

U.S. Data Review

- ISM: modest cooling in orders & production; still elevated
- Construction: respectable growth led by single-family activity (again)

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ISM Manufacturing

The manufacturing index of the Institute for Supply Management fell 1.8 percentage points in January to 58.7 percent, a bit softer than the expected dip of 0.5 percentage point to 60.0 percent. Although the measure lost ground in January, it still remained elevated relative to recent and historical standards, comparing favorably with the average of 58.9 percent in 2018, which was the best year of the previous expansion for the index.

The new orders and production components led the decline in the headline index, falling 6.4 and 4.0 percentage points, respectively.

However, both measures were quite high in

December and they remained historically strong

with the new readings still in excess of 60 percent. With orders and production well maintained, manufacturers picked up the pace of hiring, with the employment index increasing 0.9 percentage point to 52.6 percent. The gain was welcome, but the level of the index was still not especially impressive relative to historical standards. The supplier delivery index rose 0.5 percentage point to 68.2 percent, an extreme reading relative to historical standards. The elevated reading perhaps reflects strong demand, but pandemic-related disruptions to supply chains probably accounts for the most recent surge.

Difficulties with deliveries have generated some price pressure, as the price index published with the report rose 4.5 percentage points in January after a jump of 12.2 percentage points in December. The new reading of 82.1 percent was in the upper portion of the historical range.

Construction

Total construction activity rose 1.0 percent in December, a touch stronger than the consensus estimate of 0.8 percent. In addition, results in the prior two months were revised higher, with the changes lifting the November level of activity 1.1 percent above the previous estimate.

New construction of single-family homes accounted for most of the increase in January, as the gain of 5.8 percent represented the sixth consecutive increase, with all of the gains totaling 4.5 percent or more (chart). Private nonresidential building fell again, with the drop of 1.7 percent representing the 10th decline in the past 11 months. Government-related construction increased 0.5 percent, which marked the second gain in the past three months. Activity is still lighter than it was earlier in the year, but state and local governments have revived new construction to a degree.

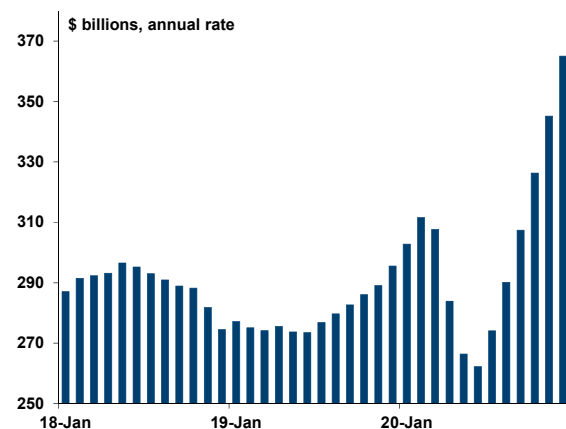
ISM Manufacturing – Monthly Indexes

	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
ISM Mfg. Composite	55.7	58.8	57.7	60.5	58.7
New orders	60.9	66.9	65.7	67.5	61.1
Production	61.7	63.1	62.2	64.7	60.7
Employment	49.3	52.1	48.3	51.7	52.6
Supplier deliveries	59.0	60.5	61.7	67.7	68.2
Inventories	47.7	51.6	50.8	51.0	50.8
Prices paid*	62.8	65.5	65.4	77.6	82.1

* 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

Private Construction: New Single-Family Homes



Source: U.S. Census Bureau via Haver Analytics

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