

## ECONOMIC NEWS

# United States: ISM Manufacturing Index at a Near 38-Year Peak

### HIGHLIGHTS

- ▶ The ISM manufacturing index increased by 3.9 points in the past month, from 60.8 in February to 64.7 in March, the highest it has been since December 1983.
- ▶ Seven of its ten components advanced. The main increases stem from employment (+5.2 points), current production (+4.9 points), supplier deliveries (+4.6 points), order backlogs (+3.5 points) and new orders (+3.2 points).
- ▶ The components that are down are exports (-2.7 points), customer inventories (-2.6 points) and prices (-0.4 point). The latter is nevertheless very high at 85.6.

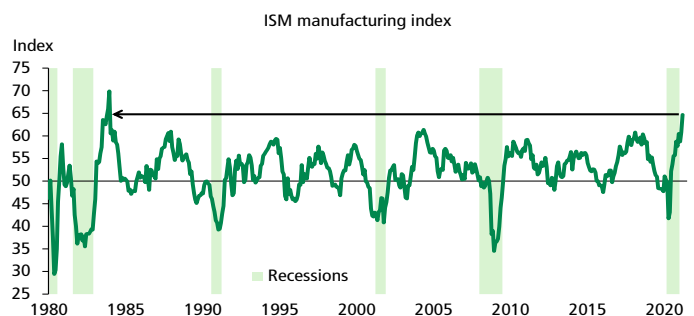
### COMMENTS

One year after its plunge in spring 2020, the ISM manufacturing index reached a new cyclical peak in March. The jump between April 2020 and March 2021 is 23 points. In a sense, this reflects the progress made by the U.S. economy in a year, with real GDP set to soon exceed its pre-pandemic level. The increase in the ISM manufacturing index shows improved demand for goods, with the highest level of the “new orders” component since January 2004. Combined with the strong performance of the current production component, this is a good omen for the growth of real GDP for both the first and second quarters of 2021. The increase in the employment component is also welcome.

However, the increase in and level of the ISM manufacturing index also mirror the current disruptions in U.S. manufacturing. Supplier deliveries are increasing (highest level of this component since April 1974), order backlogs are mounting and the pressure on prices paid is continuing. In addition to the problems caused by COVID-19 since the start of 2020, the situation was recently made worse by a shortage of electronic parts (affecting the automobile sector in particular) and by the bad weather in a large part of the United States in February.

### GRAPH 1

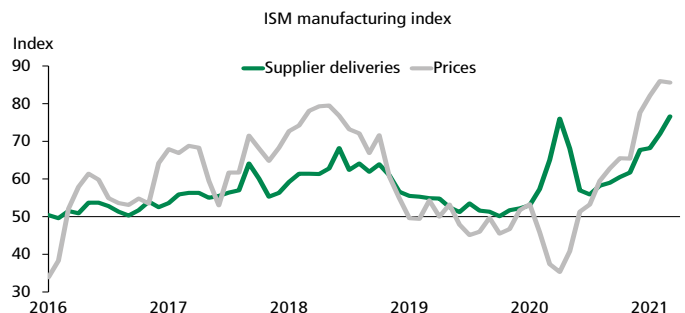
ISM manufacturing index at its highest since 1983



Sources: Institute for Supply Management and Desjardins, Economic Studies

### GRAPH 2

ISM manufacturing index components suggest procurement difficulties



Sources: Institute for Supply Management and Desjardins, Economic Studies

### IMPLICATIONS

The high ISM manufacturing index level shows the improved economic conditions in the United States and the ever-increasing pressure on the U.S. manufacturing industry. Ultimately, this risk fuelling an increase in consumer prices.

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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.

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