First Trust DATAWATCH

September 1, 2026 • 630.517.7756 • www.ftportfolios.com

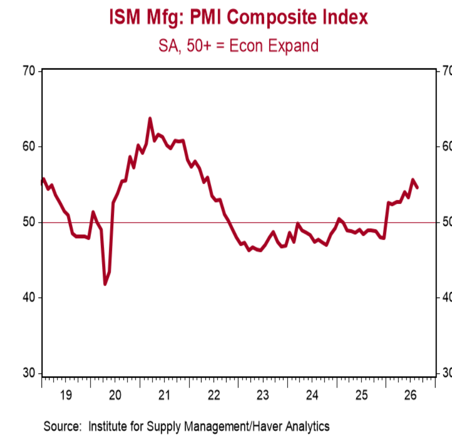
August ISM Manufacturing Index

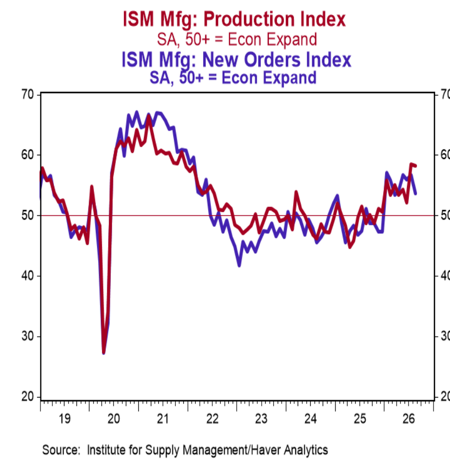
Nate Gerze, CFA – Economist
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist

- The ISM Manufacturing Index declined to 54.6 in August, lagging the consensus expected 55.2. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)

- The major measures of activity were mostly lower in August. The new orders index declined to 53.7 from 56.7, and the production index ticked down to 58.3 from 58.5. The employment index declined to 51.2 from 52.8, while the supplier deliveries index increased to 59.3 from 58.9.

- The prices paid index remained unchanged at 71.1 in August.





Implications: Activity in the manufacturing sector continued expanding in August, although at a slightly slower pace than the previous month. Despite the headline drop, the 54.6 reading for the ISM Manufacturing index marked the second-fastest pace since 2022. That is now the eighth consecutive month of expansion, 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 sector. Looking at the details of the report, fifteen out of the eighteen major manufacturing industries reported growth in August, with only two industries reporting contraction (Wood and Chemical Products), and one reporting no change. The major measures of activity moved mostly lower for the month, but all stand above 50, signaling growth. 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 good to see that along with the rise in new orders (currently sitting at 53.7), order backlogs have grown each month in 2026 after more than three straight years in contraction, currently sitting at 51.8. 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 staying in expansion territory for the second month in a row at 51.2 after nearly three straight years of contraction. Despite the employment index growing slightly slower than the 52.8 reading last month, the mix has improved, with more than double the industries reporting employment growth (seven) versus contraction (three), suggesting the rebound in hiring is extending beyond the strongest areas of the manufacturing sector. On the inflation front, the prices index looks to have stabilized, remaining unchanged from the previous month at 71.1. That is still significantly higher than the 59.0 level at the beginning of the year, but well below its recent peak of 84.6 back in April. 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 0.5% in July, as a large drop in homebuilding offset a rise in office construction. On the employment front, initial jobless claims fell two weeks ago by 4,000 to 203,000; continuing claims fell 8,000 to 1.778 million.

Institute for Supply Management Index *Seasonally Adjusted Unless Noted: 50+ = Econ Growth*	Aug-26	Jul-26	Jun-26	3-month *moving avg*	6-month *moving avg*	Year-ago *level*
Business Barometer	**54.6**	55.6	53.3	54.5	53.8	48.9
New Orders	**53.7**	56.7	56.0	55.5	55.1	51.1
Production	**58.3**	58.5	52.2	56.3	55.3	48.8
Inventories	**50.6**	51.2	51.4	51.1	49.9	49.1
Employment	**51.2**	52.8	49.7	51.2	49.6	44.3
Supplier Deliveries	**59.3**	58.9	57.4	58.5	59.3	51.3
Order Backlog *(NSA)*	**51.8**	55.0	50.5	52.4	52.6	44.7
Prices Paid *(NSA)*	**71.1**	71.1	73.0	71.7	76.7	63.7
New Export Orders	**53.2**	53.0	48.5	51.6	50.5	47.6

Source: National Association of Purchasing Management