

## More US Data Beats In ISM; Construction Weak On Details

### ISM manufacturing, May:

Actual: 58.7

Scotia: 59.0

Consensus: 58.2

Prior: 57.3 (unrevised)

- US data is generally in line with expectations for a round of constructive readings this morning.** ISM and construction spending are additional steps in that direction following the solid nonfarm report earlier this morning.
- Manufacturing accelerated broadly in keeping with expectations but **with fairly limited follow through on the much stronger gains in the Philly Fed and Richmond Fed measures** that are usually used as regional inputs to an ISM call.
- The details were constructive.** The new order book accelerated by 2.6 points to 63.7 which indicates a faster pace of growth at its quickest since February. Employment accelerated by 2.1 points to 56.3 which indicates a quicker pace of manufacturing hiring. The order backlog also increased by 1.5 points to 63.5 and when combined with the new order book reinforces future production gains. Inventories became leaner as that sub-gauge dipped 2.7 points to 50.2 which is the lowest this year. The improved activity readings were not accompanied by yet stronger price pressures, albeit that at 79.5, price pressures are very elevated in part reflecting commodity (e.g. oil) developments, partly reflected tariff concerns, partly reflecting lagging influences of past dollar movements on import prices, and partly reflecting tightening capacity.
- Construction spending also beat expectations** with a rise of 1.8% y/y (0.8% consensus, -1.7% prior). **It was not a great reading in terms of details.** All of the gain was in the residential category (+4.4%) which just reverses the prior month's decline of -4.1%. Nonresidential spending was flat as a small up-tick in private nonresidential spending of 0.8% offset a decline in public spending and the private gain only reversed the prior month's dip. On net, construction spending has been flat for the past two months.

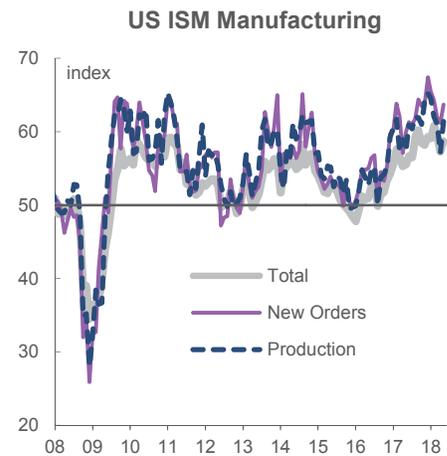
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