Daiwa Capital Markets

U.S. Data Review

- ISM: elevated reading; all components contributing
- Construction: off in February, most likely because of weather

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ISM Manufacturing

The ISM manufacturing index jumped 3.9 percentage points in March to 64.7 percent, easily beating the expected increase of 0.7 percentage point. The new level of the index was above all readings in the prior three expansions; one has to go back to December 1983, when the economy was entering a recovery from a deep recession, to find a stronger reading (chart).

The employment index led the advance with an increase of 5.2 percentage points to 59.6 percent. This reading is in the upper end of the historical range, although it is not as striking as the headline index or some other components (there were higher observations in the prior two expansions). The new orders component was strong, with a jump of 3.2 percentage points to 68.0 percent, the best since January 2004. With orders strong, production picked up, with this component increasing 4.9 percentage points to 68.1 percent, also the best since January 2004.

The supplier delivery index rose 4.6 percentage points to 76.6 percent, higher than all observations in the prior five expansions; one has to go back to April 1974 to find a firmer reading. Strong demand no doubt played a role in boosting this measure, but difficult weather conditions and disruptions to supply chains probably had a strong influence as well. The difficulty in securing inputs kept the price index elevated at 85.6 percent, but this was down a bit from 86.0 percent in February.

Construction

Total construction activity fell 0.8 percent, a touch better than the expected decline of 1.0 percent. Government-related building led the decline with a drop of 1.7 percent, but private nonresidential and residential activity also contributed (off 1.0 percent and 0.2 percent, respectively). The declines were neither surprising nor troubling, as severe storms no doubt inhibited new building. In fact, we view the modest decline in the private residential construction as a sign of underlying strength.

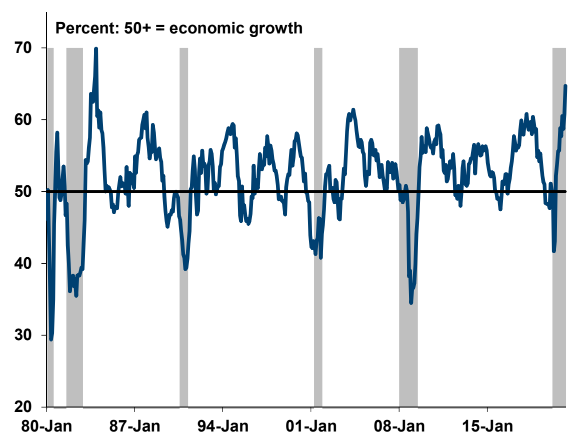
ISM Manufacturing: Monthly Indexes

	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
ISM Mfg. Composite	57.7	60.5	58.7	60.8	64.7
New orders	65.7	67.5	61.1	64.8	68.0
Production	62.2	64.7	60.7	63.2	68.1
Employment	48.3	51.7	52.6	54.4	59.6
Supplier deliveries	61.7	67.7	68.2	72.0	76.6
Inventories	50.8	51.0	50.8	49.7	50.8
Prices paid*	65.4	77.6	82.1	86.0	85.6

** 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 Index*



** The shaded areas on the chart indicate periods of recession in the United States.*

Source: Institute for Supply Management and National Bureau of Economic Research via Haver Analytics