Daiwa Capital Markets

U.S. Data Review

- ISM manufacturing: modest drop in October; still elevated
- Construction: broad based softening in September

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ISM Manufacturing

The ISM manufacturing index inched lower in October, dipping 0.3 percentage point to 60.8 percent, a touch better than the expected reading of 60.5 percent. The measure has been close to 60 percent throughout the year, with the reading for October matching the average of 60.8 percent in the first nine months of 2021.

The new orders component softened noticeably in October, dropping 6.9 percentage points and moving to its lowest level of the year. The change, though, occurred from a strong showing in September and the new level of 59.8 percent was still strong by historical standards. Despite the slowing in orders, production was well maintained (off 0.1 percentage point to 59.3 percent), and the employment index increased 1.8 percentage points to 52.0 percent.

The supplier delivery index rose for the second consecutive month (up 2.2 percentage points to 75.6 percent). The measure remained below a few other observations in the current cycle (the high thus far is 78.8 in May), but it is elevated by historical standards, signaling continued problems with supply chains. The prices index also suggested problems with supply, as it rose 4.5 percentage points to 85.7 percent.

Construction

Total construction activity fell 0.5 percent in September, softer than the expected increase of 0.4 percent. All three major components contributed to decline. Private residential building fell 0.4 percent, marking the second decline in the past three months and denting the upward trend that began in mid-2020. Private nonresidential building fell 0.6 percent, while government-sponsored construction fell 0.7 percent. Results for both private nonresidential and government were revised upward in the prior two months (the new level in August was 0.8 percent firmer for private nonresidential and 1.2 percent stronger for government activity). But both areas, however, are still tracing soft trends, even tilting downward.

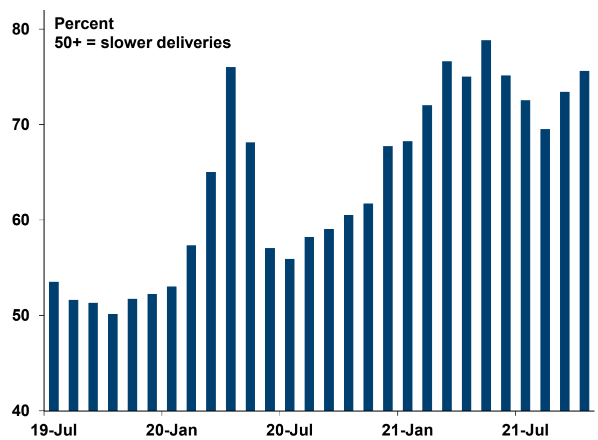
ISM Manufacturing: Monthly Indexes

	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
ISM Mfg. Composite	60.6	59.5	59.9	61.1	60.8
New orders	66.0	64.9	66.7	66.7	59.8
Production	60.8	58.4	60.0	59.4	59.3
Employment	49.9	52.9	49.0	50.2	52.0
Supplier deliveries	75.1	72.5	69.5	73.4	75.6
Inventories	51.1	48.9	54.2	55.6	57.0
Prices paid*	92.1	85.7	79.4	81.2	85.7

** 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: Supplier Deliveries Index



Source: Institute for Supply Management via Haver Analytics