

# U.S. Data Review

- ISM: firm activity in manufacturing despite supply-chain issues
- Construction: residential building continues to advance; slow in the business and government sectors

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## ISM Manufacturing

The ISM manufacturing index rose 0.5 percentage point in May to 61.2 percent. The change was small, but it occurred from an already elevated level and thus represented an impressive performance. The latest observation was shy of the best reading in the current cycle (64.7 percent in March), but it was above all other totals in the current recovery period and firmer than all observations in the previous expansion.

The inventory component led the advance with an increase of 4.3 percentage points, but the new level of 50.8 percent was not especially impressive. The gain in May merely offset what appears to be a random drop in April. The new orders component registered a strong performance, with an increase of 2.7 percentage points to 67.0 percent. The latest reading was just shy of the 68.0 percent in March and better than all results in the prior expansion. Despite the firm order flow, the production index declined 4.0 percentage points to 58.5 percent. The drop in production was likely a reflection of supply-chain problems, as the supplier delivery index jumped 3.8 percentage points to 78.8 percent. Only a handful of observations in the history of the series exceeded the latest reading on deliveries, with previous ones occurring in 1974.

The employment component disappointed with a drop of 4.2 percentage points to 50.9 percent. Given apparently firm activity in the manufacturing sector, the drop perhaps reflected difficulty in finding workers or not needing workers because of supply-chain issues. The price index also eased in May, but the drop was small (off 1.6 percentage points) and the level remained quite high at 88.0 percent.

## Construction

Total construction activity rose 0.2 percent in April, close to the expected increase of 0.5 percent. As in prior months, private residential activity led the advance with an increase of 1.0 percent, which marked the 10 increase in the past 11 months. Private nonresidential construction fell 0.5 percent, continuing a downward trend that began in late 2019. Public construction fell 0.6 percent in April. This component (mostly building by state and local governments) rallied in the closing months of last year but has declined in the past four months.

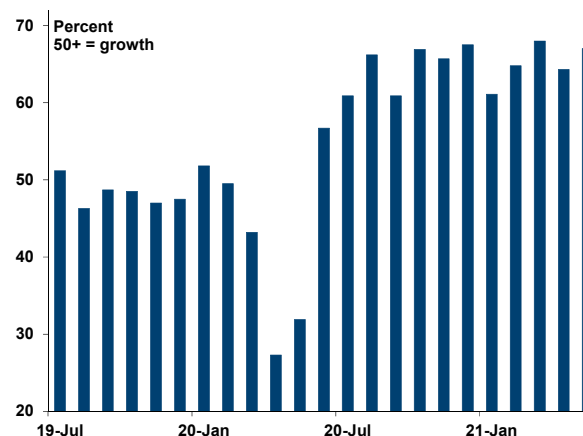
### ISM Manufacturing: Monthly Indexes

	Jan-21	Feb-21	Mar-21	Apr-21	May-21
<b>ISM Mfg. Composite</b>	58.7	60.8	64.7	60.7	61.2
<b>New orders</b>	61.1	64.8	68.0	64.3	67.0
<b>Production</b>	60.7	63.2	68.1	62.5	58.5
<b>Employment</b>	52.6	54.4	59.6	55.1	50.9
<b>Supplier deliveries</b>	68.2	72.0	76.6	75.0	78.8
<b>Inventories</b>	50.8	49.7	50.8	46.5	50.8
<b>Prices paid*</b>	82.1	86.0	85.6	89.6	88.0

\* 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: New Orders Index



Source: Institute for Supply Management via Haver Analytics

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