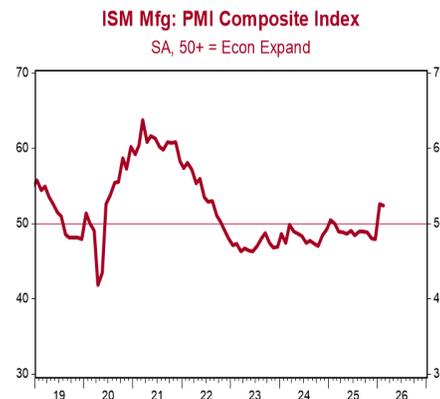


## February ISM Manufacturing Index

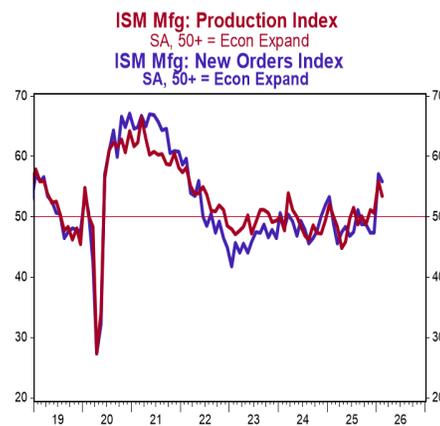
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- The ISM Manufacturing Index declined to 52.4 in February, beating the consensus expected 51.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in February. The new orders index declined to 55.8 from 57.1, while the production index fell to 53.5 from 55.9. The employment index rose to 48.8 from 48.1 and the supplier deliveries index increased to 55.1 from 54.4.
- The prices paid index jumped to 70.5 in February from 59.0 in January.

**Implications:** Activity in the manufacturing sector surprised to the upside for the second month in a row in February, while the price index signaled that inflation remains stubbornly high. Although the ISM Manufacturing Index slipped to 52.4, this marks the first time the ISM Manufacturing Index has been in expansion territory for consecutive months since it briefly rose above 50 last January and February. While we remain cautious given last year’s head-fake, the recent strength is a welcome development for an industry that has faced an army of headwinds in recent years. Looking at the details, growth broadened in February, with twelve out of the eighteen major manufacturing categories reporting growth (versus nine in January), while five reported contraction, and one reported no change. The major measures of activity were mixed, as the categories for new orders and production retraced from January’s rapid pace, but remain in solid expansion territory at 55.8 and 53.5, respectively. Notably, outside of January, this is the highest new orders reading in nearly four years. It’s important to remember that order books were already weak heading into last year, and to keep production going, manufacturers had to rely on their order backlogs. The order backlog index was in contraction territory for thirty-nine consecutive months before moving into expansion territory last month, and the pace accelerated in February, with the index rising to 56.6. Despite signs of improving demand, it was not enough to meaningfully change hiring efforts. The employment index rose to 48.8 in February – the highest level in a year – but remains below 50, signaling contraction, now for the 29th consecutive month. The bad news in the report was a renewed pickup in pricing pressures, with the prices index jumping to 70.5 in February from 59.0 in January. With the recent Supreme Court ruling against much of the Trump’s Administration tariffs, along with the rise in oil prices following the U.S. and Israel strike on Iran, we expect volatility to continue for this category in the months ahead. In other news this morning, construction spending rose 0.3% in December, as increases in homebuilding and power projects fully offset declines across most other categories.



Source: Institute for Supply Management/Haver Analytics



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| Institute for Supply Management Index<br><i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i> | Feb-26      | Jan-26 | Dec-25 | 3-month<br>moving avg | 6-month<br>moving avg | Year-ago<br>level |
|---|-------------|--------|--------|-----------------------|-----------------------|-------------------|
| <b>Business Barometer</b>   | <b>52.4</b> | 52.6   | 47.9   | 51.0                  | 49.8                  | 50.0              |
| <b>New Orders</b>   | <b>55.8</b> | 57.1   | 47.4   | 53.4                  | 50.8                  | 48.7              |
| <b>Production</b>   | <b>53.5</b> | 55.9   | 50.7   | 53.4                  | 51.7                  | 50.0              |
| <b>Inventories</b>  | <b>48.8</b> | 47.6   | 45.7   | 47.4                  | 47.5                  | 49.6              |
| <b>Employment</b>   | <b>48.8</b> | 48.1   | 44.8   | 47.2                  | 46.2                  | 47.1              |
| <b>Supplier Deliveries</b>  | <b>55.1</b> | 54.4   | 50.8   | 53.4                  | 52.7                  | 54.5              |
| <b>Order Backlog (NSA)</b>  | <b>56.6</b> | 51.6   | 45.8   | 51.3                  | 48.7                  | 46.8              |
| <b>Prices Paid (NSA)</b>  | <b>70.5</b> | 59.0   | 58.5   | 62.7                  | 61.1                  | 62.4              |
| <b>New Export Orders</b>  | <b>50.3</b> | 50.2   | 46.8   | 49.1                  | 46.8                  | 51.4              |

Source: National Association of Purchasing Management