

U.S. Data Review

- ISM manufacturing index: key components tumble in April...
...headline index supported (distorted) by supplier deliveries component
- Construction: modest virus effects; generally firm in March

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ISM Manufacturing Index

The ISM manufacturing index fell 7.6 percentage points in April to 41.5 percent, a firmer showing than the expected tumble to 36.0 percent. However, the moderate decline was influenced by a jump of 11.0 percentage points in the supplier delivery component to 76.0 percent. This index increases as delivery times slow, usually in response to backlogs associated with strong demand. In this instance, however, the delivery lags were most likely associated with disrupted supply chains because of shutdowns (and possibly trade disputes). Thus, the firm reading is best viewed as a distortion.

The three components providing the best insight into current conditions –new orders, production, and employment -- all collapsed to levels in the range of 27-28 percent. The average value of 27.4 percent for these three indexes represents a record low, although other readings in the past were close (e.g 28.8 percent during the financial crisis, chart). The prices index, which is not a component of the headline index, also suggested softness with a drop of 2.1 percentage points to 35.3 percent.

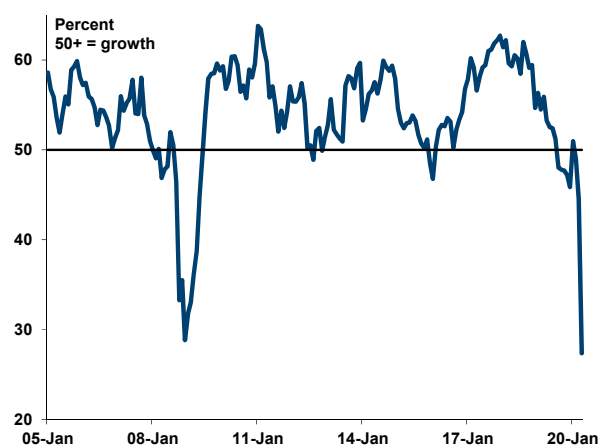
ISM Manufacturing -- Monthly Indexes

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
ISM Mfg. Composite	47.8	50.9	50.1	49.1	41.5
New orders	47.6	52.0	49.8	42.2	27.1
Production	44.8	54.3	50.3	47.7	27.5
Employment	45.2	46.6	46.9	43.8	27.5
Supplier deliveries	52.2	52.9	57.3	65.0	76.0
Inventories	49.2	48.8	46.5	46.9	49.7
Prices paid*	51.7	53.3	45.9	37.4	35.3

* 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: Key Components*



* An average of the employment, new orders, and production components of the ISM manufacturing index.

Source: Institute for Supply Management via Haver Analytics; Daiwa Capital Markets America

Construction

Construction activity in March seemed little affected by the coronavirus, as activity rose 0.9 percent, notably firmer than the expected drop of 3.5 percent. Private residential activity led the advance with an increase of 2.3 percent. Construction of new homes eased 1.3 percent, but the drop followed eight consecutive increases, including strong advances in the prior three months. The trend in new home construction remained upward. The modest shift in new home construction was offset by a jump of 10.2 percent in home improvements, which partially rebounded from a sharper decline in the prior month.

Building by state and local governments rose 1.6 percent, reinforcing an irregular upward trend. Construction activity of the federal government of rose 1.9 percent, offsetting most of a decline in the prior month and holding activity at an elevated level that emerged in January from a surge of 9.5 percent. Private nonresidential construction fell 1.3 percent, but it remained within the recent range of observations and continued a flat trend.

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