

U.S. Data Review

- ISM: fourth consecutive increase to a firm level
- Construction: some improvement in residential building, but otherwise, little sign of recovery

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ISM Manufacturing Index

The ISM manufacturing index rose 1.8 percentage points in August to 56.0 percent, beating the expected increase of 0.6 percentage point. The new level was well above the pre-virus average of 50.5 percent in January/February and the best reading since November 2018, although it trailed all other readings in 2018 (the index averaged 58.9 percent in 2018, which was the best year of the previous expansion for this measure).

The new orders component led the advance in the headline index with an increase of 6.1 percentage points to 67.6 percent. The new level for the orders index was above all readings in the previous expansion. One has to go back to January 2004 to find a firmer reading. With orders strong, production remained firm. The month-to-month change in the production component was not especially large (1.2 percentage points) but the change occurred from an already elevated level, leaving the index at 63.3 percent, a reading in the upper portion of its historical range.

The employment index registered its fourth consecutive increase, but the measure started at an unusually low level in April, and month-to-month changes have not been overwhelming. As a result, the employment index remained below 50 percent in August (46.4 percent). The supplier delivery index rose 2.4 percentage points to 58.2 percent. This measure had declined in the prior three months as it retreated from an elevated level in April driven by virus-related disruptions to supply chains. The latest increase is probably more the result of firm activity rather than damaged supply chains.

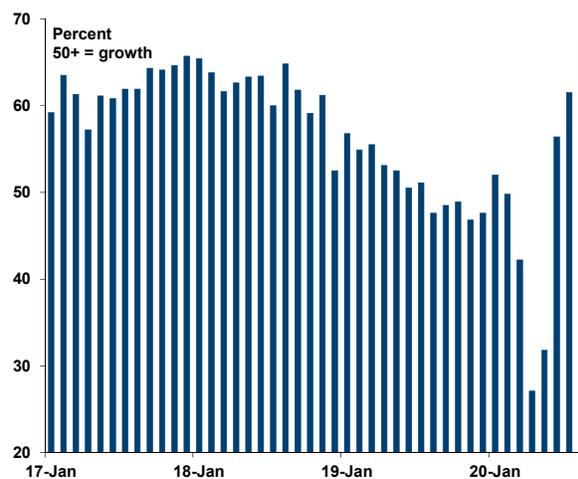
ISM Manufacturing -- Monthly Indexes

	Apr-20	May-20	Jun-20	Jul-20	Aug-20
ISM Mfg. Composite	41.5	43.1	52.6	54.2	56.0
New orders	27.1	31.8	56.4	61.5	67.6
Production	27.5	33.2	57.3	62.1	63.3
Employment	27.5	32.1	42.1	44.3	46.4
Supplier deliveries	76.0	68.0	56.9	55.8	58.2
Inventories	49.7	50.4	50.5	47.0	44.4
Prices paid*	35.3	40.8	51.3	53.2	59.5

* 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



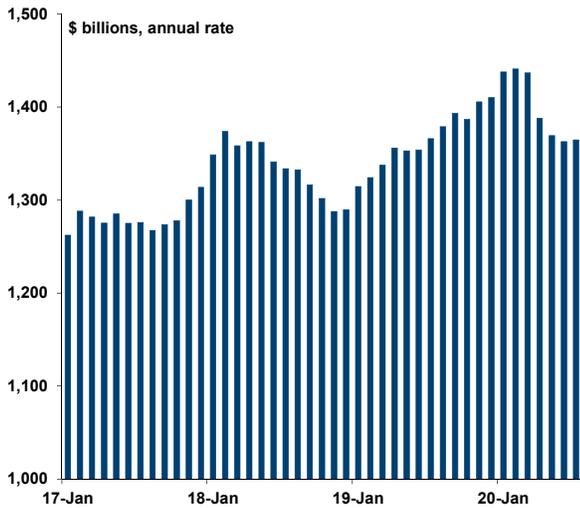
Source: Institute for Supply Management via Haver Analytics

Construction

Total construction activity rose 0.1 percent in July, shy of the expected increase of 1.0 percent. The increase ended a four-month slide in construction, but the modest advance did not meaningfully alter the picture of sluggish activity. The changes occurred from upward revised levels in the prior two months, but again, the revisions did not alter the picture of soft activity. The construction sector is one area that has shown essentially no recovery from the pandemic-related drop in the spring (chart, left).

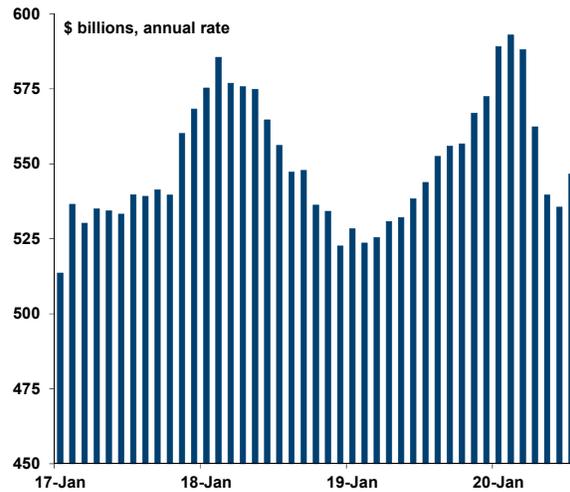
Private residential construction showed a hint of revival with an increase of 2.1 percent in July, but building was still well shy of pre-virus levels (chart, right). Coming months could show further gains in residential construction, as builder sentiment has increased and sales of new homes have surged in the past few months. Private nonresidential construction (primarily business-related) fell 1.0 percent in July. This component posted a feeble increase in June, but otherwise it has been sliding since January. Public construction (mostly building by state and local governments) fell 1.3 percent in July. This area has been choppy this year, showing little net change.

Total Construction Spending



Source: U.S. Census Bureau via Haver Analytics

Private Residential Construction



Source: U.S. Census Bureau via Haver Analytics