

## **Datanote: US ISM Manufacturing Survey, September**

**In one line: Still depressed; core goods prices likely to keep falling.**

- The ISM manufacturing index was unchanged at 47.2 in September, trivially below the consensus, 47.5.

The unchanged headline obscures big swings in some of the components. Production jumped by five points in September, to 49.8, from 44.8,

reversing a sharp decline over the previous few months, but still pointing to a clear slowdown in manufacturing output, as our first chart shows. New orders, meanwhile, ticked up to 46.1, from 44.6, but remain depressed. But the inventories index plunged by 6.4 points, more than reversing a 5.8-point surge in August, so the new-orders-to-inventory ratio no longer points to another sharp leg down in output, as it did previously.

The employment index is an

inconsistent guide to actual manufacturing payrolls. But the drop in the index to 43.9 in September, from 46.0, hitting its second lowest level since mid-2020, leaves the three-month average consistent with a significant decline in manufacturing payrolls, as our third chart shows.

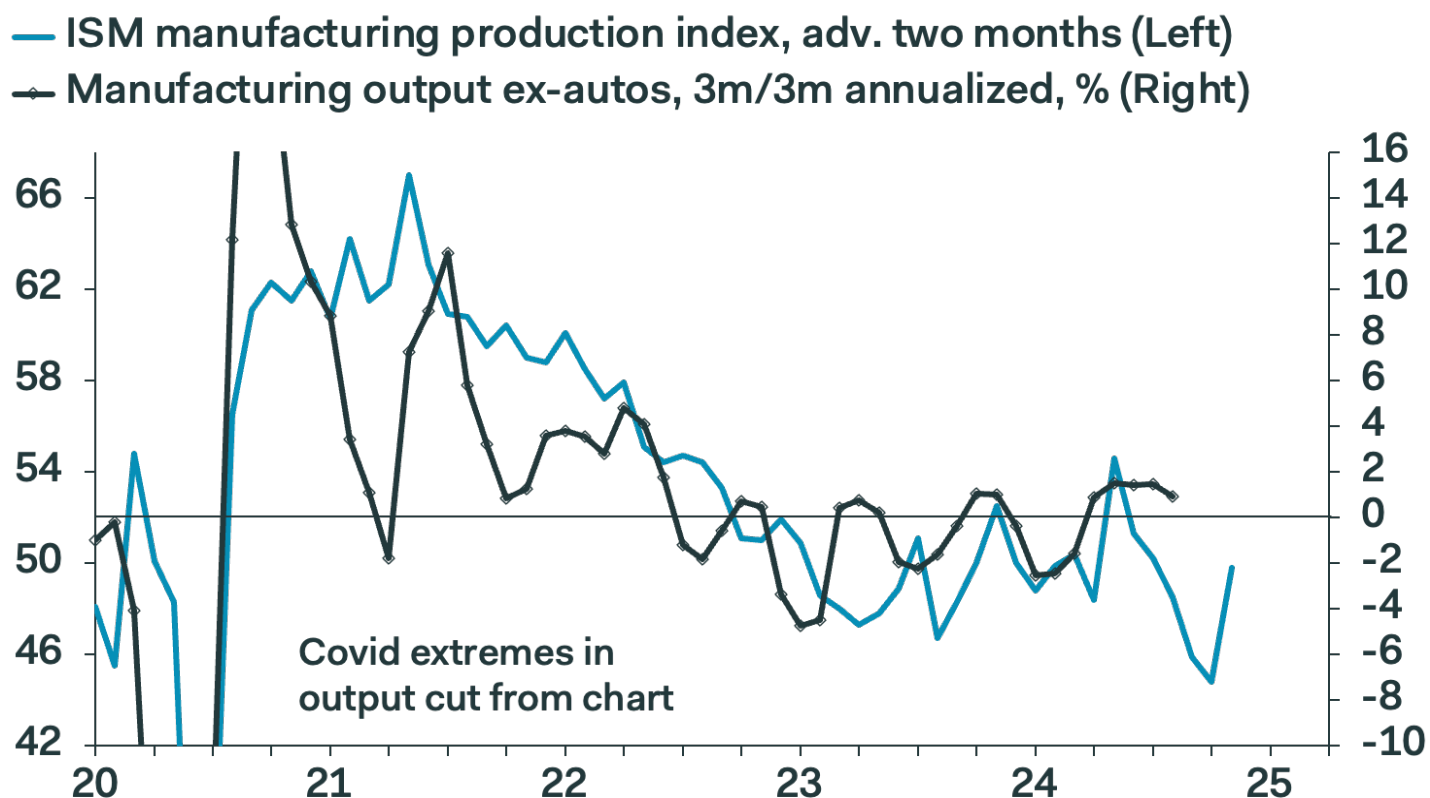
The further decline in long-term interest rates recently probably will provide some support to manufacturing over the next few months, but the chances of a strong recovery seem

very slim for the time being. Our fourth chart suggests that current levels of corporate bond yields are consistent with manufacturing stabilizing rather than gathering much upward momentum. Meanwhile, survey measures of investment intentions generally remain depressed and consumers' appetite for durable goods continues to be curbed by weak home sales and still relatively high interest rates. External demand is showing some signs of life, but this seems to be doing very little so far for the US

manufacturing sector, as our fifth chart shows.

The other eye-catching detail in this report is the below-consensus plunge in the prices paid index to just 48.3, a nine-month low, from 54.0. Much of the commentariat probably will overlook, however, the fact that this index essentially tracks swings in commodity prices in the short term, and oil prices have fallen back considerably. That said, the survey's order backlogs and supplier delivery times components

remained in check in September, as our final chart shows. They continue to point to a gradual deflation in core goods prices over the next couple quarters.



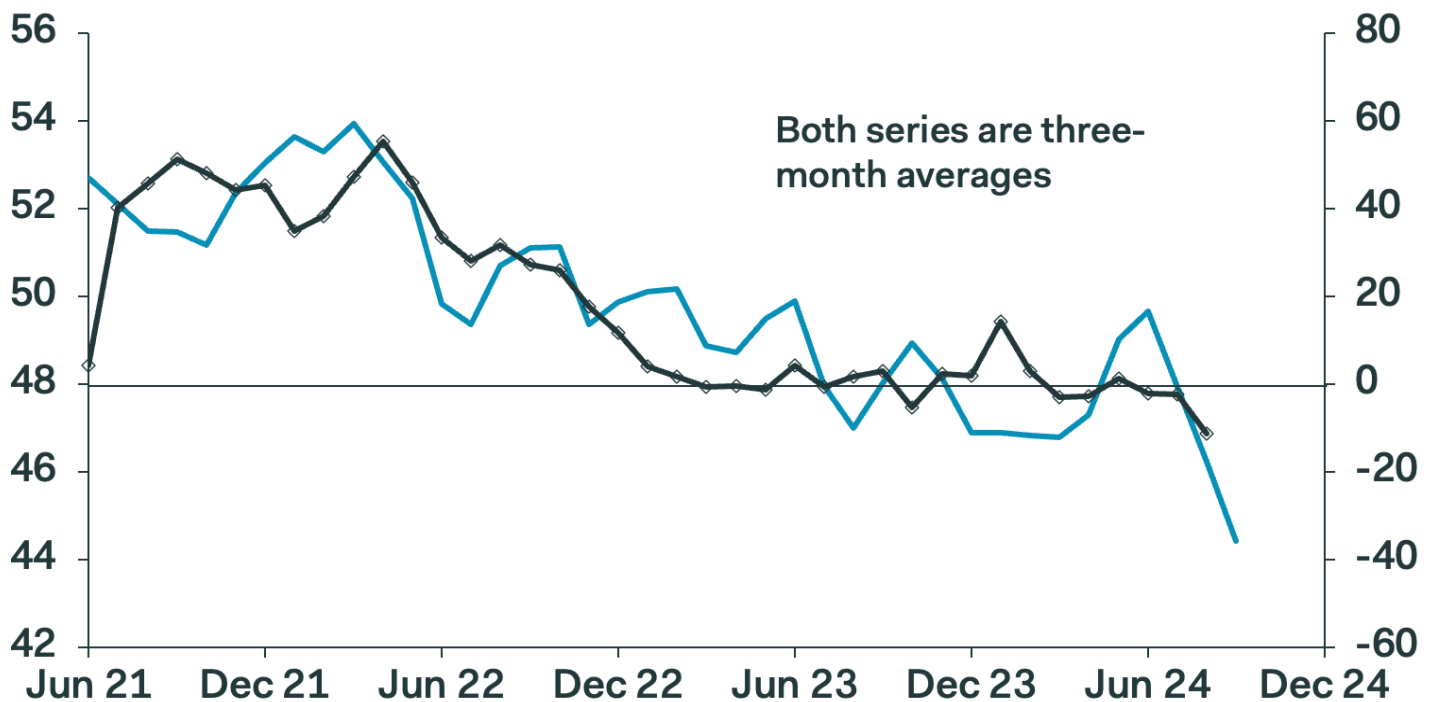
— Ratio of new orders to inventories, advanced three months (Left)

— Headline ISM manufacturing index (Right)



— ISM manufacturing employment index (Left)

— Manufacturing payrolls, m/m change, thousands (Right)



— Yield of ICE BAML US High Yield Index, 3m y/y change, bp, inv., (Left)  
 — ISM manufacturing index, 3m y/y change, pt, (Right)



— ISM manufacturing new export orders index, three-month average  
 — Range implied by standardized indicators of external demand\*, adv. 1m

