Daiwa Capital Markets

U.S. Data Review

- ISM Nonmanufacturing: above pre-virus level

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ISM Nonmanufacturing Index

The ISM nonmanufacturing index rose 0.9 percentage point to 57.8 in September. The change was not large, but it was better than the expected decline of 0.7 percentage point. In addition, the pickup occurred from an elevated level and was enough to move the index above the pre-pandemic reading of 57.3 in February (although a bit shy of the 58.1 percent reading in July).

ISM Nonmanufacturing: Monthly Indexes

	May-20	Jun-20	Jul-20	Aug-20	Sep-20
ISM Nonmfg. Composite	45.4	57.1	58.1	56.9	57.8
Business activity	41.0	66.0	67.2	62.4	63.0
New orders	41.9	61.6	67.7	56.8	61.5
Employment	31.8	43.1	42.1	47.9	51.8
Supplier deliveries*	67.0	57.5	55.2	60.5	54.9
Prices	55.6	62.4	57.6	64.2	59.0

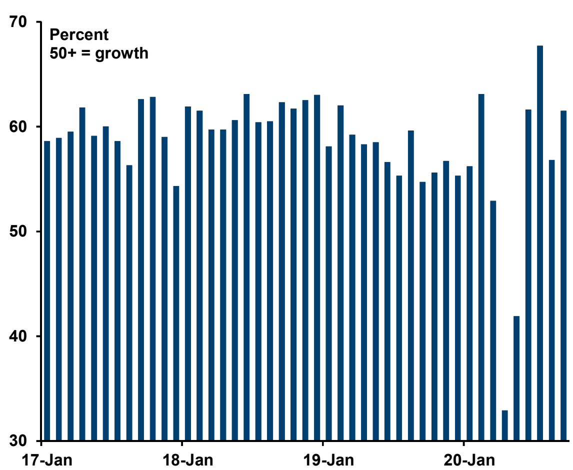
** The supplier deliveries index is not seasonally adjusted. The index differs from the other components of the composite measure (business activity, new orders, employment) in interpretation. An index above 50 percent indicates slower deliveries and readings below 50 percent indicate faster deliveries.*

Source: Institute for Supply Management via Haver Analytics

The new orders component led the advance in September with a jump of 4.7 percentage points. The measure was already at a solid level in August, and the change pushed it above 60 percent for the third time in the past four months, including a record level of 67.7 percent in July (chart, left). Strong order flows have led to a good pace of business activity, with this component increasing 0.6 percentage point. The change was small, but it occurred from an elevated level and left the index above 60 percent for the fourth consecutive month.

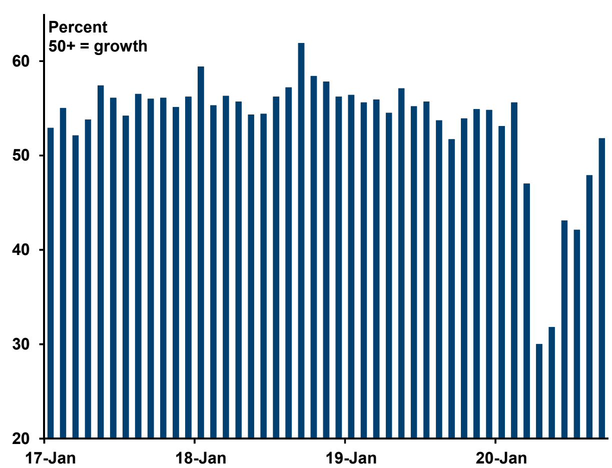
The employment index, which had been struggling with sub-50 readings since March, finally crossed the expansion/contraction threshold with an increase of 3.9 percentage points to 51.8 percent (chart, right). The supplier delivery index fell 5.6 percentage points to 54.9 percent, but the drop might be viewed as a favorable development. That is, it perhaps signals smoother operation of supply chains, which is leading to faster deliveries.

ISM Nonmanufacturing: New Orders Index



Source: Institute for Supply Management via Haver Analytics

ISM Nonmanufacturing: Employment Index



Source: Institute for Supply Management via Haver Analytics