US ISM Manufacturing

The ISM's manufacturing index showed that factory activity in the US slumped all the way down to levels not seen since the prior recession in April. The overall index fell to 41.5, as social distancing resulted in factory closures, compounding weak demand and supply chain issues. The production sub-index reached an all-time low since data collection began in 1948, with the new orders and employment sub-indices also close to reaching historic lows. A rise in the supplier deliveries component reflecting supply chain disruptions limited the overall decrease, however, leaving the headline index above the low hit in the prior recession and slightly above the consensus forecast. The ISM index weights the aforementioned sub-indices equally, in contrast to the Markit PMI that gives higher weights to the production and new orders sub-indices, and a lower weight to the supplier deliveries component, explaining the steeper drop seen in the Markit PMI lately. Even once virus containment measures begin to be relaxed, the factory sector will face weak demand as the unemployment rate will remain elevated, while supply chain disruptions will also pose a challenge.