

# U.S. Data Review

- ISM: still above 50 despite notable drops in orders and production
- Construction: all three major components advance in January

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## ISM Manufacturing Index

The ISM manufacturing index fell 0.8 percentage point in February to 50.1 percent, slightly softer than the expected dip to 50.5 percent. The index was above the critical value of 50 percent for the second consecutive month after sub-50 readings from August through December. However, we still view the measure as disappointing, as it was only marginally above 50 percent, and most components carried a negative tone.

New orders fell 2.2 percentage points and moved below the critical value to 49.8 percent. With orders soft, the production index tumbled 4.0 percentage points, although it remained above 50 percent (barely, 50.3 percent). The employment index rose, but the increase was marginal and the level was well below the critical value (up 0.3 percentage point to 46.9 percent). The employment index has been below 50 percent since August (chart). The only bright spot was an increase of 4.4 percentage points in the supplier deliveries index, and we do not view this as especially bright, as we view orders, production, and employment as more important.

All told, a soft report.

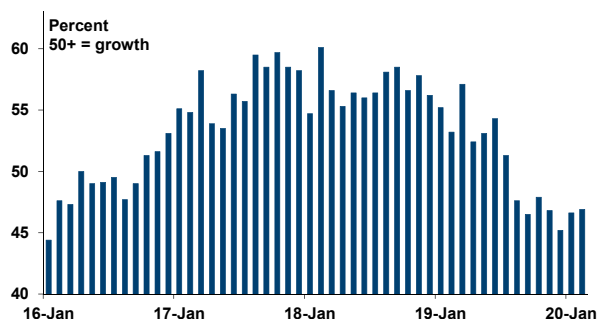
### ISM Manufacturing -- Monthly Indexes

	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
<b>ISM Mfg. Composite</b>	48.5	48.1	47.8	50.9	50.1
<b>New orders</b>	48.9	46.8	47.6	52.0	49.8
<b>Production</b>	46.3	48.0	44.8	54.3	50.3
<b>Employment</b>	47.9	46.8	45.2	46.6	46.9
<b>Supplier deliveries</b>	50.1	51.7	52.2	52.9	57.3
<b>Inventories</b>	49.4	47.2	49.2	48.8	46.5
<b>Prices paid*</b>	45.5	46.7	51.7	53.3	45.9

\* 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: Employment Index



Source: Institute for Supply Management via Haver Analytics

## Construction

Total construction activity rose 1.8 percent in January, exceeding the expected increase of 0.6 percent. In addition, results in the prior two months were revised upward, with the adjustments pushing the value of construction in December 1.3 percent above the preliminary estimate.

Strong housing starts in December and January led analysts to expect firm results in the residential sector, and this area did not disappoint with private home building advancing 2.1 percent (plus a revision of 0.5 percent). Private nonresidential construction grew 0.8 percent, and this component led the revision with the December level 3.0 percent firmer than previously believed. This area had been drifting lower, but the new figures suggest more of a sideways movement. Public construction rose 2.6 percent, with both federal and state and local governments contributing. The surge of 9.9 percent at the federal level added a sharp accent to what had been an upward drifting trend. The spurt may have contained a healthy dose of random volatility. The increase of 2.0 percent among state and local governments continued a firm underlying trend.

Some observers will argue that favorable weather gave a boost to construction activity in January. This view has merit, but we would not push it too far. Temperatures were warmer than normal, but not dramatically so (1.3 standard deviations above the mean of the past 20 years). Precipitation, which could inhibit building, was 1.1 standard deviations above average.

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