

ISM Manufacturing Is Good, But Not As Good As The Headline

ISM manufacturing, December:

Actual: 59.1

Scotia: 58.0

Consensus: 58.6

Prior: 59.3 (revised down from 59.7)

- On net including revisions, the US manufacturing sector is growing at about the trend pace expected by consensus.** That's because while the January headline beat consensus expectations by a half point, the prior month was revised down by four-tenths. More important, however, is that **January's headline number was buoyed by questionable contributions.** All that said, it was stronger than I had anticipated because the correlations with the declines in the Philly Fed and Richmond Fed gauges were weaker this time around.
- Sources of the upside surprise to the January reading were higher inventory investment and higher prices.** How wonderful. The latter probably reflects what we can largely already observe through higher commodities/oil with core price pressures gently building so it's always questionable how much new information we get in that component.
- Employment is growing moderately but also at a cooler pace with a reading of 54.2 (over 50 is rising) that is down almost four points from the prior month. **In fact, the employment subindex is rising at its weakest pace since May and has reversed all of the post-Spring acceleration.**
- New orders are rising strongly, but did so at a somewhat softer pace than the prior month** with a reading of 65.4 (67.4 previously). New export orders accelerated to 59.8. On net that means the domestic order book is still growing faster than export orders, but less so than the prior month.
- Also note that construction spending was roughly on-expectations including revisions. Spending was up 0.7% m/m in December (0.4% consensus) but the prior month was revised down a little to a gain of 0.6% (0.8% prior). On net, the flow of spending dollars was largely expected and there should be minor implications to GDP tracking.
- Next up is the industry tally of vehicle sales during January which is expected to remain strong but decline to 17.2 million from a half million higher reading the prior month.

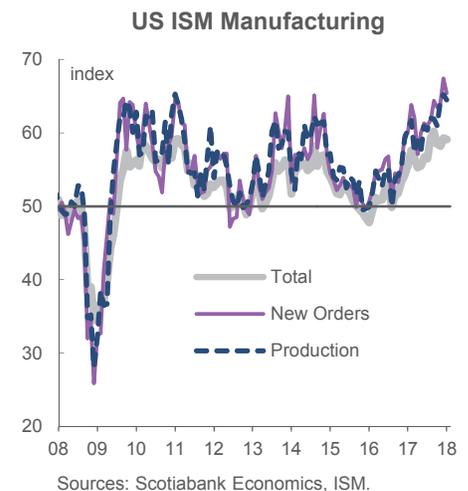
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