

# U.S. Data Review

- ISM: headline off modestly; key components show larger declines
- Construction: a downside surprise

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## ISM Manufacturing Index

The ISM index fell modestly in March, dropping 1.0 percentage point to 49.1 percent. The change was much better than the expected decline of 5.6 percentage points to 44.5 percent, but a special factor, of sorts, provided support for the headline index. Specifically, the supplier delivery component jumped 7.7 percentage points to 65.0 percent, the second strongest observation of the current expansion. The elevated reading indicates slow delivery times, which usually is the result of brisk economic activity. In this instance, however, slow deliveries are probably the result of tariff-related disruptions to supply chains rather than strong growth.

Other portions of the report were less favorable. The average value of the three key components (new orders, production, employment) was 44.6 percent, almost identical to the consensus expectation. The new orders component was the softest of this group, dropping 7.6 percentage points to 42.2 percent, the lowest reading of the current expansion (chart). The employment measure also was soft. It fell only 3.1 percentage points, but this measure had lost a good bit of ground in the past year and its level was low at 43.8 percent (also the lowest of the current expansion). The production index moved to the low portion of the range from the current expansion, but a few readings were lower.

Considering the current environment (trade issues and the coronavirus), the latest results were less than shocking, but they certainly indicated softness in manufacturing.

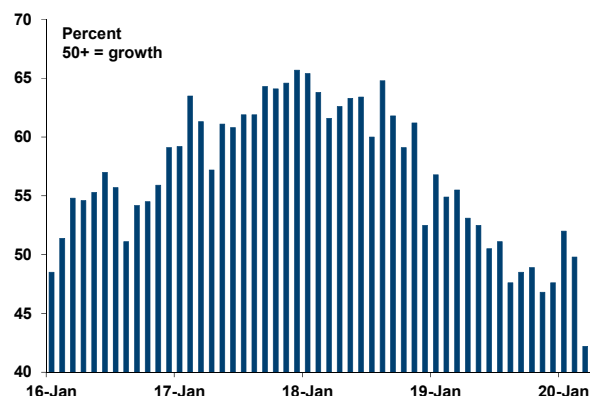
## ISM Manufacturing -- Monthly Indexes

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
<b>ISM Mfg. Composite</b>	48.1	47.8	50.9	50.1	49.1
<b>New orders</b>	46.8	47.6	52.0	49.8	42.2
<b>Production</b>	48.0	44.8	54.3	50.3	47.7
<b>Employment</b>	46.8	45.2	46.6	46.9	43.8
<b>Supplier deliveries</b>	51.7	52.2	52.9	57.3	65.0
<b>Inventories</b>	47.2	49.2	48.8	46.5	46.9
<b>Prices paid*</b>	46.7	51.7	53.3	45.9	37.4

\* 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: New Orders Index



Source: Institute for Supply Management via Haver Analytics

## Construction

Total construction activity in February fell 1.3 percent, a marked deviation from the expected increase of 0.6 percent. Upward revisions to the two prior months lessened the sting (the January level was 1.1 percent firmer than previously believed), but the report was still soft.

The biggest surprise occurred in private residential construction, which fell 0.6 percent. Construction of new homes was strong at 3.3 percent, as would be expected from the recent increase in housing starts, but improvements to existing homes tumbled 7.2 percent and provided an offset. Private nonresidential building fell 2.0 percent, continuing a zig-zag pattern that has left a flat trend. Government-related construction fell 1.5 percent, but the drop occurred from an elevated reading in January and the new level was still firm.

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