U.S. Data Review

- ISM manufacturing: factory sector stuck at stall speed
- JOLTS: job openings rebound in August; layoffs decline; quits continue to move lower

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ISM Manufacturing

- The ISM Manufacturing PMI was unchanged in September at 47.2 (versus the Bloomberg median expectation of a pickup of 0.3 percentage point to 47.5). Thus, the measure signaled a contraction in the factory sector the for the sixth consecutive month (and 22nd in the past 23 months). Although the U.S. remains on an expansionary track, the factory sector continues to underperform the broader economy. As indicated by Timothy R. Fiore, the Chair of the ISM Manufacturing Business Survey Committee: "Demand remains subdued, as companies showed an unwillingness to invest in capital and inventory due to federal monetary policy — which the U.S. Federal Reserve addressed by the time of this report — and election uncertainty."

- Both the production and new orders indexes rose in September, although each still indicated contraction. The production measure increased 5.0 percentage points to 49.8, returning to the range of the past year and one-half after hitting a soft patch in the summer (readings of 45.9 and 44.8 in July and August, respectively). New orders recorded a smaller advance (+1.5 percentage points to 46.1; chart, next page, left). On the point, the ISM survey noted "a continued level of uncertainty and concern about a lack of new order activity" among respondents, as "confidence in the future economic environment remains at its lowest levels since the coronavirus pandemic recovery." Thus, in light of weak order flows, production may again slow in coming months.

- The employment measure dropped 2.1 percentage points to 43.9, among the lowest readings of the current expansion (although above the 2024 low of 43.4 and excluding the months directly following COVID-related shutdowns; chart, next page, right). Of the 18 manufacturing industries covered in the survey, only two reported employment growth in September (11 reported declines and five indicated no change).

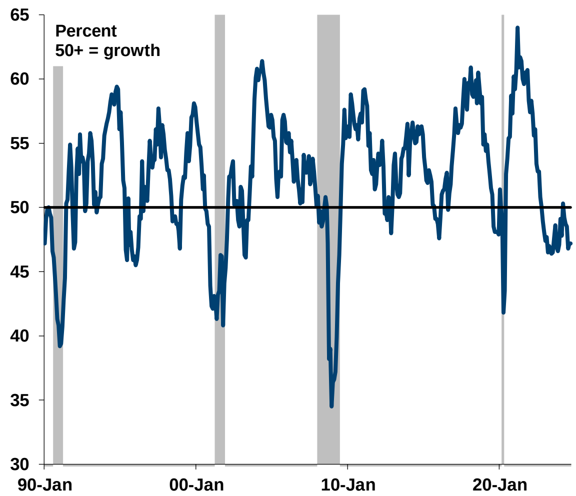
- The supplier deliveries index advanced 1.7 percentage points in the latest month to 52.2. The pickup indicates "slower" deliveries for the third consecutive months after four months of "faster" deliveries. (Generally speaking, above-50.0 readings specify slower deliveries while below-50.0 observations imply faster deliveries. A reading in the vicinity of 50.0 suggests normally functioning supply chains versus elevated readings implying disruptions akin to those seen during shutdowns earlier in the expansion; chart, next page, below left.)

ISM Manufacturing: Monthly Indexes*

	May-24	Jun-24	Jul-24	Aug-24	Sep-24
ISM Mfg. Composite	48.7	48.5	46.8	47.2	47.2
New orders	45.4	49.3	47.4	44.6	46.1
Production	50.2	48.5	45.9	44.8	49.8
Employment	51.1	49.3	43.4	46.0	43.9
Supplier deliveries	48.9	49.8	52.6	50.5	52.2
Inventories	47.9	45.4	44.5	50.3	43.9
Prices paid*	57.0	52.1	52.9	54.0	48.3

** 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: Headline Index*



** The shaded areas indicate periods of recession in the United States.*
Sources: Institute for Supply Management, National Bureau of Economic Research via Haver Analytics

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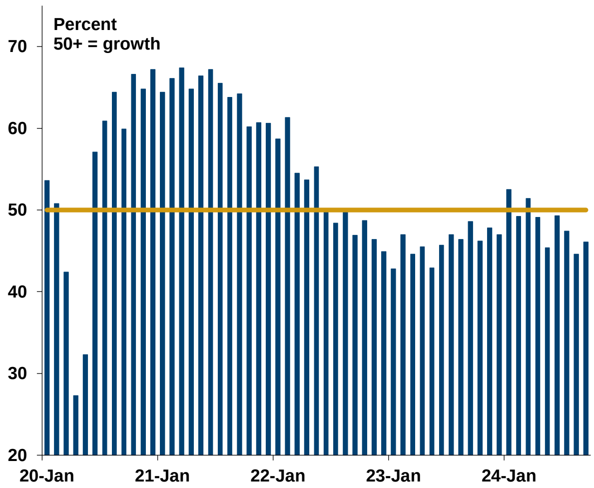
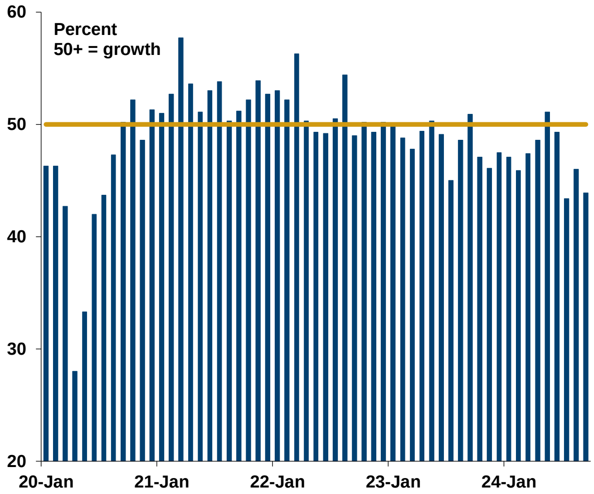
ISM Manufacturing: New Orders Index



Source: Institute for Supply Management via Haver Analytics

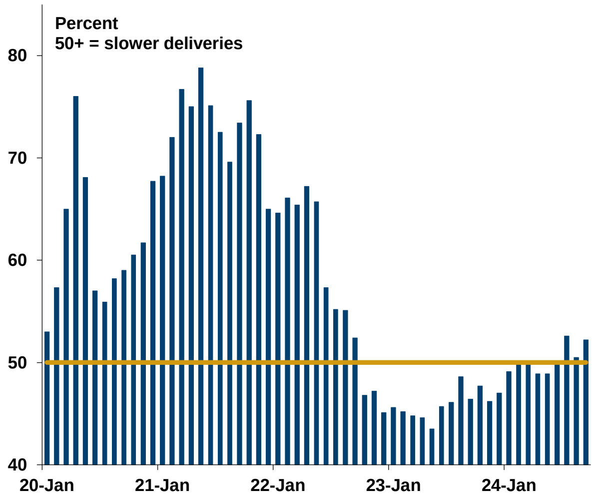
ISM Manufacturing: Employment Index



Source: Institute for Supply Management via Haver Analytics

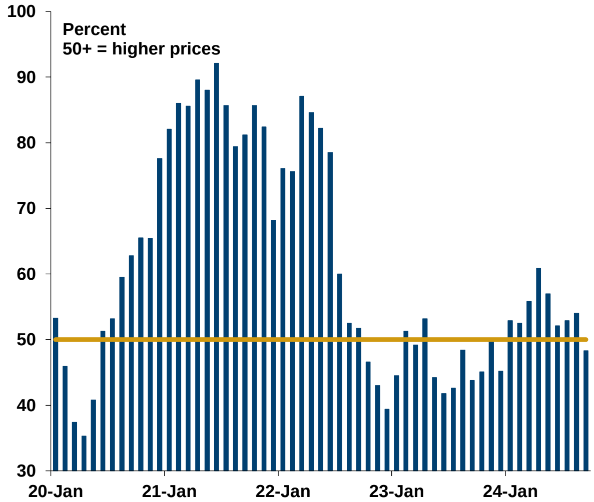
- The prices index, which does not factor into the manufacturing composite, fell below 50.0 for the first time in 2024 (-5.7 percentage points to 48.3; chart, below right). The latest reading reflects respondents noting both lower commodity prices and easing demand for raw materials.

ISM Manufacturing: Supplier Deliveries Index



Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: Prices Index



Source: Institute for Supply Management via Haver Analytics

Job Openings

- Job openings, which provide insight into demand for labor, increased by 329,000 in August to 8.040 million, retracing all of the decline seen last month. Moreover, results for July were revised higher (7.711 million versus a preliminary estimate of 7.673 million). With that said, the improvement in August's report appears relatively concentrated within a few industries. Namely, the number of job openings in construction and in state and local government excluding education rose by 138,000 and 78,000, respectively (versus declines of 67,000 and 145,000 in the prior month). Broadly speaking, job openings are moderating across most industries. Despite the latest uptick, job openings have fallen by 4.142 million from the record of 12.182 million in March 2022, but they still remain above the pre-pandemic record of 7.594 million in November 2018 (chart, next page, below left).

- The job opening rate (job openings as a share of total employment plus job openings) increased 0.2 percentage point to 4.8 percent – a reading that is down notably from the record of 7.4 percent in March 2022. There are currently 1.1 job openings per unemployed person, down from the record of 2.0 in March 2022 and in line with readings that prevailed prior to the pandemic (2019 range of 1.1 to 1.2 openings per unemployed).

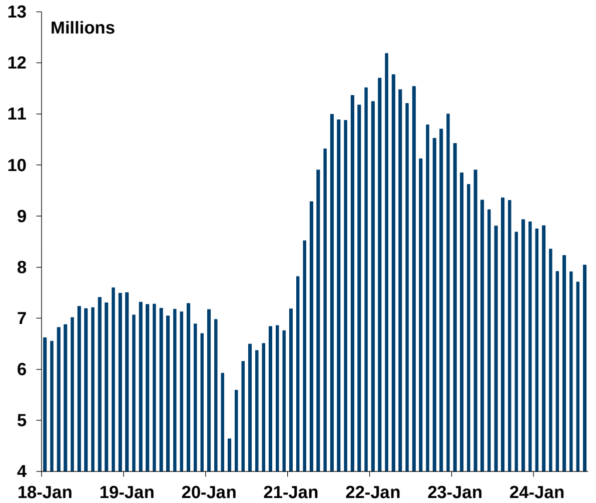
- Layoffs and discharges declined by 105,000 to 1.608 million in August. While the latest observation was above the record low of 1.287 million in June 2021, it was off readings in the 1.7 to 1.8 million range that prevailed prior to the onset of pandemic (when the labor market was considered to be on firm footing). Resultantly, the layoff and discharge rate inched down one tick to 1.0 percent. For context, observations in 2019 ranged from 1.1 to 1.3 percent. Thus, layoffs are currently not of significant concern to Fed officials. In that regard, they have indicated that the recent pickup in the unemployment rate reflected lower job openings and slower hiring rates than an increase in layoffs.

- Hires, on the other hand, softened a bit in August, falling by 99,000 to 5.317 million – a new low for the current cycle (previous trough of 5.573 million in December 2020). Correspondingly, the hires rate dropped 0.1 percentage point to 3.3 percent (versus a cycle high of 6.1 percent in May 2020 and a range of 3.8 to 4.0 percent in the year prior to the onset of COVID). In regard to the pre-pandemic performance, hires averaged 5.833 million.

- Quits, which give insight into employee views on labor market strength by indicating willingness to leave current positions to seek more lucrative employment elsewhere, eased in the latest month. Total quits declined by 159,000 to 3.084 million in August, off notably from the record high of 4.515 million in April 2022 and somewhat below pre-pandemic readings. The quits rate, in turn, continued on its downward trend, dropping by 0.1 percentage point to 1.9 percent (versus the record high of 3.0 percent registered in November 2021, January 2022, and April 2022; chart, below right). In other words, individuals appear less confident that they can leave current jobs and find better opportunities in the open market, which may indicate softening in underlying labor market conditions beyond what headline openings would imply.

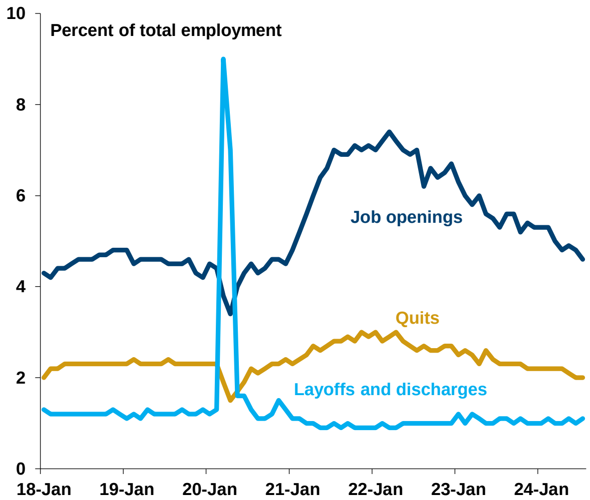
- All told, the report supports the assessments of Fed officials that underlying labor market conditions are moderating with supply of and demand for workers moving into better balance (although August data lags more updated views provided by unemployment claims and other measures). Additional softening, accompanied with further increases in the unemployment rate, would likely be viewed unfavorably and could nudge the FOMC toward additional rate cuts of 50 basis points at upcoming meetings. On that point, the employment report for September will be released on Friday and the Federal Open Market Committee next meets on November 6-7.

Job Openings



Source: Bureau of Labor Statistics via Haver Analytics

Job Opening & Separation Rates



Source: Bureau of Labor Statistics via Haver Analytics