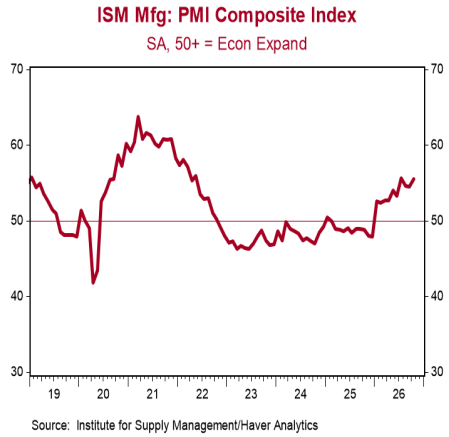
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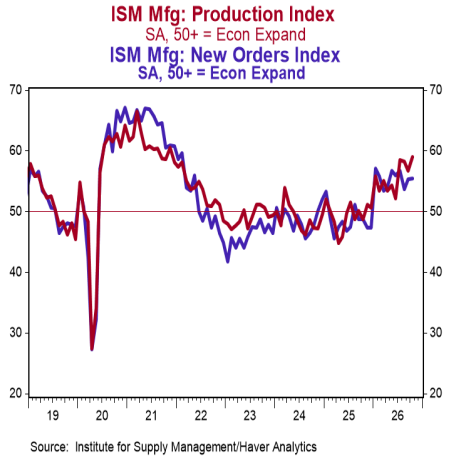
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October ISM Manufacturing Index

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- The ISM Manufacturing Index increased to 55.5 in October, beating the consensus expected 54.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in October. The production index increased to 59.0 from 56.7 and the new orders index rose to 55.5 from 55.3. The employment index declined to 52.4 from 52.7, while the supplier deliveries index ticked up to 59.1 from 59.0.
- The prices paid index declined to 75.2 in October from 77.9 in September.





Implications: Activity in the manufacturing sector continued expanding in October, beating expectations and rising at the second fastest pace since 2022. Activity has now expanded for ten consecutive months, an encouraging development for an industry that faced significant challenges from 2023-2025, and which now appears to be benefitting from AI-related capital investment, the reshoring of production, and increased defense procurement. Looking at the details of the report, twelve out of the eighteen major manufacturing industries reported growth in October, with three industries reporting contraction, and three reporting no change. The major measures of activity moved mostly higher for the month, with all standing above 50, signaling growth. New orders hit a three-month high in October, matching the headline level of 55.5. Up until this year, new orders had been very weak going back to 2023, but explosive growth from the semiconductor and government/defense spaces (particularly in the machinery industry) have led to a strong rebound in 2026. Along with this rise, order backlogs (which sat in contraction territory for more than three straight years before 2026) have grown each month this year and currently sit in solid expansion territory at 54.6. The best news in the report is that the improvement in demand has finally convinced manufacturers to start adding workers, with hiring activity expanding for the fourth consecutive month after nearly three straight years of contraction. Meanwhile, production has ramped up to the fastest pace since late 2021, with the index increasing to 59.0 in October. The worst news in the report is that inflation pressures remain a problem in the manufacturing sector, as the prices index declined to a still-elevated 75.2. The report notes that the prices index has been driven by (1) increases in steel and aluminum prices that impact the entire value chain, (2) tariffs applied to imported goods, and (3) increases in petroleum-based products as a result of the Middle East conflict. This further strengthens our expectation for the Federal Reserve to hike short term interest rates at the meeting in December, although the trend growth in the M2 money supply suggests broad inflation will come down faster than most investors expect in the year ahead. In other news this morning, construction spending declined 1.9% in September, as a huge drop in home construction more than offset sizable increases for office and power projects.

Institute for Supply Management Index *Seasonally Adjusted Unless Noted: 50+ = Econ Growth*	Oct-26	Sep-26	Aug-26	3-month *moving avg*	6-month *moving avg*	Year-ago *level*
Business Barometer	**55.5**	54.5	54.6	54.9	54.6	48.8
New Orders	**55.5**	55.3	53.7	54.8	55.7	48.7
Production	**59.0**	56.7	58.3	58.0	56.5	48.7
Inventories	**51.4**	48.6	50.6	50.2	50.5	46.7
Employment	**52.4**	52.7	51.2	52.1	51.2	45.8
Supplier Deliveries	**59.1**	59.0	59.3	59.1	59.1	54.2
Order Backlog *(NSA)*	**54.6**	56.4	51.8	54.3	53.4	47.9
Prices Paid *(NSA)*	**75.2**	77.9	71.1	74.7	75.1	58.0
New Export Orders	**51.2**	50.9	53.2	51.8	51.2	44.5

Source: National Association of Purchasing Management

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