

U.S. Data Review

- ISM manufacturing: rebound in production leads improvement in composite though still signaling contraction; prices remain elevated

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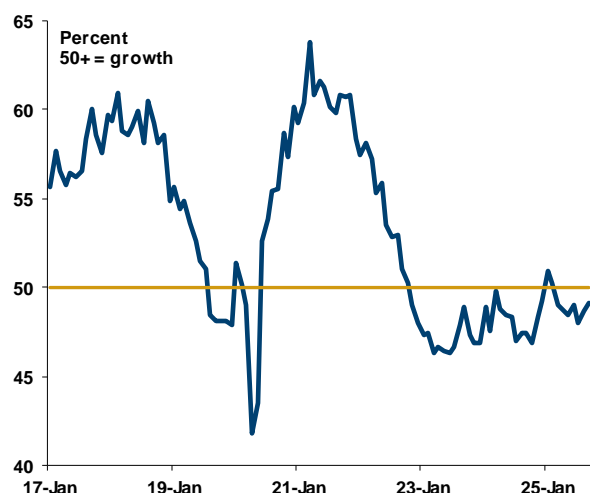
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ISM Manufacturing Index

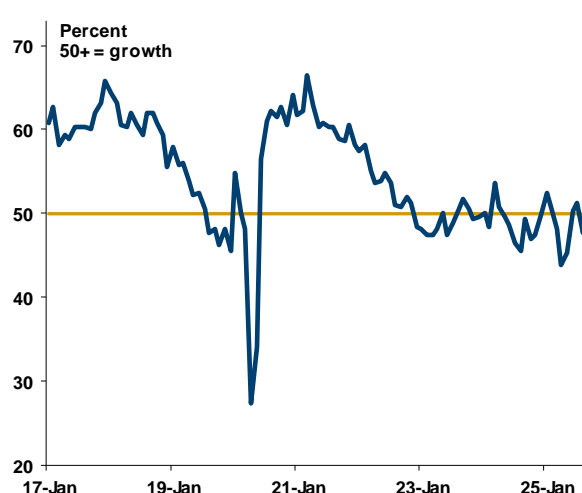
- The Institute for Supply Management's manufacturing index increased 0.4 percentage point to 49.1 percent in September, a touch firmer than the Bloomberg economist survey expectation of 49.0 percent. Despite the improvement, the ISM measure remained below the critical threshold of 50.0 percent for the seventh consecutive month (and 33rd in the past 35), indicating ongoing contraction in the factory sector (chart, below left). Once again, concerns related to trade policy were pervasive in comments submitted by survey respondents, with headwinds stemming from the current tariff agenda continuing to contribute to the downbeat assessments of manufacturers. For example, firms noted that current levies have led to softening order flows, delayed capital projects, and difficulty in actually delivering imported goods across borders due to documentation issues.
- Of the five components that directly factor into the calculation of the composite, three indicated contraction in September, unchanged from August. Looking deeper, the production index, which has oscillated around 50.0 percent in recent months, led the improvement in the headline with the latest rebound pushing it back into expansion after a brief one-month dip in contraction (+3.2 percentage points to 51.0 percent; chart, below right). September's read seemingly reflected passthrough from the prior month's surprise increase in new orders, though that move appears to have been a transient pickup. On the point, new orders returned to contraction in September with a 2.5 percentage point decrease to 48.9 percent (its seventh sub-50 read in the past eight months; chart, next page, left). Meanwhile, the employment index advanced 1.5 percentage point to 45.3 percent, its eighth consecutive contractionary reading (chart, next page, right). Due to the clouded economic outlook, firms are continuing to trim headcounts through layoffs and leaving open positions unfilled. Of note, Susan Spence, Chair of the Institute for Supply Management Manufacturing Business Survey Committee, noted in the official release: "For every comment on hiring, there were three on reducing head counts as companies continued to focus on accelerating staff reductions due to uncertain near- to mid-term demand."

ISM Manufacturing: Headline Index



Source: Institute for Supply Management via Haver Analytics

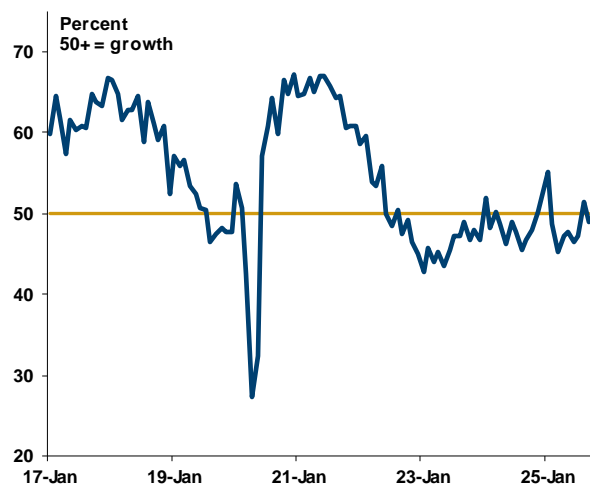
ISM Manufacturing: Production Index



Source: Institute for Supply Management via Haver Analytics

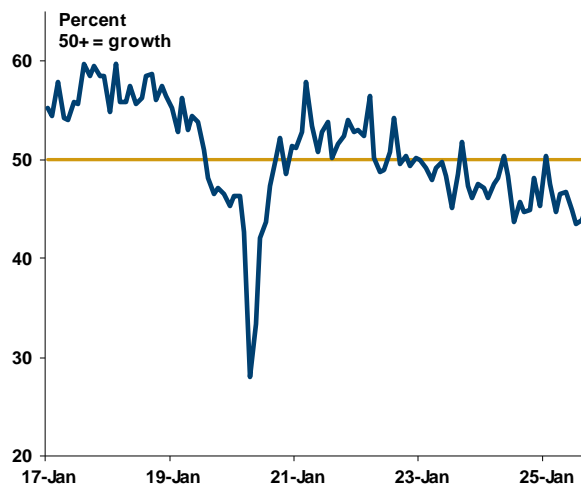
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ISM Manufacturing: New Orders Index



Source: Institute for Supply Management via Haver Analytics

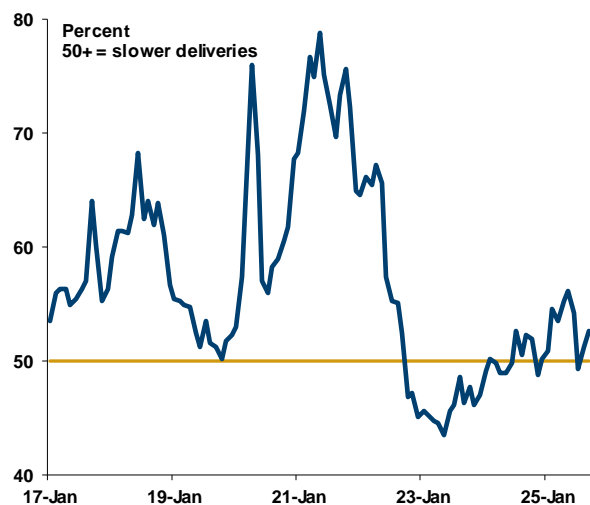
ISM Manufacturing: Employment Index



Source: Institute for Supply Management via Haver Analytics

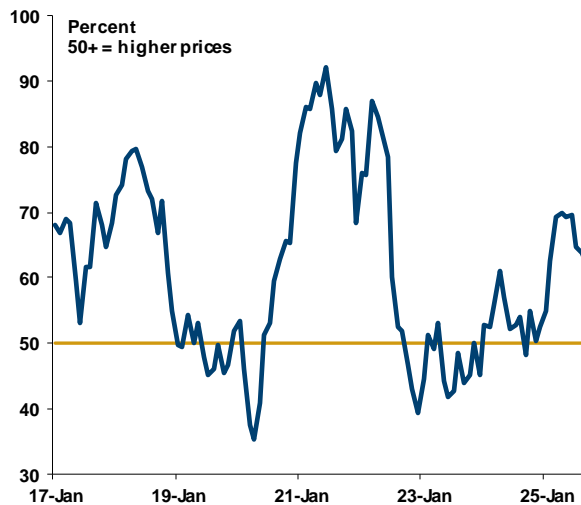
- The supplier deliveries index rose 1.3 percentage points to 52.6 percent in the final month of Q3, signaling “slower” deliveries for the ninth time in the past 10 months (chart, below left). Without an immediate solution in sight, we suspect that tariff policy will continue to affect supply chains for some time, potentially delaying the clearance of goods at ports of entry (a notion supported by recent survey comments). With that said, the latest reading does not indicate significant disruptions to supply chains.
- The prices component fell for the third consecutive month in September, easing 1.8 percent points to a still-elevated 61.9 percent – its 12th consecutive reading indicating higher prices (and eighth straight above 60 percent; chart, below right). While this index has eased from the recent high of 69.8 percent recorded last April, it is still well above levels that prevailed prior to the current tariff episode (i.e., the period from the summer of 2022 through early 2025, when prices moderated from those during the peak of pandemic-related supply chain disruptions). Regarding recent price pressure, survey respondents indicated that current readings are at least in part attributable to “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