

Monitor

US: ISM preview for April

- March's ISM figure rose slightly to 36.3 from 35.8 in February. Although the composite rose only marginally, the report included stronger details, as new orders rose from 33.1 to 41.2, while inventories dropped from 37.0 to 32.2. The improved orders-inventory balance bodes well for April's release. The prices index rose slightly from 29.0 to 31.0.
- The readings from the local indices have been very positive this month, with improvements in all regions. Overall the local indices have improved by 4.6 index points from 35.6 to 40.1, suggesting a significant improvement in the April ISM. The local price indices suggest only a minor pick-up in the ISM price index to 32.6 in April from 31.0 in March.
- For April, we expect a significant increase in the ISM index to 40, which would be a positive surprise compared to the consensus median forecast of 38.4. There could even be some slight upward risk to our estimate.
- Going forward, we still expect to see a continued recovery in the ISM as production is ramped up to match the pace of demand. This should take place over the coming three to six months as inventory destocking is completed.

ISM (April)

	DB	Cons	Last
ISM	40.0	38.4	36.3
Prices	32.6	34.0	31.0

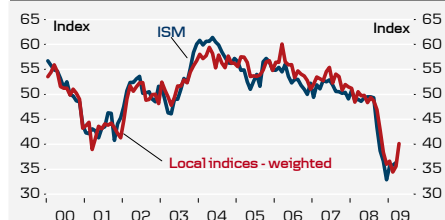
Source: Bloomberg and Danske Markets

Danske Markets ISM targets

	Today	+3mth	+6mth
ISM	40	45	50

Source: Danske Markets

Local indices



Source: Reuters Ecowin and Danske Markets

Comments and research on ISM

Flash Comment – US: ISM inches higher, stronger details (April)

Research – US: Manufacturing recovery ahead (January)

Source: Danske Markets

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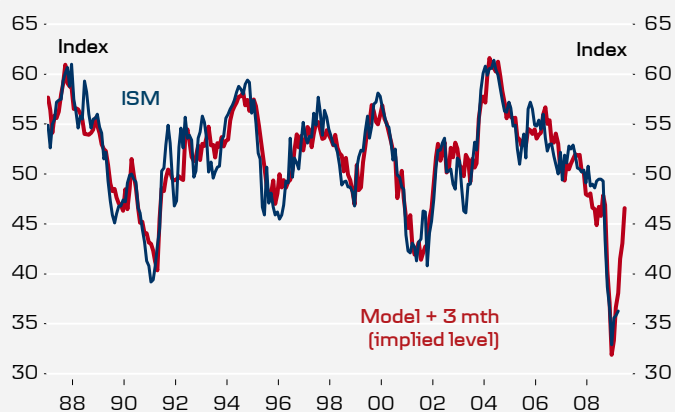
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Local indices (ISM weighted and volatility adjusted)

	This month	Last month	Change 1 mth	Change 3 mths	Change 6 mths
Empire	41.1	33.3	↑ 7.8	↑ 2.6	↓ -1.7
Philly Fed	29.7	24.2	↑ 5.6	↓ -3.0	↓ -6.7
Richmond	49.0	44.3	↑ 4.7	↑ 15.5	↑ 6.7
Dallas	39.3	36.9	↑ 2.4	↓ -0.2	↓ -2.6
Kansas	40.7	35.3	↑ 5.4	↑ 5.6	↓ -0.8
Chicago	39.5	37.4	↑ 2.1	↑ 0.5	↓ -3.5
Cincinnati	39.0	31.4	↑ 7.6	↑ 4.0	↓ -1.4
Milwaukee	39.5	31.5	↑ 8.0	↑ 4.6	↓ -0.9
Weighted	40.1	35.6	↑ 4.5	↑ 3.5	↓ -2.7
Actual ISM		36.3		↑ 3.4	↓ -7.1
Prices					
Weighted	30.5	28.9	↑ 1.6	↓ -4.2	↓ -26.1
Actual prices		31.0	↑ 2.0	↑ 13.0	↓ -22.5

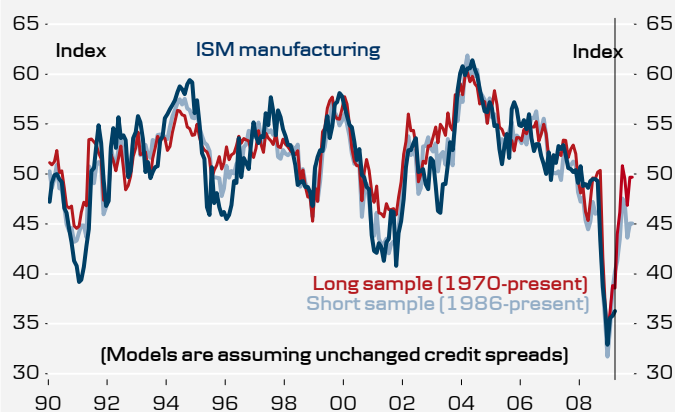
Source: Reuters Ecowin and Danske Markets

3-mth model – implied level



Source: Reuters Ecowin and Danske Markets

6-mth model – levels



Source: Reuters Ecowin and Danske Markets

Local indices detailed

Empire	Apr 09	Mar 09	Feb 09	Jan 09
Shipments	-1.8	-26.7	-8.1	-13.1
New Orders	-3.9	-44.8	-30.5	-22.8
Employment	-28.1	-38.2	-39.1	-26.1
Delivery time	-5.6	-12.4	-12.6	-18.2
Inventories	-36.0	-27.0	-8.1	-19.3
ISM Weighted	34.9	20.2	30.3	30.1
Volatility adjusted	41.1	33.3	38.7	38.6
Philly Fed	Apr 09	Mar 09	Feb 09	Jan 09
General business activity	-1.8	-26.7	-8.1	-13.1
New orders	-3.9	-44.8	-30.5	-22.8
Number of employees	-28.1	-38.2	-39.1	-26.1
Delivery time	-5.6	-12.4	-12.6	-18.2
Inventories	-36.0	-27.0	-8.1	-19.3
ISM weighted	34.9	20.2	30.3	30.1
Volatility adjusted	29.7	24.2	29.8	32.7
Richmond	Apr 09	Mar 09	Feb 09	Jan 09
Shipments	-3.0	-15.0	-56.0	-54.0
New orders	-2.0	-20.0	-54.0	-50.0
Employment	-26.0	-28.0	-41.0	-40.0
Vendor	-9.0	-16.0	-22.0	-14.0
Inventories	40.0	44.0	40.0	42.0
ISM weighted	50.0	43.0	23.4	26.8
Volatility adjusted	49.0	44.3	31.2	33.5

Source: Reuters Ecowin

Local indices detailed (cont.)				
Dallas	Apr 09	Mar 09	Feb 09	Jan 09
Production	-8.9	-22.3	-36.1	-15.4
Growth rate of orders	-22.7	-35.9	-40.2	-42.3
Number of employees	-37.4	-46.6	-36.1	-29.8
Delivery time	-14.9	-20.4	-21.6	-7.7
Finished goods inventories	-26.0	-10.8	-12.4	-12.5
ISM weighted	28.0	22.8	20.7	28.5
Volatility adjusted	39.3	36.9	36.0	39.5
Kansas	Apr 09	Mar 09	Feb 09	Jan 09
Production index	-6.0	-21.0	-24.0	-25.0
Volume of new orders	-10.0	-16.0	-28.0	-23.0
Number of employees	-23.0	-41.0	-40.0	-40.0
Delivery time	-5.0	-5.0	-4.0	-6.0
Inventories, finished goods	-15.0	-19.0	-20.0	-9.0
ISM weighted	28.0	29.6	26.8	29.4
Volatility adjusted	39.3	35.3	33.5	35.2
Chicago PMI	Apr 09	Mar 09	Feb 09	Jan 09
Production	38.1	32.7	34.7	29.7
New orders	42.1	30.9	30.6	30.7
Employment	31.8	28.1	25.2	34.8
Supplier deliveries	45.4	48.4	51.0	51.9
Inventories	30.6	34.9	33.0	38.0
ISM weighted	37.6	35.0	34.9	37.0
Volatility adjusted	39.5	37.4	37.3	39.0
Cincinnati	Apr 09	Mar 09	Feb 09	Jan 09
Production	-50.0	-46.0	-45.0	-38.0
New orders	-36.0	-52.0	-43.0	-46.0
Employment	-31.0	-39.0	-43.0	-36.0
Deliveries	23.0	4.0	17.0	14.0
Inventories	0.0	-25.0	-24.0	-22.0
ISM weighted	-18.8	-31.6	-27.6	-25.6
Volatility adjusted	39.0	31.4	33.8	35.0
Milwaukee	Apr 09	Mar 09	Feb 09	Jan 09
Production	38.0	24.0	25.0	33.0
New orders	41.0	28.0	24.0	24.0
Blue collar employment	35.0	35.0	28.0	26.0
White collar employment	43.0	37.0	38.0	33.0
Deliveries	62.0	62.0	54.0	62.0
Inventories	23.0	21.0	30.0	36.0
ISM weighted	40.6	34.2	33.2	36.9
Volatility adjusted	39.5	31.5	30.2	34.8

Source: Reuters Ecowin

Local price indices detailed				
	Apr 09	Mar 09	Feb 09	Jan 09
Empire	-14.6	-14.6	-13.8	-18.2
Philly	-36.0	-27.0	-8.1	-19.3
Richmond	0.3	-0.2	0.8	1.7
Dallas	-34.7	-41.7	-35.1	-44.2
Kansas	-28.0	-29.0	-27.0	-26.0
Chicago	28.4	34.1	37.8	39.8
Cincinnati	45.4	36.3	39.0	42.8
Milwaukee	38.9	26.1	22.8	19.6
Weighted and volatility adjusted	30.5	28.9	33.7	34.7

Source: Reuters Ecowin

Disclosure

This report has been prepared by Danske Research, which is part of Danske Markets, a division of Danske Bank. Danske Bank is under supervision by the Danish Financial Supervisory Authority. The author of this report is Allan von Mehren, Chief Analyst.

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