U.S. Data Review

- ISM manufacturing: softer in August but still indicating expansion for the eighth straight month; price index remains unchanged at an elevated level

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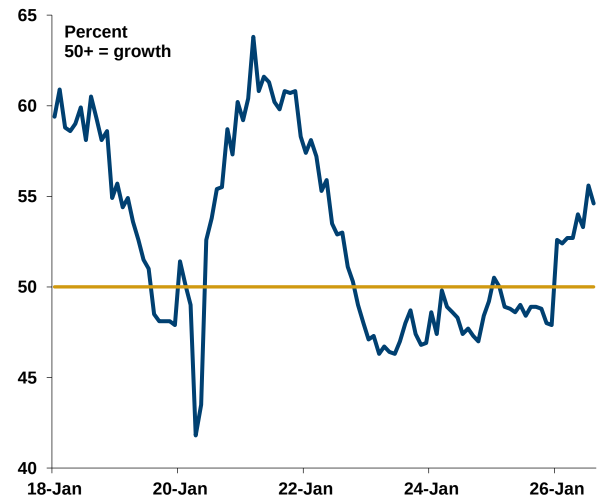
ISM Manufacturing Index

- After rising to a 50-month high of 55.6 percent in the prior month, the Institute for Supply Management's manufacturing PMI declined by 1.0 percentage point to 54.6 percent in August (softer than the median expectation of 55.2 percent from the Bloomberg economist survey). Despite the latest dip, however, August's observation leaves this metric in expansion territory (i.e., above the critical threshold of 50.0 percent) for the eighth consecutive month after a 10-month string of contraction, highlighting manufacturers' ongoing resilience in a challenging business climate. That said, akin to recent reports, comments submitted to the ISM survey illustrated firms' mounting frustration with respect to several headwinds. As noted by Susan Spence, Chair of the Institute for Supply Management Manufacturing Business Survey Committee, in the official release: "Pricing volatility was mentioned in 57 percent of negative comments, the Iran war 30 percent, increasing lead times 46 percent and tariffs 29 percent. (Most comments mentioned multiple factors.)"

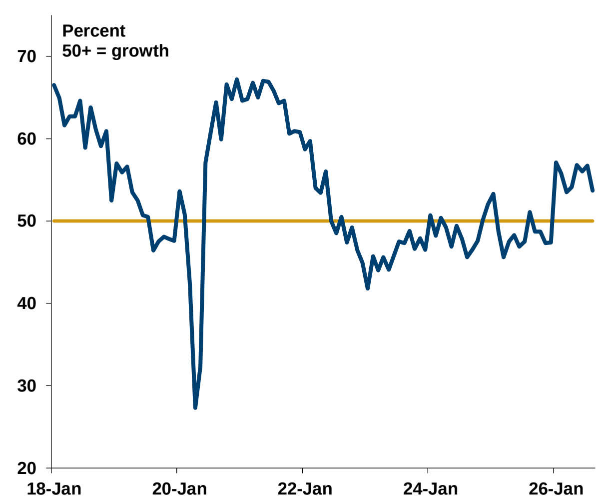
- Delving into the internals of the report, performance across components was still favorable, with all five that factor into the calculation of the composite indicating expansion in August (although four eased from the prior month). In what was seemingly the most notable shift, the new orders index fell 3.0 percentage points to 53.7 percent – still remaining in expansion territory for the eighth straight month. Concurrently, the production index slipped by 0.2 percentage point to 58.3 percent, indicating expansion for the 10th consecutive month (albeit at a slower pace). Meanwhile, after being mired in contraction between October 2023 and June 2026, employment posted its second straight expansionary read -- though it did come in lower from the prior month (-1.6 percentage points to 51.2 percent).

ISM Manufacturing: Headline Index



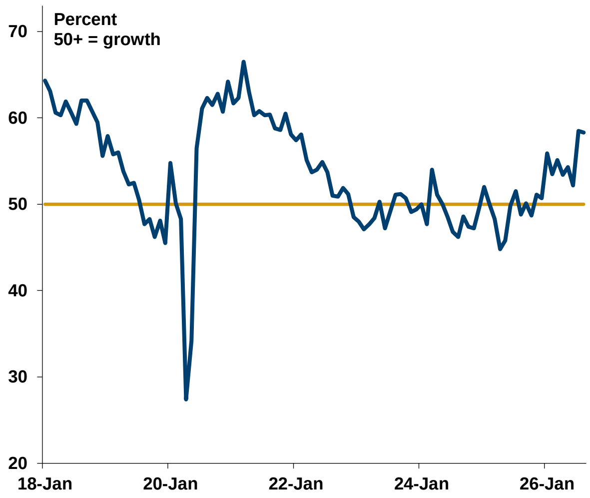
Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: New Orders Index



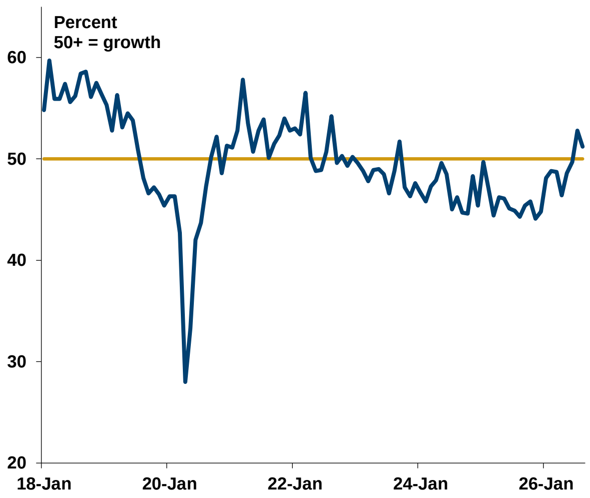
Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: Production Index



Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: Employment Index

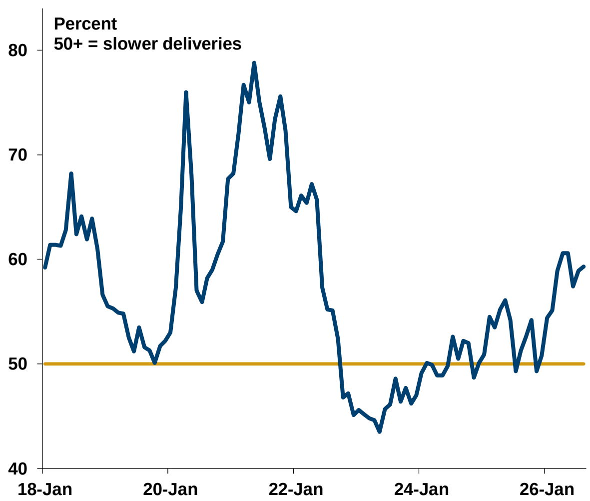


Source: Institute for Supply Management via Haver Analytics

- With respect to other key components, the inventories index came in at 50.6 percent in August, down 0.6 percentage point from July but the third straight observation above the critical threshold. The supplier deliveries index, meanwhile, increased 0.4 percentage point to 59.3 percent, signaling “slower” delivery times for the ninth straight month. In the absence of an immediate and sustainable solution to the current Iran conflict, we suspect that supply chain complications associated with the effective shuttering of the Strait of Hormuz will keep this metric elevated for some time.

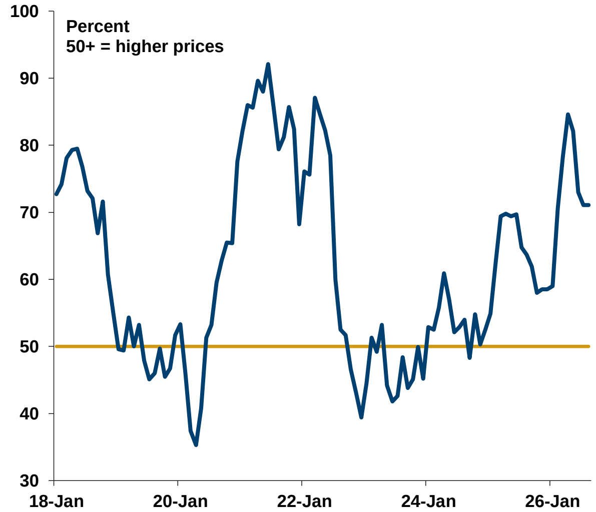
- The prices index, which doesn’t factor into the composite, stood pat at 71.1 percent – the 23rd consecutive month indicating higher prices. While August’s observation is 13.5 percentage points below the multi-year high of 84.6 percent recorded last April, this metric is still well above what prevailed just prior to recent initiatives by the Trump administration (first tariffs and more recently war with Iran). As such, similar to recent reports, the latest pressure is being driven by increases in steel and aluminum prices, tariffs applied to a wide array of imported goods, and increases in petroleum-based products. Moreover, of the 18 manufacturing industries surveyed by ISM, 15 indicated paying higher prices for raw materials in August -- up from 14 in the prior month.

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