

U.S. Data Review

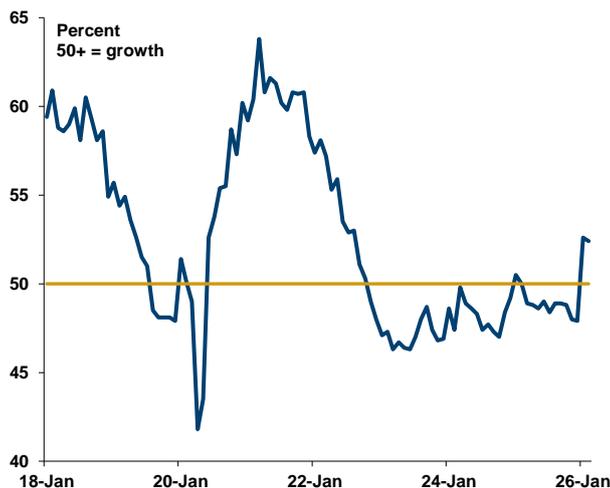
- ISM manufacturing: indicating expansion for the second consecutive month; prices surge to highest level since 2022

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

ISM Manufacturing Index

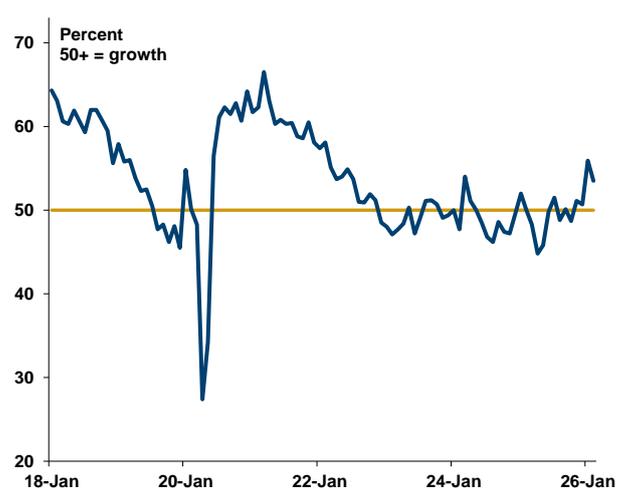
- Following the 4.7-point jump to 52.6 percent in the first month of 2026 (the highest read since August 2022), the Institute for Supply Management's manufacturing PMI eased 0.2 percentage point to 52.4 percent in February. The latest shift was a better result than the expected decline to 51.4 percent and leaves the metric in expansionary territory for the second consecutive month after a 10-month string of contractionary reads. As indicated in the anecdotal responses submitted by survey participants, order bookings are showing signs of improvement, with every negative comment concerning new orders being matched by two comments indicating "optimism about near-term demand." That said, similar to prior reports, angst surrounding tariffs was abundant, with prevailing policy applying pressure to input costs (see below).
- Of the five subindexes that factor into the calculation of the composite measure, three indicated expansion in February (unchanged from January) – although two (production and new orders) eased from previously elevated readings that were notably above recent trends. On the point, the production index slipped 2.4 percentage points to 53.5 percent (its fourth consecutive month of expansion) while new orders dipped 1.3 percentage points to 55.8 percent (its second consecutive plus-50 read). That said, both metrics are still elevated relative to readings in the back half of last year (2025-H2 averages of 50.2 and 48.5 percent, respectively). Concurrently, the employment component, while improved, posted its 29th consecutive contractionary reading in February (+0.7 percentage point to 48.8 percent). Firms remain cautious in adding to headcounts, with Susan Spence, Chair of the Institute for Supply Management Manufacturing Business Survey Committee, indicating in the official release: "Companies continued to focus on accelerating staff reductions due to uncertain near- to mid-term demand. The main head-count management strategies continue to be holding off on filling open positions."

ISM Manufacturing: Headline Index



Source: Institute for Supply Management via Haver Analytics

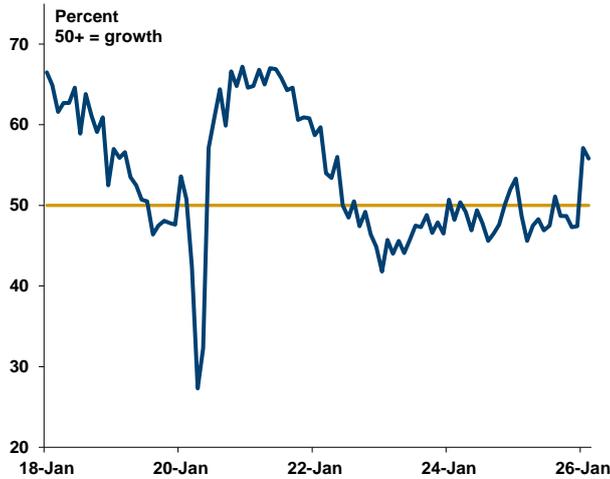
ISM Manufacturing: Production Index



Source: Institute for Supply Management via Haver Analytics

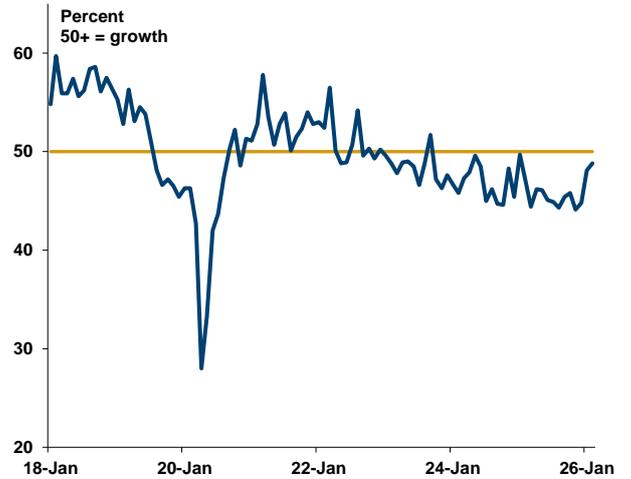
This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. 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.

ISM Manufacturing: New Orders Index



Source: Institute for Supply Management via Haver Analytics

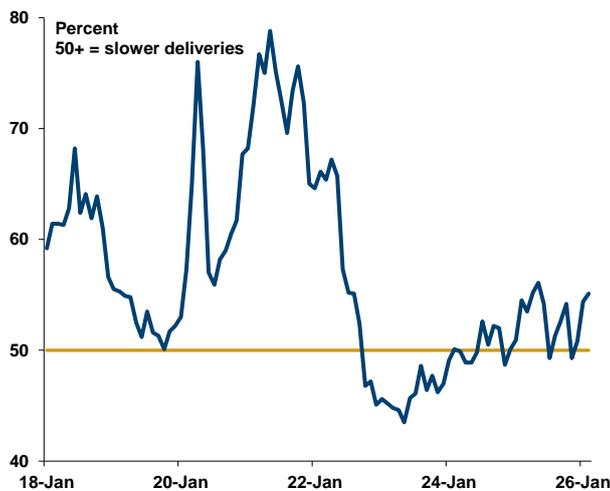
ISM Manufacturing: Employment Index



Source: Institute for Supply Management via Haver Analytics

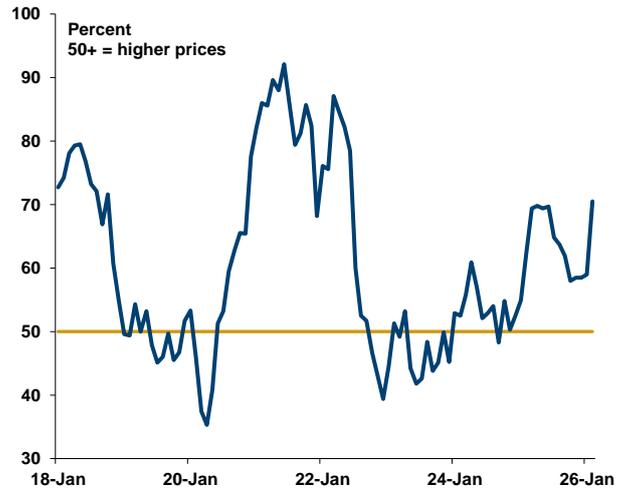
- Turning to other key components, the inventories index rose 1.2 percentage point to 48.8 percent, its 10th straight contractionary observation. The supplier deliveries index, meanwhile, increased 0.7 percentage point to 55.1 percent, indicating “slower” deliveries for the 13th time in the past 15 months. While we suspect that tariff policy will complicate cross-border deliveries for some time, the latest observation is still within historical norms and thus does not indicate significant disruptions to supply chains.
- In perhaps the most surprising development, the prices index surged 11.5 percentage points to 70.5 percent in February, the 17th consecutive reading in expansion territory and the highest since June 2022 – which could signal that inflation pressure tied to commodity prices and tariffs is starting to become persistent in supply chains. Much of the pressure is tied to raw materials prices, with higher steel and aluminum prices “impacting the entire value chain.” Tariffs also are playing a role, even as the Supreme Court struck down certain measures. Nevertheless, the rapid pivot by President Trump to new authorizations demonstrates that the issue is still evolving and thus likely to pose challenges for firms on an ongoing basis.

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