

U.S. Data Review

- ADP employment: private hiring posts a below-trend gain
- ISM services: unchanged but indicating expansion for the 19th consecutive month

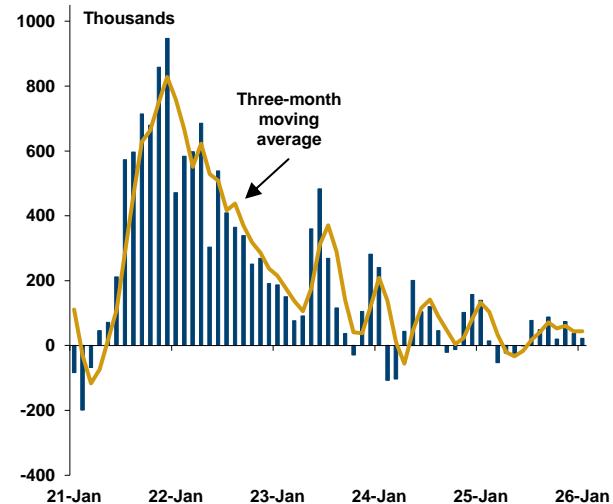
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ADP Employment

- With the Bureau of Labor Statistics' Employment Situation report delayed on account of the since-resolved partial government shutdown, the employment report published by ADP in collaboration with Stanford Digital Economy Lab has taken on some added significance. Nonfarm private payrolls increased by 22,000 in January following a downward revision to the prior month -- a softer result than the median forecast of 45,000 from the Bloomberg economist survey and below the trailing three-month average of 43,700 (chart). The service-providing sector contributed to the majority of the advance (+21,000) while the goods-producing area rose only marginally (+1,000). Looking at the internals of the report, health care and financial activities led the way with advances of 74,000 and 14,000, respectively. Conversely, professional and business services positions declined by 57,000 while the other services component decreased by 13,000. Broadly speaking, we view this report as part of a substantial body of evidence that points to sluggish underlying conditions in the labor market. Firms have yet to engage in significant layoffs, but at the same time they have refrained recently from adding to headcounts in any meaningful capacity.

Change in Nonfarm Private Payrolls



Source: ADP, Stanford Digital Economy Lab via Haver Analytics

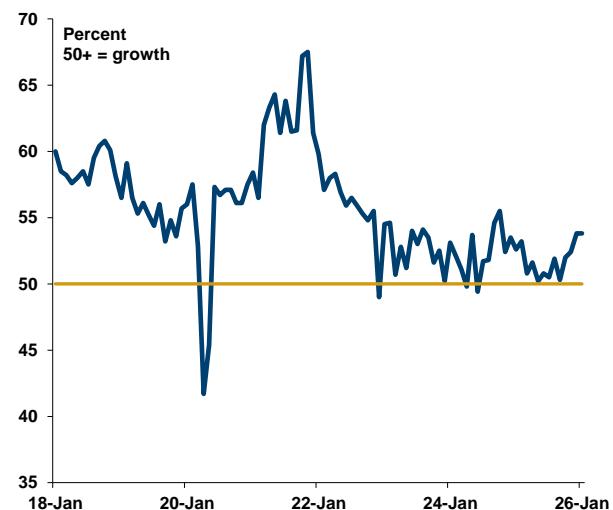
Source: ADP, Stanford Digital Economy Lab via Haver Analytics

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ISM Services Index

- The Institute for Supply Management's services PMI was unchanged at 53.8 percent in the first month of 2026 from a previously downward-revised tally – although the result was marginally better than the survey expectation of a downtick to 53.5 percent. The latest reading was the 19th consecutive observation in expansion territory (that is, above the critical threshold of 50.0 percent), suggestive of ongoing solid activity in the service sector (and the U.S. economy more broadly; chart). That said, there were some pockets of weakness in the latest release, with Steve Miller, Chair of the Institute for Supply Management Services Business Survey Committee, noting: "There was more respondent commentary in January on tariff impacts and uncertainty, potentially the result of annual contract renewals and geopolitical tensions."

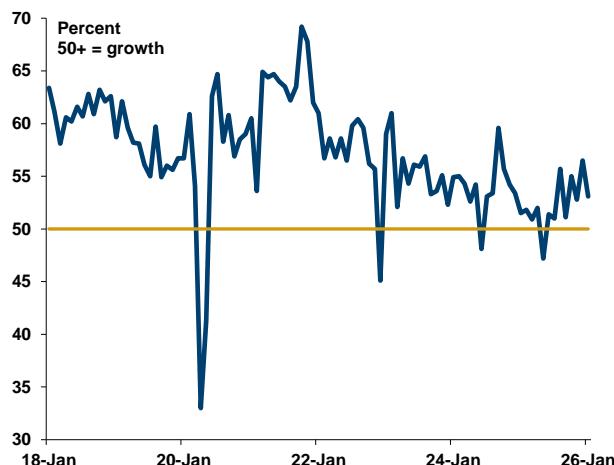
ISM Services: Headline Index



Source: Institute for Supply Management via Haver Analytics

- Performance across the subindexes that feed into the calculation of the composite was mixed, although they all indicated expansion in January. The business activity component increased for the fourth straight month, advancing 2.2 percentage points to a 15-month high of 57.4 percent. New orders, which have whipsawed a bit in recent months, eased 3.4 percentage points to 53.1 percent – its eighth consecutive month of expansion (chart, below left). Employment dipped 1.4 percentage points to 50.3 percent, indicating increased activity for the second straight month, though at a slower pace (chart, below right). Even so, despite recent readings, we still view risks to the labor market as skewed to the downside (see prior story).

ISM Services: New Orders Index



Source: Institute for Supply Management via Haver Analytics

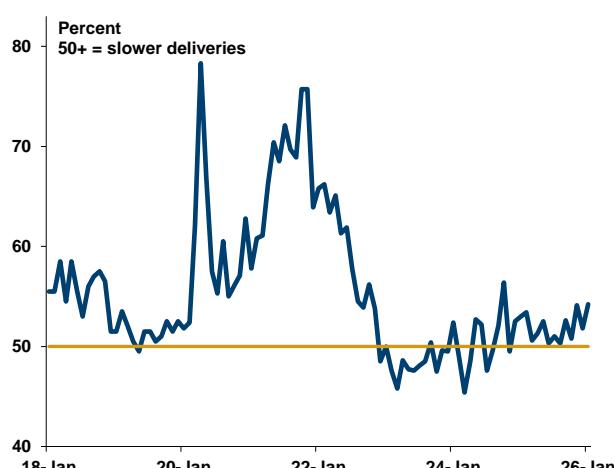
ISM Services: Employment Index



Source: Institute for Supply Management via Haver Analytics

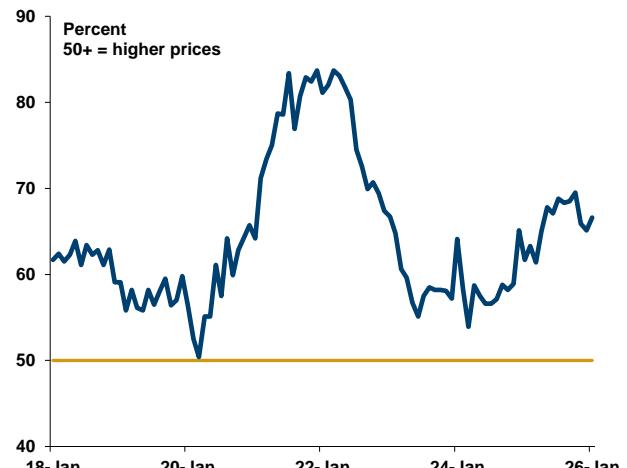
- Supplier deliveries rose 2.4 percentage points to 54.2 percent in January, indicating “slower” deliveries for the 14th consecutive month. Despite the latest estimate being the highest observed since October 2024 (56.4 percent), we would note that readings within the general vicinity of 50.0 percent suggest well-functioning supply lines (chart, below left). Six industries reported slower deliveries, down from seven in the prior month.
- The prices index, which doesn’t factor into the composite, increased 1.5 percentage points to 66.6 percent. 17 industries reported an increase in prices paid, up from 15 in December 2025. While the latest read is off the recent high of 69.5 percent in October 2025, it is still above levels that prevailed just prior to the current tariff episode (chart, below right). On the point of trade, in comments submitted to the survey, respondents noted that prevailing tariff policy has contributed to higher input prices and a rethink in purchasing strategies.

ISM Services: Supplier Deliveries Index



Source: Institute for Supply Management via Haver Analytics

ISM Services: Prices Index



Source: Institute for Supply Management via Haver Analytics