

U.S. Data Review

- ISM: better, but still soft
- Construction modest constraint from the virus

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ISM Manufacturing Index

The ISM index rose 1.6 percentage points in May to 43.1 percent. The new level was only slightly below the consensus view of 43.8 percent. The headline index remained well above the low levels seen during the financial crisis (chart), although an anomalous reading on the supplier delivery component has provided support for the overall figure. The supplier delivery component was in the upper portion of its historical range in March and April, reflecting damaged supply chains that slowed delivery times -- a different situation from the normal movement when strong demand and order backlogs lead to slower deliveries and generate high-side readings on this component. Apparently, supply chains were repaired to a degree, as the supplier-delivery component fell 8.0 percentage points. This component made a negative contribution to the headline index in May, but in this case, the constraint represents a positive development for the economy.

The other components showed improvement. We focus on new orders, production, and employment, and all three of these were at or near record lows in April. However, they increased approximately five percentage points in May. Their low values still signaled weak activity, although the average value of 32.4 percent in May was not as dire as 27.4 percent in the prior month -- still decidedly weak, but moving in the right direction.

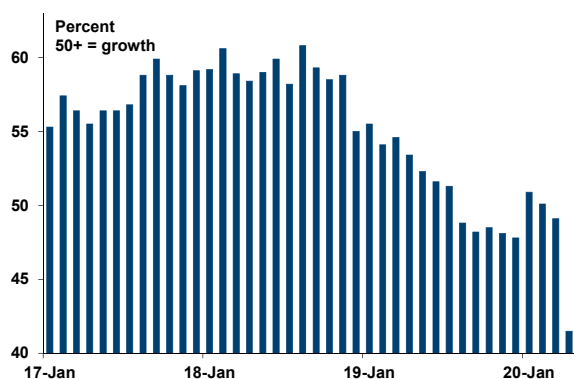
ISM Manufacturing -- Monthly Indexes

	Jan-20	Feb-20	Mar-20	Apr-20	May-20
ISM Mfg. Composite	50.9	50.1	49.1	41.5	43.1
New orders	52.0	49.8	42.2	27.1	31.8
Production	54.3	50.3	47.7	27.5	33.2
Employment	46.6	46.9	43.8	27.5	32.1
Supplier deliveries	52.9	57.3	65.0	76.0	68.0
Inventories	48.8	46.5	46.9	49.7	50.4
Prices paid*	53.3	45.9	37.4	35.3	40.8

* 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

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Construction

Total construction activity fell 2.9 percent in April, noticeably better than the expected decline of 7.0 percent. Private residential construction led the overall decline, posting a drop of 4.5 percent. Even with this retreat, the level of residential construction remained within the range of the past two years. Private nonresidential building fell 1.3 percent and remained comfortably within its recent range. Government-related building also remained range bound with a drop of 2.5 percent. Construction activity is not immune to constraints associated with the coronavirus, but it has been less affected than most other sectors of the economy.