

U.S. ISM Manufacturing Index (August 2026)

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ISM Manufacturing expansion holds up in August despite supply chain challenges

- The headline manufacturing PMI slipped 1.0 point to 54.6 in August from 55.6 in July, but remained firmly in expansion for an eighth consecutive month. The reading was modestly below the 55.2 consensus.
- Demand lost momentum, with new orders falling 3.0 points to 53.7 and backlogs declining 3.2 points to 51.8 although both continued to expand. Customer inventories rose 2.1 points to 42.8 but remained low, leaving scope for future replenishment.
- Output was the strongest part of the report. The production index edged down just 0.2 points to 58.3, indicating another month of robust factory output despite softer order growth.
- Employment growth cooled but remained positive, falling 1.6 points to 51.2 from 52.8.
- Price pressures remained elevated. The prices index was unchanged at 71.1, signaling broad and persistent increases in manufacturers' input costs even as headline activity moderated.
- Trade flows softened most visibly on the import side. Imports dropped 3.2 points to 52.5, matching backlogs for the largest monthly decline, while new export orders edged up 0.2 points to 53.2. Supplier deliveries rose 0.4 points to 59.3, indicating a further slowing in delivery performance.
- Respondents commented on factors disrupting their business. One stated that "the economy is annoying; it is getting in the way of otherwise good business." Another noted that "profitability is not far off from last year despite economic headwinds". Several commented on supply chain challenges, including one who said the "supply chain situation ... is going through another crisis".

Key Implications

- Manufacturing is still expanding at a healthy pace, but the August details point to some loss of momentum after July's surge. Strong production and low customer inventories remain supportive, while weaker new orders, backlogs and imports suggest growth is likely to moderate rather than accelerate in the near term.
- Moderating demand growth complicates the otherwise strong inflation signal. Softer orders and

employment point to some easing in demand-side pressure, but persistently elevated input costs and respondents' repeated focus on supply-chain challenges suggest that goods inflation could remain firm even as manufacturing growth slows.

Source: <https://economics.td.com/us-ism-manufacturing-index>