

Rebound in US new orders reassuring for near-term growth

2019 looks set to bring some fresh challenges for the US economy, but for the time being, the latest rebound in the ISM manufacturing survey emphasises that things still look very healthy



Source: Shutterstock

Recent Fed commentary has triggered plenty of discussion about where the US economy is headed in 2019. The overall message from the latest ISM manufacturing survey is that things still look fairly rosy.

Probably the most reassuring element of November's survey is the decent rebound in the new orders component – rising from 57.4 to 62.1. Growth in durable goods orders had begun to slow over the past couple of months, raising question marks over the outlook for investment more widely.

Overall message from the latest ISM manufacturing survey is that things still look fairly rosy

Admittedly, there still seems to be a gap between the domestic and external picture – the demand for exports appears to be more restrained, no doubt hampered by ongoing trade tensions. Despite the surprise truce over the weekend, [our team are cautious about reading too much](#) into this news, suggesting these headwinds for export-orientated manufacturers are unlikely to fade rapidly.

59.3 November ISM manufacturing index

Better than expected

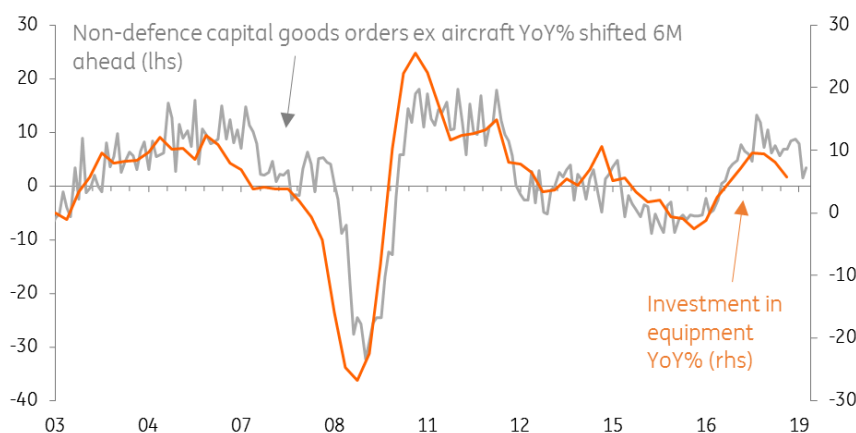
That aside, Monday's ISM data is a good reminder that the corporate sector remains in decent shape, and that will continue to support growth in the near-term. This is one of many reasons why we expect the Fed to hike rates once again in December.

The ISM data is a good reminder that the corporate sector remains in decent shape

The picture is looking a little hazier as we move into 2019. Higher borrowing costs are beginning to take their toll on the housing market and construction, while a stronger dollar and fading tax cut effect will also weigh on momentum to some extent. Overall, we expect economic growth to slow modestly to 2.4% next year.

But with the [strength in wage growth likely to persist](#) next year as skill shortages intensify, we continue to expect the Fed to implement three further 25bp rate hikes throughout 2019.

The recent trend in new orders growth has been slower



Source: Macrobond

Author

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.