

U.S. Data Review

- ISM: strong orders and production; employment lags; improvement in supply chains
- Construction: modest increase led by residential; business & government remain soft

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ISM Manufacturing

The ISM manufacturing index rose only slightly in August, but the increase of 0.4 percentage point was better than the expected drop of 1.0 percentage point and the level of the index was strong by historical standards (59.9 percent).

An increase of 1.8 percentage points in the new orders component stood out, and the level of 66.7 percent was impressive. This measure has been hovering in a range of 60 to 68 since July 2020. With orders strong, production was well maintained, with this component increasing 1.6 percentage points to 60.0 percent. Although orders and production were brisk, employment lagged, with this measure falling 3.9 percentage points to 49.0 percent. The implications of the sub-50 reading, however, are not necessarily severe. This component also was below 50 percent in June, and nonfarm payrolls rose 938,000 that month.

The report included several clues that supply-chain disruptions eased in August, although problems were not resolved. The supplier delivery index fell for the third consecutive month, dropping 3.0 percentage points to 69.5 percent. The measure is still quite high by historical standards, signaling slow delivery times, but it has improved some (chart). With deliveries improving, businesses were able to add to inventories, as this component jumped 5.3 percentage points to 54.2 percent, the best reading in almost three years (November 2018 was 54.4 percent). A decline of 6.3 percentage points in the prices index also suggested improvement in supply chains, although the level of the index remained elevated at 79.4 percent.

Construction

Total construction activity rose 0.3 percent in July, close to the expected advance of 0.2 percent. Private residential building remained on a growth track, increasing for the 13th time in the past 14 months, although the latest gain was moderate at 0.5 percent. Building by state and local governments rose 0.8 percent, although the advance represented only a modest offset to declines of 2.1 percent in June and 0.7 percent in May. Private nonresidential building continued to decline (off 0.2 percent, the 14th decline in the past 18 months).

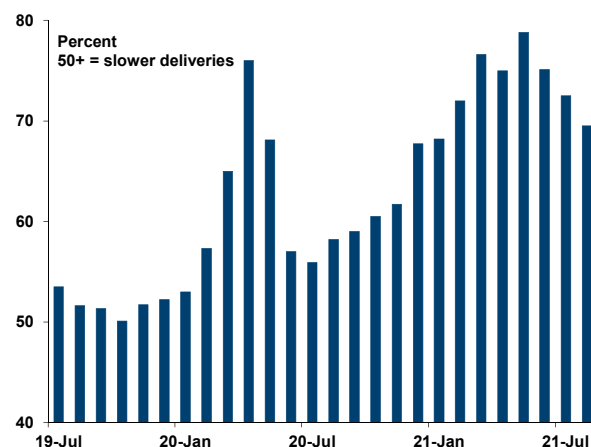
ISM Manufacturing: Monthly Indexes

	Apr-21	May-21	Jun-21	Jul-21	Aug-21
ISM Mfg. Composite	60.7	61.2	60.6	59.5	59.9
New orders	64.3	67.0	66.0	64.9	66.7
Production	62.5	58.5	60.8	58.4	60.0
Employment	55.1	50.9	49.9	52.9	49.0
Supplier deliveries	75.0	78.8	75.1	72.5	69.5
Inventories	46.5	50.8	51.1	48.9	54.2
Prices paid*	89.6	88.0	92.1	85.7	79.4

* 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: Supplier Deliveries Index



Source: Institute for Supply Management via Haver Analytics

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