

US surveys surge as 3% growth beckons

Both the non-manufacturing and the manufacturing ISMs back our call of 3% US GDP growth in 2018



Source: iStockphoto

59.9 ISM non-manufacturing index

...at decade plus highs

Better than expected

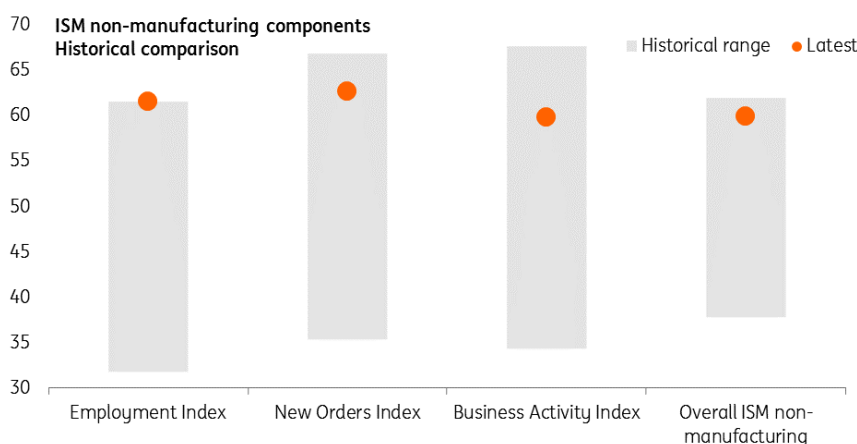
The US ISM non-manufacturing index has risen from a reading of 56.0 in December to 59.9 in January, suggesting the bad weather at the beginning of the month has failed to dent the US economy's momentum. In fact, the headline index is at a 12-year high with the sub-components looking incredibly strong; employment is at its best-ever level in the series' near 21-year history while new orders are at a seven-year high. Production also rose while new export orders gained thanks to stronger global demand and the weaker dollar.

With the non-manufacturing at 59.9 and the manufacturing ISM index at 59.1 versus a break-even 50 level, the US economy looks in fantastic shape right now with tax cuts and the possibility of infrastructure investment adding more fuel to the fire. With wage growth also showing signs of life,

there is going to be growing pressure for the Fed to raise its economic forecasts and signal the potential for four rate hikes when they update their numbers at the March FOMC meeting.

It will take something really big to prevent a March rate hike, with the most likely factor probably being a damaging government shutdown. In that regard, Thursday is the next key date and so far there has been little sign of movement to break the deadlock.

ISM non-manufacturing components relative to history



Source: Macrobond, ING

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