

U.S. Data Review

- ISM manufacturing: jump to the highest read since 2022; prices remain elevated

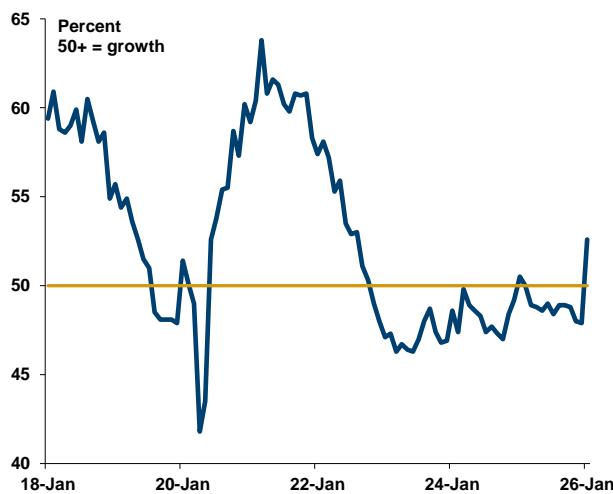
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ISM Manufacturing Index

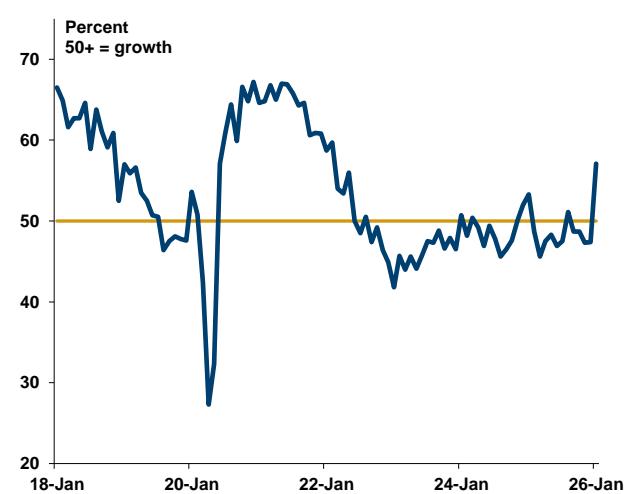
- The Institute for Supply Management's manufacturing index surprised to the upside in the first month of 2026, rising 4.7 percentage points to 52.6 percent – a result exceeding all projections submitted to the Bloomberg economist survey and its first expansionary reading since January 2025. That said, we suspect that the latest shift was at least partially the result of upside volatility tied to post-holiday season replenishing and tariff front-running (a sentiment hinted at in the official release; see below). Recall, prior to January's increase, this metric remained at or below 50.0 percent (the breakeven threshold that separates expansion from contraction) for eleven consecutive months, indicative of a sluggish performance in the factory sector that is unlikely to reverse in only one month's time. Moreover, concerns related to trade policy were abundant in comments submitted to the survey, with headwinds stemming from the current tariff agenda continuing to contribute to the negative assessments of survey respondents. For example, detail from the survey indicated that the Trump administration's trade policy has contributed to the postponement of long-term planning decisions, volatility in supply chains, and reduced profits.
- Of the five components that factor into the calculation of the headline, all were improved in January with only two indicating contraction. The new orders index led the way with a 9.7-percentage-point surge to 57.1 percent, its first expansionary read since August 2025 and highest since February 2022. This pickup, however, may be a transient one, with Susan Spence, MBA, Chair of the Institute for Supply Management Manufacturing Business Survey Committee, stating: "Although these are positive signs for the start of the year, they are tempered by commentary citing that January is a reorder month after the holidays, and some buying appears to be to get ahead of expected price increases due to ongoing tariff issues." Similarly, the production index also posted a substantial gain, increasing 5.2 percentage points to 55.9 percent -- its third straight expansionary observation and the highest read since February 2022. Employment, meanwhile, indicated contraction for the 28th consecutive month, albeit at a slower pace (+3.3 percentage points to 48.1 percent). Of note, "66 percent of panelists still indicate that managing head counts is the norm at their companies as opposed to hiring" – a development reflective of ongoing angst with respect to the clouded economic outlook.

ISM Manufacturing: Headline Index



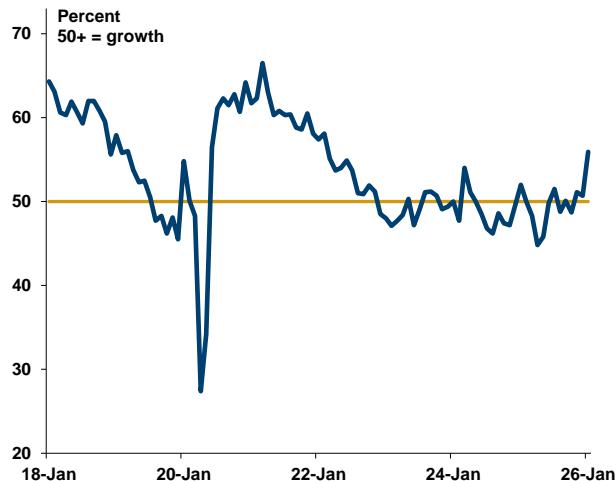
Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: New Orders Index



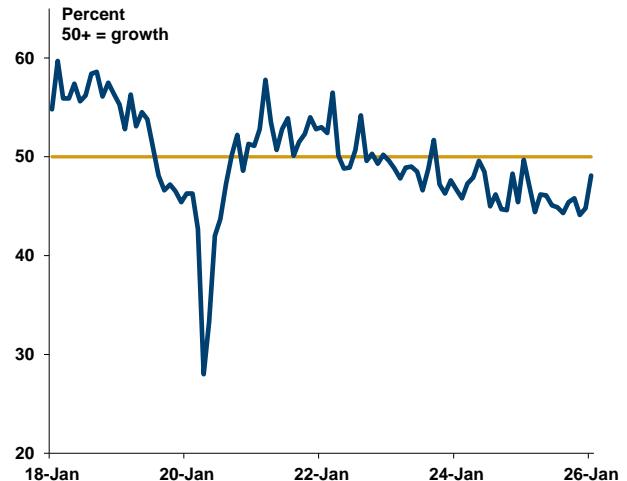
Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: Production Index



Source: Institute for Supply Management via Haver Analytics

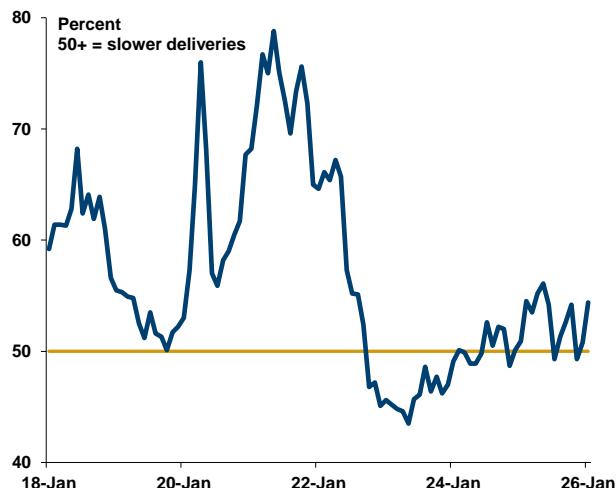
ISM Manufacturing: Employment Index



Source: Institute for Supply Management via Haver Analytics

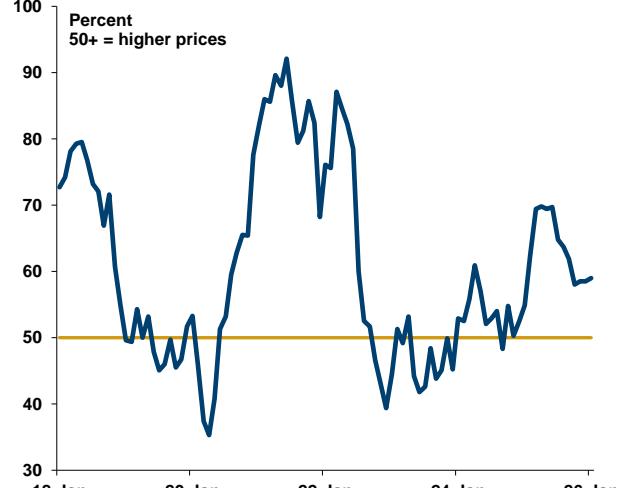
- The supplier deliveries index rose 3.6 percentage points to 54.4 percent in January, indicating “slower” deliveries for the second straight month (and fifth in the past six). Absent an immediate resolution on the tariff front, we suspect that current levies will continue to impact cross-border deliveries for some time. With that said, the latest reading is within historical norms and does not indicate significant disruptions to supply chain functioning.
- The prices index advanced 0.5 percentage point to 59.0 percent in January, its sixteenth consecutive reading signaling higher prices. While this measure has eased from levels seen in the immediate aftermath of the Liberation Day levy announcements last year (peak of 69.8 percent in April 2025), it is still above observations that prevailed in the beginning of 2025. In context, the current elevated read in part reflects “increases in steel and aluminum prices that impact the entire value chain, as well as tariffs applied to many imported goods.”

ISM Manufacturing: Supplier Deliveries Index



Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: Prices Index



Source: Institute for Supply Management via Haver Analytics