

U.S. Data Review

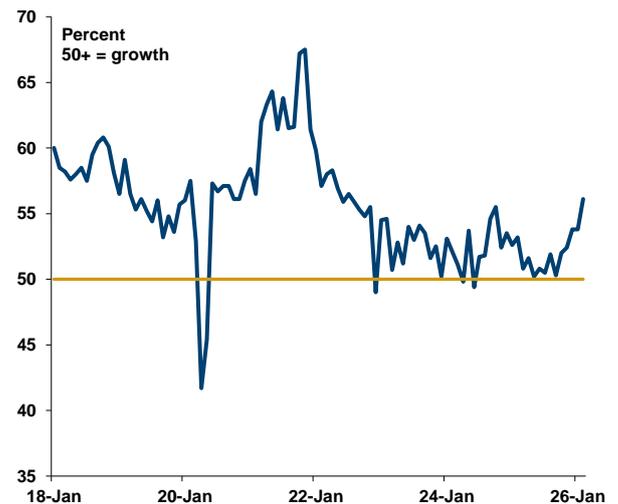
- ISM services: highest observation since July 2022, led by a jump in new orders; prices ease but remain elevated

Lawrence Werther
 lawrence.werther@us.daiwacm.com
 +1-212-612-6393
Brendan Stuart
 brendan.stuart@us.daiwacm.com
 +1-212-612-6172

ISM Services Index

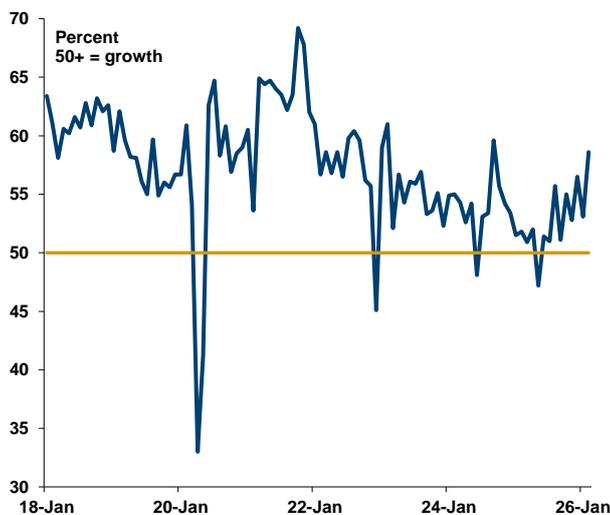
- The Institute for Supply Management's services PMI surprised to the upside in February, rising 2.3 percentage points to a multi-year high of 56.1 percent – a result which surpassed all estimates submitted to the Bloomberg economist survey (median projection of a downtick to 53.5 percent). The latest reading was the 20th consecutive observation in expansion territory (i.e., readings above the breakeven threshold of 50.0 percent), indicative of an ongoing solid performance in the service sector (and the broader economy).
- The improvement in the composite measure was notable, with all but one of the subindexes that feed directly into the headline number increasing in February – though they all still indicated expansion. Leading the advance, new orders posted a 5.5 percentage point increase to 58.6 percent, its ninth straight expansionary read and the highest observation since September 2024. Factoring into the improvement, write-in responses observed “stronger consumer demands, interest-rate stabilization, improved supply chain and stronger services activity.” Business activity, meanwhile, rose 2.5 percentage points to 59.9 percent, its 20th consecutive read above 50.0 percent and the firmest since May 2024. As a result of higher demand, employment remained above the critical threshold for the third straight month, increasing 1.5 percentage points to 51.8 percent (its highest read since February of last year).

ISM Services: Headline Index



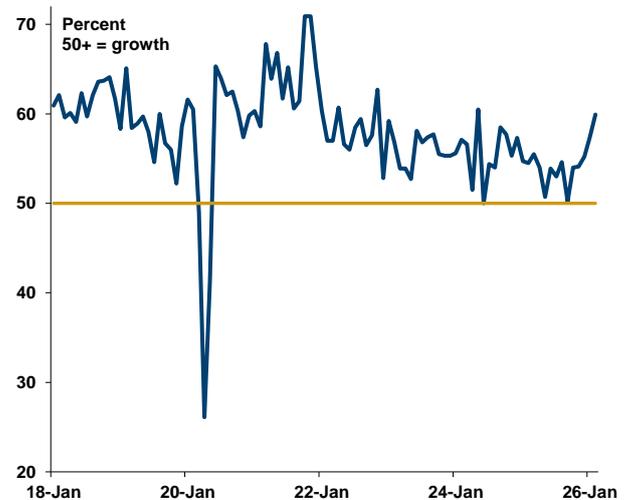
Source: Institute for Supply Management via Haver Analytics

ISM Services: New Orders Index



Source: Institute for Supply Management via Haver Analytics

ISM Services: Business Activity Index

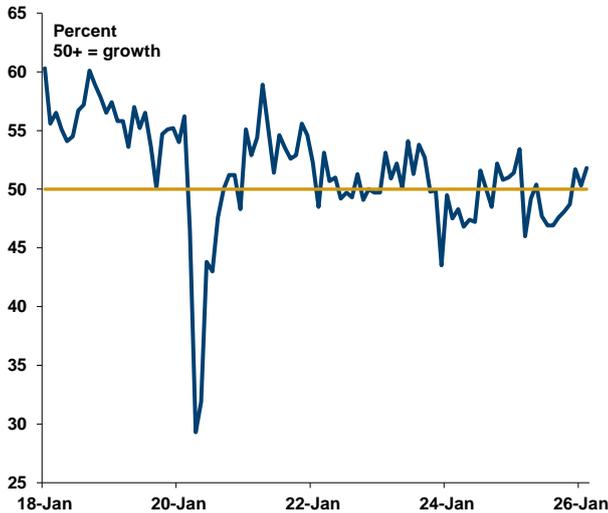


Source: Institute for Supply Management via Haver Analytics

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo (“Daiwa Securities”) and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.

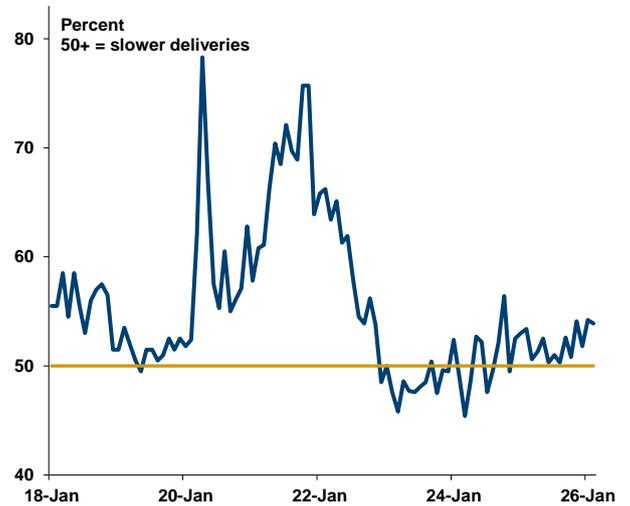
- Supplier deliveries was the sole subindex to decline in February, easing 0.3 percentage point to 53.9 percent, indicating “slower” deliveries for the 15th consecutive month (note that readings within the general vicinity of 50.0 percent suggest well-functioning supply chains). Nine industries reported slower deliveries, up from six in the prior month.

ISM Services: Employment Index



Source: Institute for Supply Management via Haver Analytics

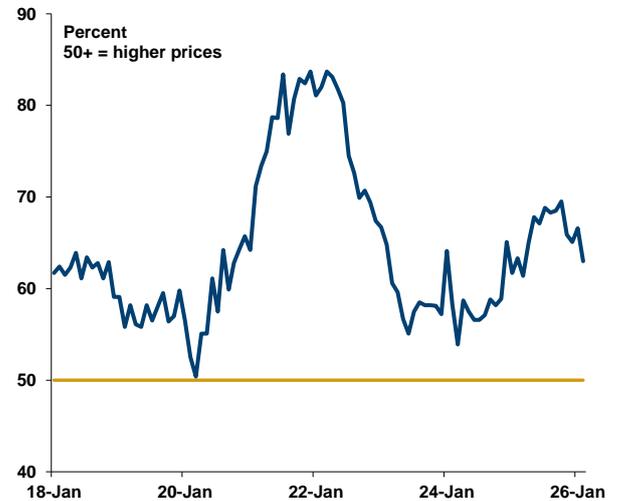
ISM Services: Supplier Deliveries Index



Source: Institute for Supply Management via Haver Analytics

- In contrast to the ISM manufacturing PMI, which earlier this week indicated a surge in input costs, the prices index in the services survey decreased 3.6 percentage points to 63.0 percent. This metric, which doesn't factor into the composite, is notably off the recent high of 69.5 percent in October 2025, though it is still elevated compared to readings that prevailed prior to last year's tariff announcements. On the point of trade, Steve Miller, Chair of the Institute for Supply Management Services Business Survey Committee, noted in the official release that firms view tariff impacts as having “stabilized” and being “embedded in supply chain costs.” Moreover, despite uncertainty generated by the recent Supreme Court's ruling striking down certain measures authorized by the IEEPA, “there was no alarm regarding supply chain performance, suggesting that services companies have developed capabilities to routinely address shifts in tariff policies.”

ISM Services: Prices Index



Source: Institute for Supply Management via Haver Analytics