



TD Economics

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Data Release: ISM manufacturing index expands further in January

- The U.S. ISM manufacturing index rose to 54.1 in January 2012 from 53.1 in the previous month. The consensus call was for a slightly stronger reading of 54.5.
- New orders accelerated to 57.6 points from 54.8 prior.
- The production sub-index fell to 55.7 points from 58.9 in December.
- Export orders were up by 2 points to 55.0, whereas the employment component dropped 0.5 points to 54.3.
- Inventories increased to 49.5 from 45.5 prior, while prices paid jumped 8 points, reaching 45.0.

Key Implications

- January's ISM report signals the third consecutive expansion in manufacturing activity in the U.S. The details on the report are positive on balance. Continued expansions in new orders and export orders offset the declines observed in production and employment.
- Moreover, despite their marked acceleration, inventories remained in contraction territory for the fourth consecutive month, which may offer some support to production activity going forward.
- The U.S. PMI has not been the only manufacturing survey showing some momentum in recent months. Both China's and Japan's PMIs saw their second month in a row in expansionary territory, while Germany, Brazil, and the U.K. also came back above 50 in January. Granted, all of them have passed the 50-mark by a slim margin, but the important message is that at least the generalized downward trend in manufacturing production observed in early December has been halted.

Martin Schwerdtfeger, Senior Economist
416-982-2559

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