

## US manufacturing growth - slower but broader

Manufacturing growth appears to have slowed in April, but it is becoming more broad-based. This should give the Fed the confidence to continue with "gradual" rate hikes



Source: iStockphoto

# 57.3

April ISM manufacturing index

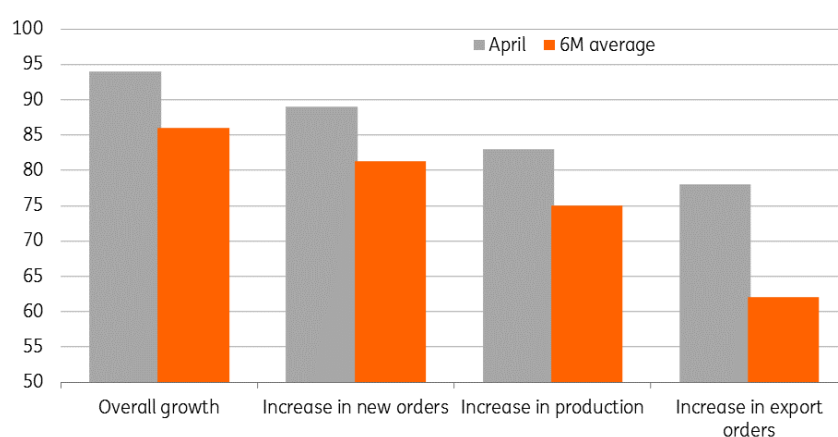
Weakest since July 2017

The US ISM manufacturing index fell a little more than expected in April, coming in at 57.3 versus the 58.5 consensus and down from the 59.3 reading from March. This was the weakest reading since July 2017, but it is important to point out that we are still at levels that historically were consistent with GDP growth of 5%. Admittedly, this has been overstating the situation in recent years, but it still tells us that despite all the recent worries about protectionism, US manufacturing feels as though it is in great shape.

Looking at the details, new orders fell only fractionally to 61.2, suggesting output will remain very robust in the months ahead - remember 50 is the break-even level. Production fell to 57.2 from

61.0 and employment dropped to 54.2 from 57.3, but these sub-indices are still growing, just at a slightly slower rate. New export orders were also robust at 57.7, suggesting the global economy remains in pretty good shape despite worries over some of the recent European numbers.

It is also important to look at the dispersion of the results. According to the ISM, 94% of manufacturing industries are seeing overall growth, with 89% seeing rising orders while 83% are experiencing rising production. These are the highest readings for all three components for at least six months so while we have slightly slower growth overall in US manufacturing according to the ISM headlines, it appears to be more broad-based. This means the Fed can have the confidence to continue with its gradual policy tightening, especially with inflation pressures building in the economy, as highlighted by the prices paid component rising to its highest level since April 2011.



Source: Bloomberg

## Author

**James Knightley**

Chief International Economist

[james.knightley@ing.com](mailto: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 <http://www.ing.com>.