below 50 percent for sixth consecutive month. Both the supplier delivery and inventory indexes declined in January (off 1.7 and 0.4 percentage points, respectively), but we view these components as less important than orders, production, and employment.

We would not call this report strong, but we certainly consider it encouraging in that it showed noticeable improvement in a soft sector of the U.S. economy.

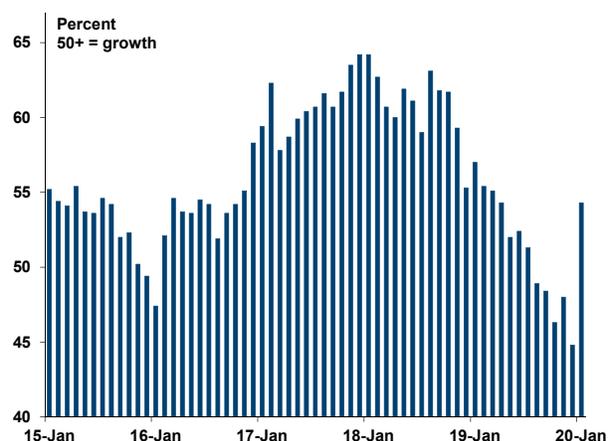
ISM Manufacturing -- Monthly Indexes

	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
ISM Mfg. Composite	48.2	48.5	48.1	47.8	50.9
New orders	48.5	48.9	46.8	47.6	52.0
Production	48.4	46.3	48.0	44.8	54.3
Employment	46.5	47.9	46.8	45.2	46.6
Supplier deliveries	51.1	49.5	52.0	54.6	52.9
Inventories	46.3	49.4	47.2	49.2	48.8
Prices paid*	49.7	45.5	46.7	51.7	53.3

* 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

While the ISM index surprised on the upside, the report on construction activity was softer than expected, with activity declining 0.2 percent rather than increasing 0.5 percent. Private residential building rose, but the increase of 1.4 percent was less than one might have expected based on housing starts (our estimate was approximately 3.0 percent). Private nonresidential activity (primarily business) fell 1.8 percent. A decline in this area was not surprising, as activity has been easing since mid-2018, but the drop of 1.8 percent was one of the larger declines in the past year-and-one-half. Government-related building fell 0.4 percent, as a drop in construction by state and local governments offset a jump in federal activity. The increase in federal building (up 2.1 percent in December), continued the firm trend seen throughout the year (up 17.3 percent from December 2018). State and local activity was strong in the early portion of 2019, but it has shown little net movement since last spring.

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