

ECONOMIC NEWS

United States: Another increase for the ISM manufacturing index

HIGHLIGHTS

- ▶ The ISM manufacturing index ticked up again in January, going from 54.5 to 56.0—its highest level since November 2014.
- ▶ Seven of the 10 sub-indexes advanced. The main increases stem from employment (+3.3 points) and current production (+2.0 points). The component tied to prices paid soared 3.5 points to 69.0, its highest level since May 2011.
- ▶ The components showing declines are tied to foreign trade, i.e. exports (-1.5 points) and imports (-0.5 points). Client inventories also pulled back.

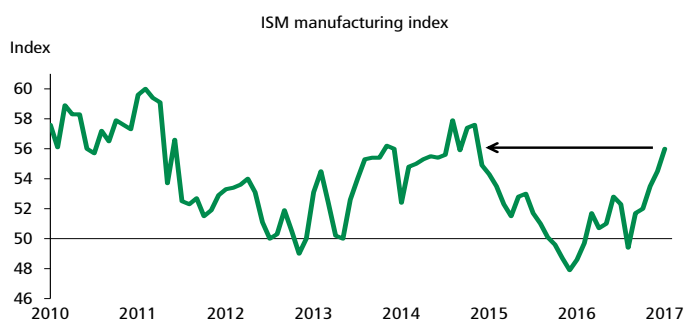
COMMENTS

The ISM manufacturing index took off on a new trend in 2016. The index sat at 49.7 in August, below the 50 mark, which signals the difference between manufacturing expansion and contraction. Since then, it has posted five consecutive monthly increases—a first since the spring of 2012.

The gains recorded by the manufacturing index since last summer reflect improvements in the U.S. economy. The relatively high level of the “new orders” component points to continued growth in business investments. It bears reminding that investments in equipment increased as 2016 wound down, after four consecutive quarterly declines. Renewed growth in the oil sector and improved confidence are clearly positive developments for manufacturers, who do not seem overly concerned about the recent rise by the greenback. This could even suggest that further improvements are in store for the labour market in the manufacturing sector, which lost 45,000 jobs in 2016. The recovery by the ISM manufacturing index’s labour component points to a turnaround.

GRAPH

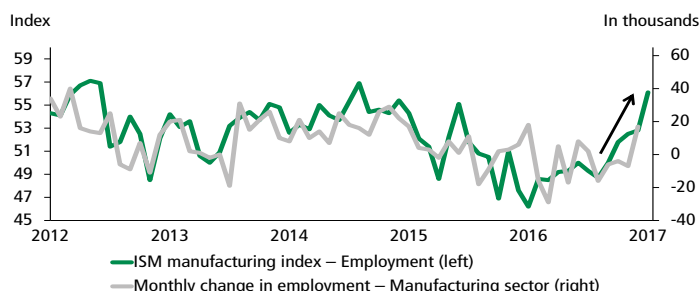
The highest level since November 2014



Sources: Institute for Supply Management and Desjardins, Economic Studies

GRAPH

Is manufacturing poised for stronger employment growth?



Sources: Institute for Supply Management, Bureau of Labor Statistics and Desjardins, Economic Studies

IMPLICATIONS

The increase in the ISM manufacturing index is good news for the U.S. economy this early in the new year. However, it is still too early to know whether the Trump administration’s policies will fulfill their promise to kick-start U.S. manufacturing, especially if the protectionist risks materialize.

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