

Snap | 1 November 2019

UNITED STATES

US: ISM indicates a manufacturing recession

The US manufacturing sector is in recession due to weak global growth, trade tensions and a strong dollar. There is little reason to expect an imminent turnaround with more support from the Federal Reserve likely needed



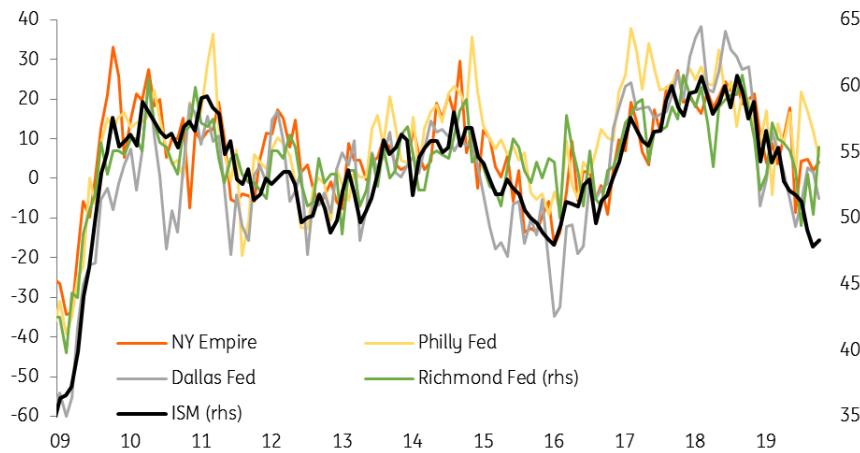
Source: iStockphoto

Manufacturing ISM disappoints again

The US ISM manufacturing index may have risen for the first time in March, but it remains in contraction territory at 48.3 (50 is the break-even level). Moreover, it was weaker than the 48.9 consensus estimate and it has only been weaker twice in the past ten years.

Adding to the sense of gloom for the sector, the report shows that this is the third sub-50 reading in a row with the production component dropping to its lowest level since April 2009. Orders and employment continue to contract with the one bright spot being a remarkable surge in export orders – tariff truce related? – to 50.4 from 41.0.

ISM weaker than the regional surveys

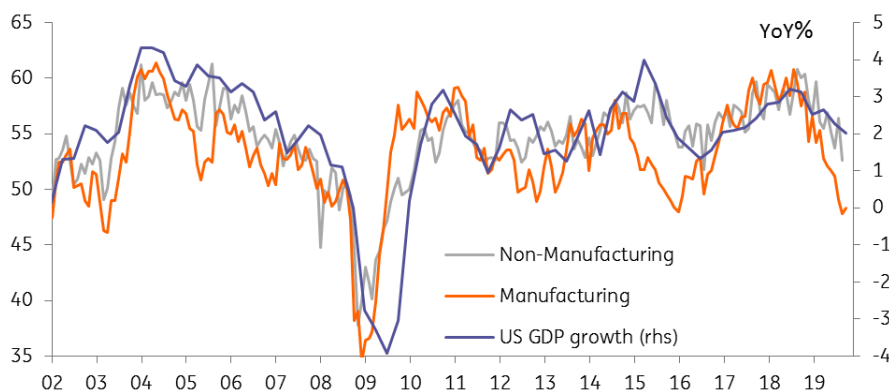


Source: Macrobond, ING

GDP growth set to slow further

Given the weakness in European and Asian indicators and the fact the dollar remains strong, it is difficult to see a sustainable improvement in export orders while there is broadening evidence that activity is decelerating domestically. There has been a truce called in the US-China trade tensions, but we see little scope for an imminent scaling back of the tariffs already enacted. As such this survey, together with the non-manufacturing ISM index which will be released next week (consensus looks for a small rise to 53.6 from 52.6), still suggests that GDP growth overall will trend lower. With inflation and inflation expectations remaining subdued, the Fed has scope to offer more support to the economy.

ISM business surveys signal weaker growth ahead



ISM surveys ask major US companies what they are seeing in terms of output, order, employment, inventories, supplier delivery times and comes up with an aggregate index of performance. #>50 = expansion #<50 = contraction

Source: Macrobond, ING

Author

James Knightley

Chief International Economist, US

james.knightley@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.