

# U.S. Data Review

- ISM: the manufacturing sector stays on track, big time

**Michael Moran**

Daiwa Capital Markets America  
212-612-6392  
michael.moran@us.daiwacm.com

## ISM Manufacturing

The ISM manufacturing index jumped 3.2 percentage points in December to 60.7 percent, easily beating the expected *decline* of 0.8 percentage point. The new reading was near the top of the range seen in the past three expansions (exceeded only marginally by three observations in the prior 30 years).

All five components contributed to the pickup. The production index was robust with an increase of 4.0 percentage points to 64.8 percent. The strong pace of production was undoubtedly influenced by brisk order flows, as this component rose 2.8 percentage points to 67.9 percent. Like the headline index, these measures were exceeded by only a handful of observations from the past 30 years. The level of the employment index was less impressive, but it too surprised with an increase of 3.1 percentage points to 51.5 percent. The spread of the virus had the potential to keep this component below the critical value of 50 percent, but index rose above 50 for only the second time in the past 17 months. The supplier delivery index surged 5.9 percentage points to 67.6 percent. The jump might have reflected virus-related disruptions to supply chains, but given the strength in other components, brisk demand also seems to be a factor.

The inflation index published with the report supports the view that brisk demand was a factor in December. This measure, which is not a component of the headline index, jumped 12.2 percentage points to 77.6 percent (chart). The latest reading is nowhere near a record (numerous observations have exceeded 80 percent), but it is in the upper portion of its historical range.

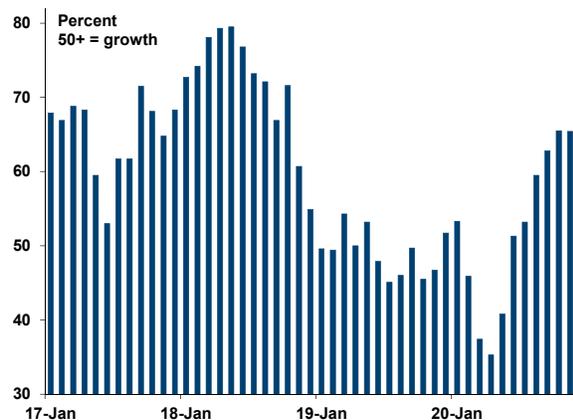
### ISM Manufacturing: Monthly Indexes

	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
<b>ISM Mfg. Composite</b>	56.0	55.4	59.3	57.5	60.7
<b>New orders</b>	67.6	60.2	67.9	65.1	67.9
<b>Production</b>	63.3	61.0	63.0	60.8	64.8
<b>Employment</b>	46.4	49.6	53.2	48.4	51.5
<b>Supplier deliveries</b>	58.2	59.0	60.5	61.7	67.6
<b>Inventories</b>	44.4	47.1	51.9	51.2	51.6
<b>Prices paid*</b>	59.5	62.8	65.5	65.4	77.6

\* 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: Prices Index



Source: Institute for Supply Management via Haver Analytics

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.