

U.S. Data Review

- ISM: solid advance in October to a robust level
- Construction: firm residential activity; soft elsewhere

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ISM

The ISM manufacturing index rose 3.9 percentage points in October to 59.3 percent, easily beating the expected increase of 0.6 percentage point. The new level was above all readings in 2019 and thus far in 2020. It also exceeded the average of 58.9 percent in 2018, which was the best year of the previous expansion for this indicator.

All five components contributed to the increase in the headline index, although the new orders component stood out with a jump of 7.7 percentage points to 67.9 percent. The latest reading on new orders was above all readings in the prior expansion and the best since early 2004. With orders firm, the production index rose 2.0 percentage points from an already elevated level, moving to 63.0 percent in October. The employment component had been lagging, posting sub-50 readings since August 2019, but it finally moved above this threshold in October with an increase of 3.6 percentage points to 53.2 percent. The supplier delivery component rose 1.5 percentage points to 60.5 percent. Earlier high readings for this measure were driven by disruptions to supply chains, but the latest gain most likely reflects firm demand rather than problems with supply.

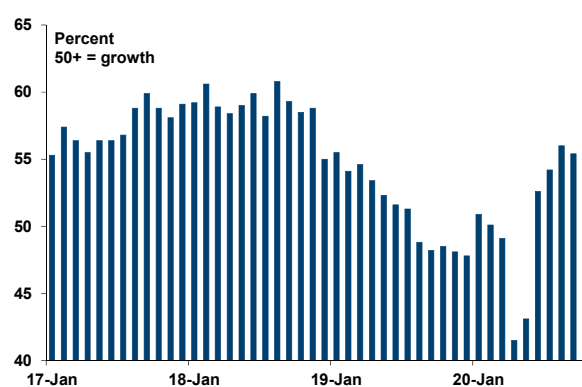
ISM Manufacturing -- Monthly Indexes

	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
ISM Mfg. Composite	52.6	54.2	56.0	55.4	59.3
New orders	56.4	61.5	67.6	60.2	67.9
Production	57.3	62.1	63.3	61.0	63.0
Employment	42.1	44.3	46.4	49.6	53.2
Supplier deliveries	56.9	55.8	58.2	59.0	60.5
Inventories	50.5	47.0	44.4	47.1	51.9
Prices paid*	51.3	53.2	59.5	62.8	65.5

* 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 0.3 percent in September, shy of the expected increase of 1.0 percent. While the headline measure was softer than expected, the direction of movement in the components was in line with projections. That is, a jump of 2.8 percent in private residential construction was largely offset by contractions in private nonresidential activity and government-sponsored building.

The brisk rebound underway in the housing market led to a surge of 5.7 percent in single-family construction, joined by a smaller pickup in multifamily construction and partially offset by a drop in improvements to existing homes. Private nonresidential activity (off 1.5 percent in September and down in seven of the past eight months) seems constrained by Covid-related uncertainty, and government construction (off 1.7 percent) is probably being limited by tight budgets generated by the pandemic.

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