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July ISM Manufacturing Index

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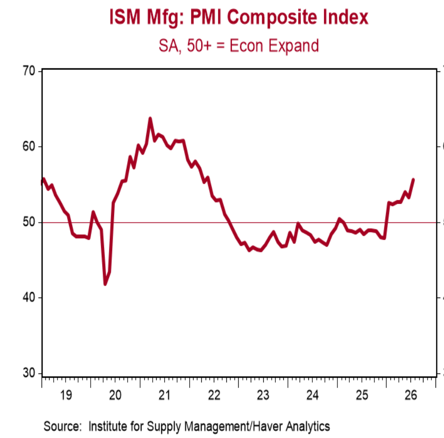
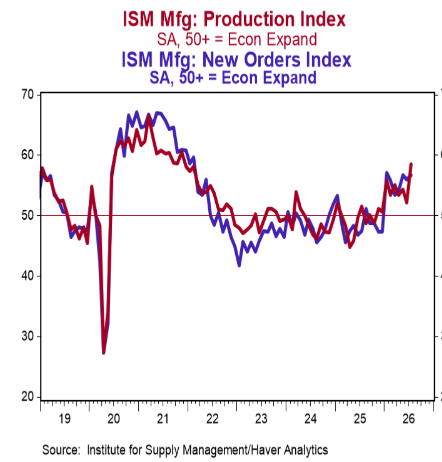
- The ISM Manufacturing Index increased to 55.6 in July, easily beating the consensus expected 53.9. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)

- The major measures of activity were all higher in July. The new orders index rose to 56.7 from 56.0, and the production index increased to 58.5 from 52.2. The employment index rose to 52.8 from 49.7, and the supplier deliveries index increased to 58.9 from 57.4.

- The prices paid index declined to 71.1 in July from 73.0 in June.





Implications: Activity in the manufacturing sector beat expectations in July and accelerated to the fastest pace in more than four years. The 55.6 level registered in July is now the seventh consecutive month of expansion for the ISM Manufacturing index, an encouraging development for an industry that has faced significant challenges in recent years. While we remain cautious for the broader economy, it's clear that AI-related capital investment, the reshoring of production, and increased defense procurement are providing meaningful support to the industry. Looking at the details of the report, fifteen out of the eighteen major manufacturing industries reported growth in July, with only one industry reporting contraction (Chemical Products), and two reporting no change. All of the major measures of activity increased for the month, led by a jump in the production index to 58.5 from 52.2, the highest since 2021. Survey comments report booming demand for semiconductor end products and connectivity (power, networking, and photonics) as well as defense, while order volumes for medical, industrial, and consumer products are markedly lower. It is important to remember that until this year, new orders had been very weak going back to 2023, leaving manufacturers focused on order backlogs to keep production going. So it's great to see that along with the rise in new orders (currently sitting at 56.7), order backlogs have grown each month in 2026 after more than three straight years in contraction, now sitting at 55.5, signaling solid expansion. The best news in the report is that the recent improvement in demand has finally enticed manufacturers to boost their hiring efforts, with the employment index increasing from 49.7 to 52.2, the first time in expansion territory in 34 months. However, of the eighteen major manufacturing categories, an equal number reported employment growth in July (six) versus contraction, suggesting the industry's employment picture remains uneven. On the inflation front, the prices index moved lower to a still elevated 71.1 in July, below its recent peak of 84.6 back in April, but still significantly higher than the 59.0 level at the beginning of the year. While we still believe there are problems elsewhere in the economy, certain industries are driving a manufacturing rebound that few expected just a year ago. In other news this morning, construction spending declined 0.1% in June, as declines in homebuilding and manufacturing projects offset a rise for office and power construction.

Institute for Supply Management Index *Seasonally Adjusted Unless Noted: 50+ = Econ Growth*	Jul-26	Jun-26	May-26	3-month *moving avg*	6-month *moving avg*	Year-ago *level*
Business Barometer	**55.6**	53.3	54.0	54.3	53.5	48.4
New Orders	**56.7**	56.0	56.8	56.5	55.5	47.5
Production	**58.5**	52.2	54.3	55.0	54.5	51.5
Inventories	**51.2**	51.4	49.9	50.8	49.6	48.9
Employment	**52.8**	49.7	48.6	50.4	49.2	44.9
Supplier Deliveries	**58.9**	57.4	60.6	59.0	58.6	49.3
Order Backlog *(NSA)*	**55.0**	50.5	52.2	52.6	53.4	46.8
Prices Paid *(NSA)*	**71.1**	73.0	82.1	75.4	76.6	64.8
New Export Orders	**53.0**	48.5	50.6	50.7	50.0	46.1

Source: National Association of Purchasing Management