

U.S. Data Review

- ISM manufacturing: cooling off, but still hot
- Job openings: still sky high
- Construction: modest increase led by housing

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ISM Manufacturing Index

The manufacturing index published by the Institute for Supply Management slipped 1.2 percentage points in January to 57.6 percent, nearly identical to the consensus estimate of 57.5 percent. The decline marked the third consecutive retreat, but the changes have been small and they occurred from an elevated level. Thus, the level of the index in January remained in the upper portion of its historical range and continued to signal firm activity. The recent reading also might be considered as favorable given the potential constraining influence from Omicron.

The new orders component led the decline in the headline measure with a drop of 3.1 percentage points to 57.9 percent. Like the headline index, the new reading on orders remained firm by historical standards. With orders down, production also softened, although the change was modest (off 1.6 percentage points) and the level was respectable at 57.8 percent. The employment index posted a small advance to 54.5 percent (up 0.6 percentage point). The employment index was merely average relative to readings in the prior expansion, but difficulty in finding workers has probably been a restraint.

We were interested in the supplier delivery index because of the insight it might provide into progress in resolving supply chain disruptions. The measure fell in January, suggesting improvement, but the drop was small at 0.3 percentage point. The new level is well off its recent high, but it is still elevated by historical standards, indicating that supply-side problems remain. Difficulties with supply also were evident in the price index published with the report, which rose 7.9 percentage points to 76.1 percent. The new reading was below all observations from December 2020 through November 2021 (range of 77.6 to 92.1), but was still in the upper portion of the long-run range.

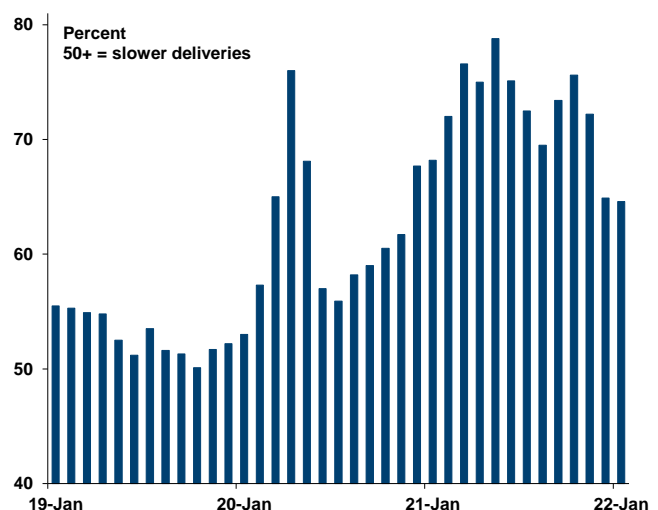
ISM Manufacturing: Monthly Indexes

	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
ISM Mfg. Composite	60.5	60.8	60.6	58.8	57.6
New orders	64.4	60.6	61.4	61.0	57.9
Production	58.7	59.0	60.2	59.4	57.8
Employment	50.9	52.1	53.0	53.9	54.5
Supplier deliveries	73.4	75.6	72.2	64.9	64.6
Inventories	55.2	56.4	56.3	54.6	53.2
Prices paid*	81.2	85.7	82.4	68.2	76.1

* 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

ISM Manufacturing: Supplier Deliveries Index



Source: Institute for Supply Management via Haver Analytics

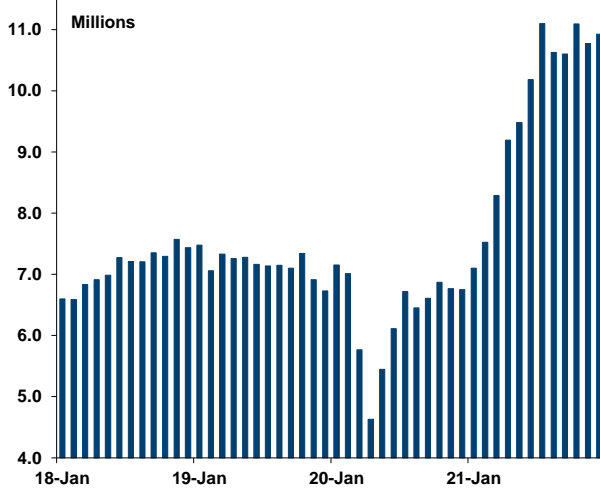
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Job Openings and Labor Turnover

The number of job openings remained in the stratosphere in December, with the number of postings totaling 10.925 million, only modestly below the record reading of 11.098 million in July 2021 (chart). The new total translates to 1.73 jobs for every unemployed person, easily a new record reading (the series started in December 2000; the record before the surge in the current expansion was 1.24 in November 2018).

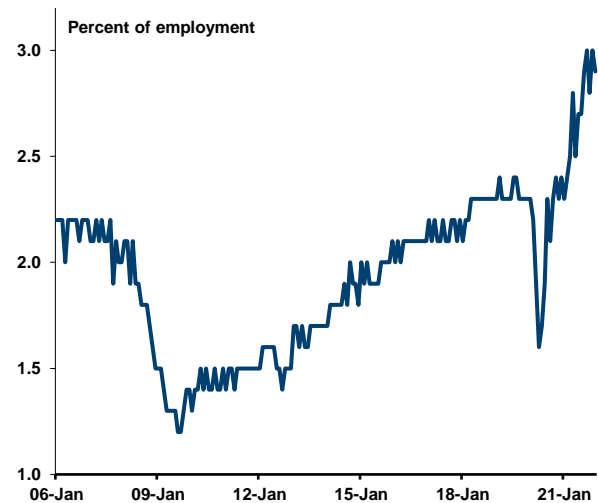
The quit rate inched 0.1 percentage point lower to 2.9 percent, still an extreme reading by historical standards – just shy of the record reading of 3.0 percent in September and November, and far above the high of 2.4 percent before the current expansion. This rate translates to 4.3 million individuals who quit their jobs in December, off slightly from 4.5 million in November and 4.4 million in September. Before the current expansion, the largest number of quits in any month was 3.6 million in July 2019.

Job Openings



Source: Bureau of Labor Statistics via Haver Analytics

Quits Rate



Source: Bureau of Labor Statistics via Haver Analytics

Construction

Total construction activity rose 0.2 percent in December, a bit shy of the expected increase of 0.6 percent. Results in the prior two months were revised upward, with the changes leaving the level of outlays in November 0.7 percent firmer than previously believed.

All of the increase in December occurred in the residential sector (up 1.1 percent). Private nonresidential construction was unchanged (although off slightly if rounded to more than one decimal point, -0.017 percent). Government-sponsored construction fell 1.6 percent.

The increase in residential building preserved the upward trend that has been in place throughout the current expansion, although the rate of growth has slowed recently. Single-family activity led the advance in December after a good gain in November, ending a three-month period of essentially no growth. Multi-family construction has been moving sideways at an elevated level since the summer.

Private nonresidential building (business, health care, educational, religious) stalled after five consecutive increases (and six gains in the past seven months). Much of this recent strength probably reflected higher prices, as real business investment in structures in the GDP accounts has been weak in the current expansion, including a drop of 11.4 percent (annual rate) in Q4. The drop in government-related spending offset a good portion of a net advance in the prior five months. Higher prices were probably a factor in previous increases in government building, as the GDP accounts showed a drop of 6.2 percent in state and local investment expenditures in Q4.