Economic News
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UNITED STATES

Manufacturing ISM advances again

HIGHLIGHTS

- The ISM manufacturing index posted a sixth straight increase in November, going from 56.4 to 57.3, its highest point since April 2011.
- Half of its 10 components rose in November. The main increases come from employment (+3.3 points) and new orders (+3.0 points). Current production, order backlogs and exports are the other components to climb.
- Prices paid fell 3.0 points, going to 52.5.
- Inventories, supplier deliveries and imports also declined.

COMMENTS

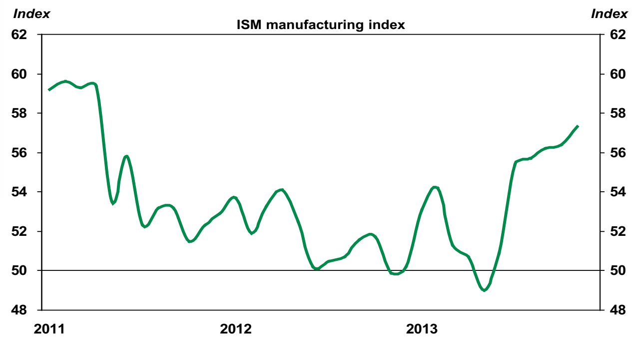
The ISM manufacturing index is still beating expectations. Although the underperformance of some regional manufacturing indexes had sent a fairly clear signal that the ISM would lose steam, it has now posted its six consecutive monthly rise, a string of increases not seen since the months that marked the recession's end in 2009. At 57.3, the ISM manufacturing index suggests fairly robust growth by the manufacturing sector and the U.S. economy in general.

The employment component's solid performance is encouraging. It is at its highest point since spring 2012, a situation that should translate into stronger hiring in manufacturing following the disappointing job creation thus far in 2013.

The new orders component's very strong performance contrasts with other indicators. At 63.6, it suggests that new orders should show rapid growth, but we are seeing the contrary. The contrast is especially striking with new capital goods orders, excluding defence and aviation, which are down by an annualized 6% in the last three months. Let us hope that the signal sent by the ISM will soon ripple into real orders and business investment.

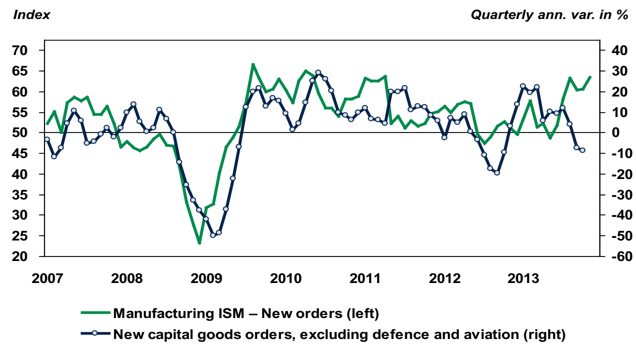
Implications: The ISM manufacturing index's recent advances are good news for the U.S. economy. They suggest further strong monthly growth by employment and, in particular, a rebound by business investment following last summer's disappointing performance.

The manufacturing ISM is still rising



Sources: Institute for Supply Management and Desjardins, Economic Studies

The strength of the orders component is taking its time in showing up in the actual data



Sources: Institute for Supply Management, U.S. Census Bureau and Desjardins, Economic Studies

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NOTE TO READERS: The letters **k**, **M** and **B** are used in texts and tables to refer to thousands, millions and billions respectively.