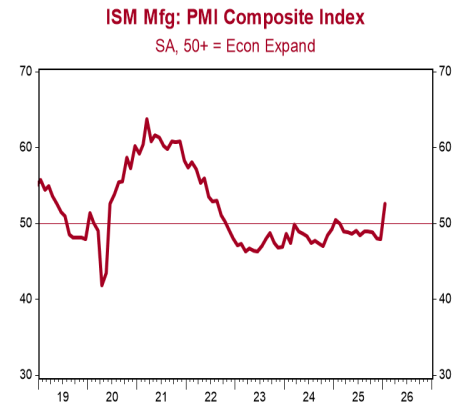


January ISM Manufacturing Index

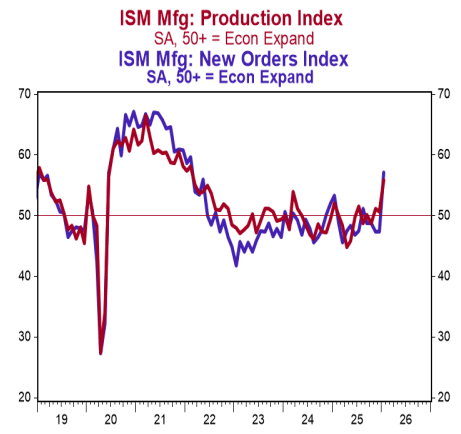
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- The ISM Manufacturing Index rose to 52.6 in January, easily beating the consensus expected 48.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all higher in January. The new orders index jumped to 57.1 from 47.4, while the production index increased to 55.9 from 50.7. The employment index rose to 48.1 from 44.8 in December and the supplier deliveries index increased to 54.4 from 50.8.
- The prices paid index increased to 59.0 in January from 58.5 in December.

Implications: Following nearly three years of contraction, factory activity accelerated unexpectedly to the fastest pace since 2022. This marks the first time the ISM Manufacturing Index has been in expansion territory since it briefly rose above 50 last January and February. One month does not make a trend, but it is a welcome sign for an industry that has faced an army of headwinds in recent years. Looking at the details, growth was split, with nine out of the eighteen major manufacturing categories reporting growth in January, while eight reported contraction, and one reported no change. All major measures of activity rose in January, led by a nearly ten percentage-point increase in the new orders index to 57.1. You wouldn't know that new orders grew at the fastest pace in nearly four years based on the survey comments, however, which were chock-full of complaints about tariffs and criticism of the Trump Administration. It's important to remember that order books were already weak heading into last year. Manufacturers had to rely on their order backlogs to keep production going: the order backlog index was in contraction territory for 39 consecutive months, but that streak ended in January, with the index rising to 51.6. Improving demand was not enough to meaningfully change hiring efforts. The employment index rose to 48.1 in January from 44.8, the highest level in a year – but remains below 50, signaling contraction, now for the 28th consecutive month. On the pricing front, inflation pressures remain, with the prices index increasing to 59.0 after holding steady at 58.5 in the prior two months. While the index remains elevated relative to historical norms, it is well below the recent peak of 69.8 last April and far below levels seen during the post-COVID inflation surge. Taken altogether, it remains to be seen whether this report marks the start of sustained growth for the manufacturing industry. Given last year's false start, caution is warranted.



Source: Institute for Supply Management/Haver Analytics



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Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Jan-26	Dec-25	Nov-25	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	52.6	47.9	48.0	49.5	49.2	50.5
<i>New Orders</i>	57.1	47.4	47.3	50.6	50.1	53.3
<i>Production</i>	55.9	50.7	51.1	52.6	50.9	52.0
<i>Inventories</i>	47.6	45.7	48.5	47.3	47.6	46.7
Employment	48.1	44.8	44.1	45.7	45.4	49.7
<i>Supplier Deliveries</i>	54.4	50.8	49.3	51.5	52.1	50.9
<i>Order Backlog (NSA)</i>	51.6	45.8	44.0	47.1	46.7	44.9
<i>Prices Paid (NSA)</i>	59.0	58.5	58.5	58.7	59.9	54.9
<i>New Export Orders</i>	50.2	46.8	46.2	47.7	46.4	52.4

Source: National Association of Purchasing Management