

Flash Comment

US: ISM confirms moderate growth

- The US ISM manufacturing index was slightly lower than expected, rising to 54.1 (consensus 45.5, Danske 55.0) from 53.1. The details were stronger with the new orders index rising again to the highest level since April last year and the export orders index rising for the third month in a row.
- The number confirms that growth in the US continues at a moderate pace around 2.5% at the beginning of 2012 and that the global economy is doing better.
- We look for a further slight rise in ISM manufacturing in coming months to around 55, after which we look for it to go sideways.

Details

The **new orders index** was strong rising from 54.8 to 57.6. Being the most forward looking part of the indicator this is important. The **inventory index** also rose 49.5 from 45.5 leaving a slight deterioration in the order-inventory index, which suggests that most of the improvement in ISM is behind us. The **customer inventory index** also rose, to 47.5 from 42.5. While the inventory indices still point to declining inventories, they suggest that the decline is tapering off. Hence, the positive contribution from inventories to GDP is likely to be smaller from here.

The **export order index** rose from 53.0 to 55.0, the third monthly rise in a row. It confirms that the global economy is gradually improving. The **employment index** fell slightly to 54.3 from 54.8. Although lower it is still at a decent level and points to some job creation in the manufacturing sector.

The **price paid index** jumped from 47.5 to 55.5. Hence, the disinflationary force from commodity prices seems to be coming to an end.

Outlook and assessment

Overall, the report is decent and points to continued moderate growth at the beginning of 2012, as also suggested by, for example, weekly jobless claims. We continue to look for around 2.5% growth in Q1 and the rest of 2012.

ISM (January)				
	Act.	Cons.	DB	Last
ISM man.	54.1	54.5	55.0	53.1
New ord.	57.6			54.8

Source: Bloomberg, Danske Markets

Chief Analyst

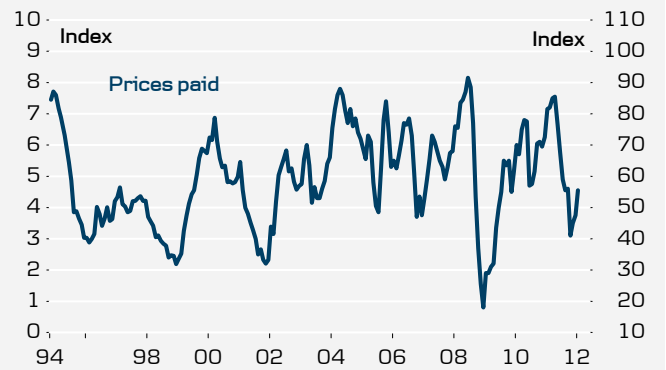
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ISM new orders rise further



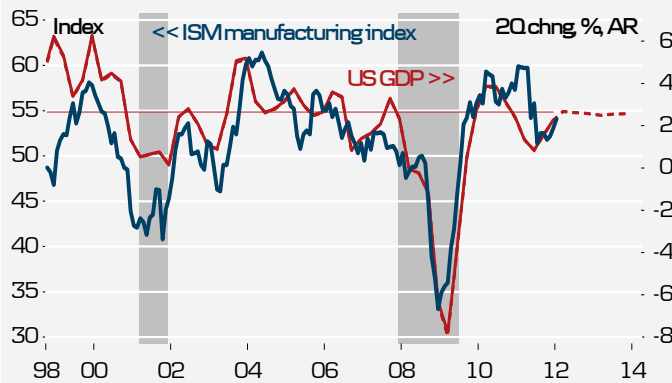
Source: Reuters EcoWin, Danske Markets

ISM prices paid higher in January but still fairly low



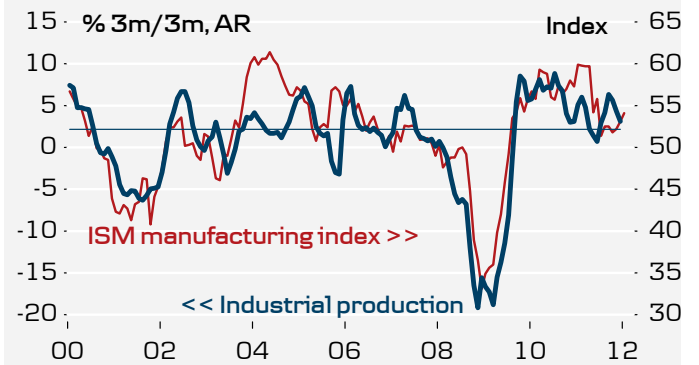
Source: Reuters EcoWin, Danske Markets

ISM in line with decent but not great growth



Source: Reuters EcoWin, Danske Markets

ISM in line with production



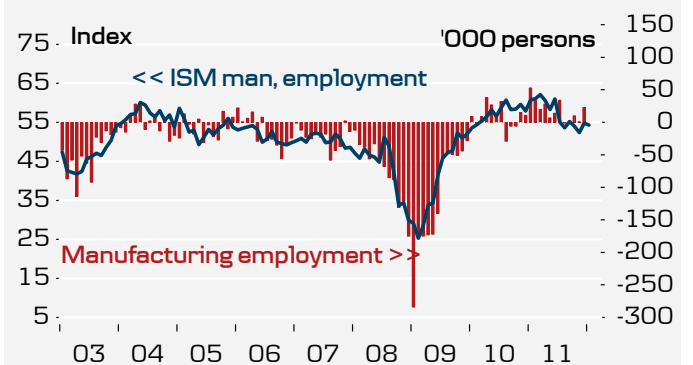
Source: Reuters EcoWin, Danske Markets

Small decline in ISM new order-inventory balance



Source: Reuters EcoWin, Danske Markets

Employment index a bit softer



Source: Reuters EcoWin, Danske Markets

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