

# U.S. Data Review

- ISM: vigorous rebound; orders and production led the surge
- Construction: slow private-sector building

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## ISM Manufacturing Index

The ISM manufacturing index surged 9.5 percentage points in June and jumped above the 50-percent threshold (52.6 percent). The results were firmer than the expected increase of 6.7 percentage points to 49.8 percent. The sizeable advance occurred despite a drop of 11.1 percentage points in the supplier delivery index, which returned to its normal range after elevated readings in the prior few months triggered by virus-related disruptions to supply chains.

Strong showings in both the new orders and production components drove the advance in the headline index, as both rose slightly more than 24 percentage points and moved comfortably above the 50-percent threshold (table). The employment index showed a solid increase (10.0 percentage points), although it remained shy of 50 percent. An average of these three components provides the best view of underlying conditions in the manufacturing sector, as it eliminates the distortion associated with the anomalous movement in the supplier delivery index. This measure moved from a record low in April to a comfortable position in June (chart).

The ISM index posted impressive results in June, but keep in mind that the measure gives insight primarily into direction of change rather than magnitude of change. The surge in June indicates that activity was growing, but it was growing from a low base and the rate of advance cannot be discerned from the available data.

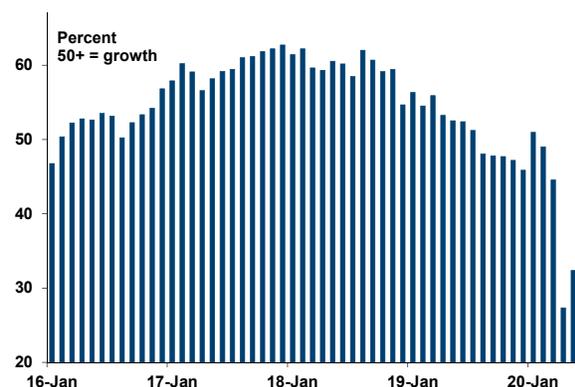
### ISM Manufacturing -- Monthly Indexes

	Feb-20	Mar-20	Apr-20	May-20	Jun-20
<b>ISM Mfg. Composite</b>	50.1	49.1	41.5	43.1	52.6
<b>New orders</b>	49.8	42.2	27.1	31.8	56.4
<b>Production</b>	50.3	47.7	27.5	33.2	57.3
<b>Employment</b>	46.9	43.8	27.5	32.1	42.1
<b>Supplier deliveries</b>	57.3	65.0	76.0	68.0	56.9
<b>Inventories</b>	46.5	46.9	49.7	50.4	50.5
<b>Prices paid*</b>	45.9	37.4	35.3	40.8	51.3

\* 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: Key Components\*



\* An average of the employment, new orders, and production components of the ISM manufacturing index.

Source: Institute for Supply Management via Haver Analytics; Daiwa Capital Markets America

## Construction

Total construction activity fell 2.1 percent in May, a disappointing showing relative to the expected increase of 1.0 percent. A decline of 4.0 percent in private residential building accounted for much of the drop in the headline figure, as a retreat of 6.3 percent in new home construction overwhelmed a modest increase in improvements to existing homes. Home construction has now declined for three consecutive months, but a sharp advance in building permits in May offers hope for improvement in coming months. Private nonresidential construction also was weak (off 2.4 percent), dropping for the fifth time in the past six months. Government-sponsored construction continued an irregular upward drift with an increase of 1.2 percent. Today's report included benchmark revisions that showed firmer activity in the prior two years than previously believed. The cumulative changes left the level of activity in April 3.0 percent above the previous estimate.

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