



U.S.: MANUFACTURING SECTOR MOMENTUM EASES IN FEBRUARY

- **U.S. ISM manufacturing index declined modestly to 56.5 from 58.4. Market expectations were for a 58.0 print.**
- **The pace of growth in new orders and production slowed, while the employment sub-index rose to 56.1 from 53.3.**
- **Overall, this was a somewhat disappointing report, suggesting that the pace of U.S. manufacturing growth eased in February.**

The pace of U.S. manufacturing sector growth eased somewhat in February, with the ISM manufacturing index falling to 56.5 from 58.4. This was well shy of the market consensus for a more modest decline to 58.0. Despite the modest decline, this indicator remained above the all important 50-threshold for the 7th consecutive month, suggesting that the U.S. manufacturing sector remains quite buoyant. During the month, growth in new orders (down from 65.9 to 59.5) and production (down from 66.2 to 58.4) slowed. New

export orders were also weaker on the month, falling from 58.5 to 56.5. At the industry-level, 11 of the 16 industries reported growth on the month.

Manufacturing sector employment growth was one of the few bright spots in this report, as the employment sub-index rose from 53.3 to 56.1. The backlog of orders was also higher on the month, rising from 56.0 to 61.0, suggesting that there are still more orders in the pipeline to be filled. Furthermore, as an indication of a possible sustained pick-up in manufacturing sector activity in the coming months, the gap between new orders and inventories remained at a high 12.2, though it dropped from 19.4 in January.

Overall, this was a somewhat disappointing report, as the pace of U.S. manufacturing sector growth appears to have eased in February. However, with the headline index continuing to be well above the 50-threshold, it suggests that the sector continues to enjoy strong growth, on the back of the strong pick-up in global and domestic economic activity.

*Millan Mulraine
Economics Strategist
TD Securities*

For further information, contact Beata Caranci at 416-982-8067.

This report is provided by TD Economics for customers of TD Bank Financial Group. It is for information purposes only and may not be appropriate for other purposes. The report does not provide material information about the business and affairs of TD Bank Financial Group and the members of TD Economics are not spokespersons for TD Bank Financial Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. The report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise TD Bank Financial Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.