

US manufacturing marches on

An incredibly strong ISM manufacturing survey suggests the sector is benefiting from a strong domestic economy, a weak dollar and a strengthening global economy

60.8

US ISM Manufacturing

58.1 consensus

Better than expected

The September ISM manufacturing report has risen to 60.8 from 58.8 versus the 58.1 consensus forecast. This is the strongest reading for the survey since May 2004 and before that, you have to go back 30 years to 1987. These sorts of levels have historically been consistent with GDP growth of around 6% annualised.

There was strength throughout the report with new orders at 64.6, production at 62.2 and employment at 60.3 - the best since June 2011. This latter reading should reinforce the view that the market will ignore any payrolls weakness on Friday relating to Hurricanes.

Other figures in the report show 94% of manufacturing businesses are reporting growth, 72% are employing more people and 100% are paying more for inputs. Clearly, the domestic economy is very strong, but exports are also benefiting from dollar weakness and a strengthening global recovery story. Wednesday's non-manufacturing survey will be closely followed to see if the rest of the economy is performing as well. Nonetheless, today's report supports the view that 2H17 US GDP growth should be good and keep the Fed on course for a December rate rise.

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