

# U.S. Flash

## ISM Manufacturing Index Shows Signs of Growth

- **Manufacturing activity continues to expand, with the ISM at 51.7 from 51.5 in September**
- **The optimism is in the details, with gains in new orders and production**

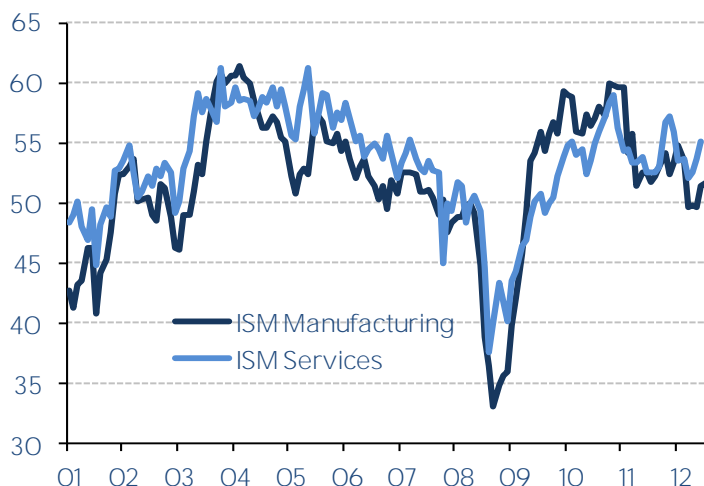
The ISM Manufacturing Index for October shows signs of improvement and prospective growth as it continues to indicate accelerating activity in the sector. Although arguably not a massive increase, from 51.5 in September to 51.7 in October, the details show an improved business outlook and even encouragement from production levels. New orders rose 1.9 points to 54.2, a large increase from the sub-50 level seen throughout the summer months. This could mean a rise in the ISM figure for the rest of the year as production ramps up and manufacturers increase their output, handling the increase in new orders. Production was the other mentionable increase, surpassing the 50 mark to 52.4 for the first time since July, showing some vitality leading into the new quarter as demand rises for manufactured goods. Inventories also fell slightly, reflecting some off-loading of products. Whether or not the recent natural disaster will prompt higher production or more orders is still uncertain but raw materials and products will be required.

On the down side, not all components of the index showed signs of strength. Oddly, employment took a few steps back even with the decrease in unemployment, down 2.6 points from September but still above 50 to indicate continued hiring in the sector. Off of yearly lows, the dullrum may turn around as the new orders and production kick start more jobs within the industry. Another notable decrease came from supplier deliveries, which went into shrinking territory as it fell to 49.6. This however is another small movement that could very likely turn again as more positive figures emerge for November.

Overall, the ISM figures have come in rather soft with optimism afoot but only if indicators like employment and supplier deliveries don't follow their current movement downward. With new orders growing and production on the rise as well, manufacturing could be beginning a slight turnaround amidst a restart in other activity as well.

Chart 1

### ISM Manufacturing & Services



Source: Institute for Supply Management & BBVA Research

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