

U.S. Data Review

- ISM manufacturing: slowing growth; new orders and employment below 50
- Construction: softening trends in real terms

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ISM Manufacturing Index

The Institute for Supply Management's manufacturing index slid 3.1 index points in June to 53.0 percent, softer than the consensus expectation of a decline of 1.6 index points. While the latest reading signaled continued growth in the manufacturing sectors of the economy, it is off sharply from the peak of 63.7 in March of last year and it suggests a distinct loss of momentum.

Production rose 0.7 index point in June to 54.9, as firms continued to work through backlogs, although the level of the index was well below last year's average of 61.0. While production remained in positive territory, new orders dropped 5.9 index points to 49.2, the lowest reading since Covid-related stoppages in the spring and early summer of 2020. The employment index fell for the third consecutive month (-2.3 index points), with the reading of 47.3 the softest since August 2020. Supply constraints (difficulty filling positions) were a factor, although we suspect demand has softened as well.

The supplier deliveries index made the largest negative contribution to the headline measure in June (-8.4 index points to 57.3). The plunge left the measure at its lowest level since July 2020 and in the middle of the range of observations in the prior expansion. The latest reading, while a drag on the headline, suggests continued healing in supply chains.

The prices index eased for the third consecutive month (-3.7 index points), but the level of 78.5 remained in the upper end of the historical range. Prices of many key inputs remained elevated.

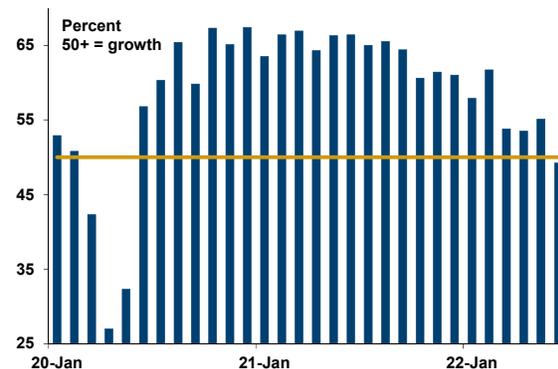
ISM Manufacturing: Monthly Indexes

	Feb-22	Mar-22	Apr-22	May-22	Jun-22
ISM Mfg. Composite	58.6	57.1	55.4	56.1	53.0
New orders	61.7	53.8	53.5	55.1	49.2
Production	58.5	54.5	53.6	54.2	54.9
Employment	52.9	56.3	50.9	49.6	47.3
Supplier deliveries	66.1	65.4	67.2	65.7	57.3
Inventories	53.6	55.5	51.6	55.9	56.0
Prices paid*	75.6	87.1	84.6	82.2	78.5

* 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

Construction

Total construction activity fell 0.1 percent in May, lighter than the expected increase of 0.4 percent. Private residential construction rose slightly (up 0.2 percent), led by improvements to existing homes. Construction of new homes posted a fractional increase (less than 0.1 percent), ending a string of six consecutive advances that averaged 1.5 percent. Private nonresidential building fell 0.4 percent, marking the third consecutive decline that has left essentially no net change in the past six months. Public construction fell 0.8 percent, which marked the second consecutive decline and offset most of the advances in the prior three months. All of these changes are based on nominal values. Inflation adjustments would leave noticeable declines in real terms. Today's report included benchmark revisions that showed firmer activity on balance in the prior few years. The cumulative effect of the adjustments left the level of new construction in April 2.2 percent firmer than previously believed.

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