

US ISM-Manufacturing: Mixed But Generally Better On Details

US, ISM Manufacturing Index, May:

Actual: 52.1

Scotia: 53.3

Consensus: 53.0

Prior: Unrevised from 52.8

- Although the US ISM reading disappointed expectations somewhat, the underlying details were more robust. The US Treasury two year yield marginally increased in the aftermath while the dollar wasn't fussed.
- Please see the accompanying table for the break down of the components. **ISM slipped because the current production measures all deteriorated.** Production grew slower (51.3, 52.3 prior). Supplier deliveries grew at a slower pace. Inventory investment also grew at a slower pace while the order backlog shrank. The latter fell by 6.7 points to 47.2 and it's likely that Boeing's challenges may have played a role in the transportation sector cited along with apparel, primary metals, electronics and food/beverage industries.
- Note the correlations between ISM and manufacturing output in the accompanying chart.
- Other major drivers all increased.** New orders were up by a full point to 52.7 which offsets current production concerns. Employment was up 1.3 points to 53.7. Prices paid were up by 3.2 points to 53.2. The latter, however, may be vulnerable in the next reading given sagging oil prices.

US Construction Spending Beats On Revisions

US, Construction Spending, m/m % SA, April:

Actual: 0.0

Scotia: 0.5

Consensus: 0.4

Prior: 0.1 (revised from -0.9)

- The flat reading for April (0.4% consensus) was due to a strong 1 percentage point upward revision to the prior month. On net, that makes this a beat compared to consensus expectations notwithstanding the miss for April that was a direct function of a higher than previously estimated jumping off point.
- Overall construction spending is a beat and should factor into marginal upside to Q1 US GDP on the next swing that will incorporate more services data.
- Residential construction spending has fallen for four consecutive months including -0.5% in April and -1.2% in March. I would think that the trend improvement in new home sales this year should begin to positively impact this reading.
- Nonresidential construction spending increased for the fourth consecutive month including a 0.3% rise in April after a 1% lift in March.

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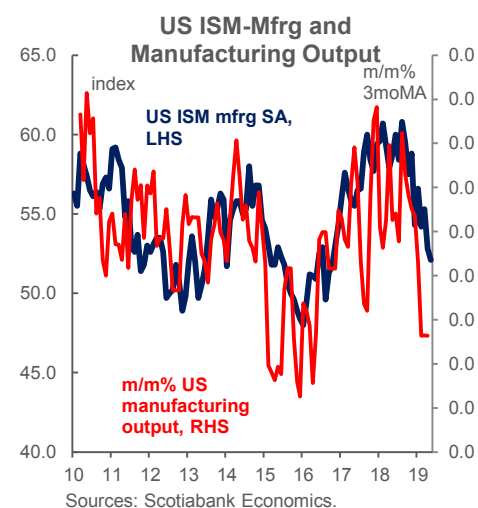
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Components of Manufacturing Index, May

Seasonally Adjusted	Value	m/m
Composite	52.1	-0.7
New Orders	52.7	+1.0
Production	51.3	-1.0
Employment	53.7	+1.3
Supplier Deliveries	52	-2.6
Inventories	50.9	-2.0
New Export Orders	51	+1.5
Imports	49.4	-0.4
Non-Seasonally Adjusted	Value	m/m
Customer Inventories	43.7	+1.1
Prices	53.2	+3.2
Backlog	47.2	-6.7

Value above 50 indicates expansion; value below 50 indicates contraction.



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