

## US ISM Manufacturing Softens, But Still Signals Robust Growth

### ISM manufacturing, July:

Actual: 58.1

Scotia: 60.5

Consensus: 59.4

Prior: 60.2 (unrevised)

- ISM manufacturing decelerated somewhat but continues to signal fairly robust growth in the sector. The headline ISM reading has been very noisy over the past six to nine months within a 57–61 range but has been broadly moving sideways around cycle highs. It is important not to get too carried away with any one single month's reading by over-interpreting the decline as an indication of more fundamental slippage. On a rolling twelve month moving average basis that captures the period since last August when ISM moved into this range, the headline ISM gauge has not been this strong since 2004. Tariffs and trade wars threaten the picture, but thus far there are import domestic strengths that remain in the driver's seat in no small part due to the sheer size of the US economy.
- New orders slipped to a still healthy 60.2 reading that signals robust growth. New export orders slipped to 55.3 as the domestic order book continues to grow more strongly than foreign orders. Production decelerated by almost four points to 58.5. Inventories grew at a somewhat faster clip.
- Employment growth was little changed (56.5, 56.0 prior).
- Prices paid continue to rise rapidly, but slightly less rapidly than the prior month (73.2, 76.8 prior). That is still a strong inflation signal.
- Construction spending also disappointed for June but because of upward revisions to the prior month the overall report largely met expectations. Spending fell 1.1% m/m in June (+0.3% consensus) but was revised up to +1.3% m/m in May (from 0.4%).
- Next up will be the FOMC statement at 2pmET and then auto sales for July later this afternoon.

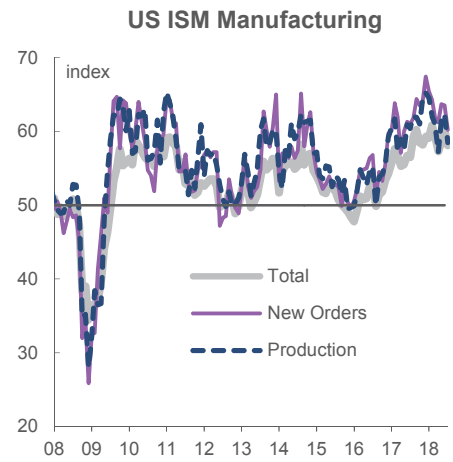
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