

U.S. Data Review

- ISM: further improvement in July
- Construction: still light residential building; business & government little changed

Michael Moran

Daiwa Capital Markets America
212-612-6392
michael.moran@us.daiwacm.com

ISM Manufacturing Index

The ISM manufacturing index rose 1.6 percentage points in July to 54.2 percent, a bit firmer than the expected increase of 1.0 percentage point. The new level of the index was the best in more than a year and better than the average of 51.2 percent for 2019, although it still lagged the average of 58.9 percent in 2018, which was the best year of the previous expansion.

The new orders component led the advance in the headline measure with a jump of 5.1 percentage points to 61.5 percent. The level was better than all readings from last year and only a touch below the averages of 61.6 percent in 2018 and 62.1 percent in 2017. With orders firm, production jumped in July, with this component increasing 4.8 percentage points to 62.1 percent, stronger than the averages of 60.9 percent in both 2018 and 2017. Although orders and production were brisk, manufacturers remained cautious in hiring, as the employment index remained below 50 percent, increasing only 2.2 percentage points to 44.3 percent. The supplier delivery index fell 1.1 percentage points to 55.8 percent. This component has now returned to its normal range after high-side readings triggered by virus-related disruptions to supply chains.

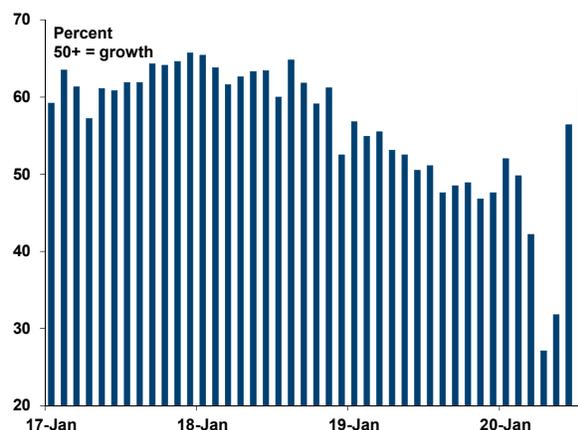
ISM Manufacturing -- Monthly Indexes

	Mar-20	Apr-20	May-20	Jun-20	Jul-20
ISM Mfg. Composite	49.1	41.5	43.1	52.6	54.2
New orders	42.2	27.1	31.8	56.4	61.5
Production	47.7	27.5	33.2	57.3	62.1
Employment	43.8	27.5	32.1	42.1	44.3
Supplier deliveries	65.0	76.0	68.0	56.9	55.8
Inventories	46.9	49.7	50.4	50.5	47.0
Prices paid*	37.4	35.3	40.8	51.3	53.2

* 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 the U.S. fell 0.7 percent in June, a contrast to the expected increase of 1.0 percent. Residential activity led the decline with a retreat of 1.5 percent. Housing starts rose in May and June, which might have stirred new construction, but the influence of light starts before May continued to constrain total activity. Private nonresidential construction (business, educational, and religious) rose 0.2 percent, but it represented an inconsequential wiggle after declines in the prior four months. Government-sponsored building fell 0.7 percent, as a drop in state and local activity offset a jump in federal construction. Government-sponsored building has fluctuated randomly in recent months leaving little net change on balance.

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.