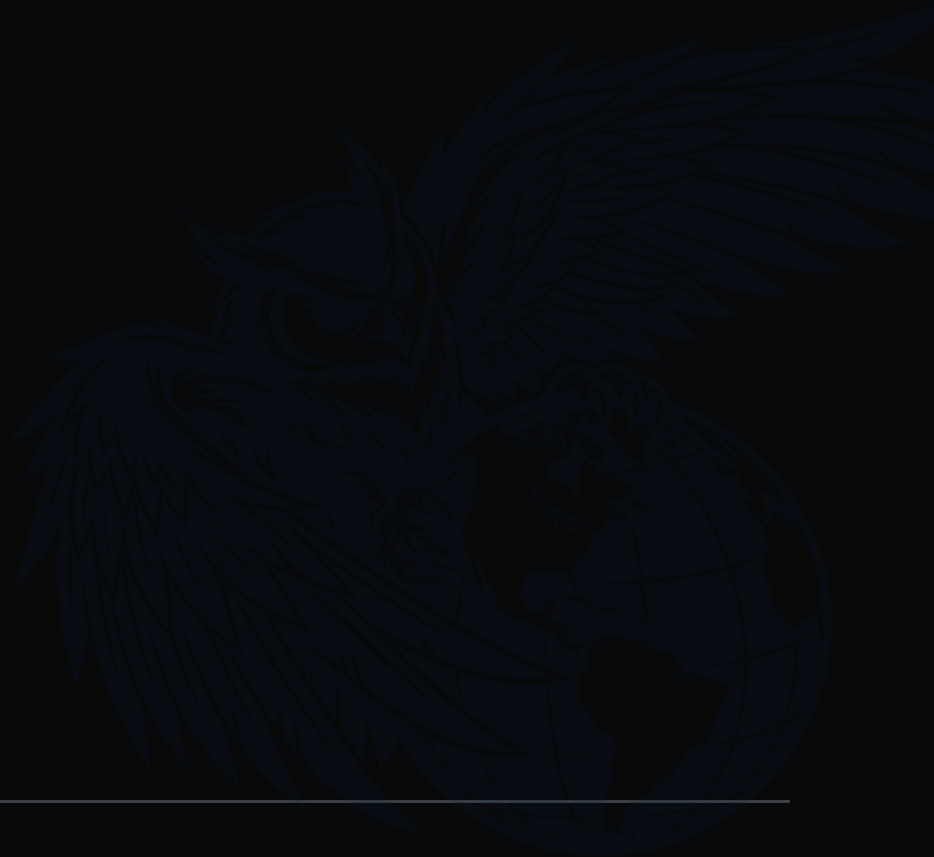

PUBLISHED MARKET RESEARCH

The Factory Floor into Winter: ISM, Fed Output and Factory Jobs

A hot survey, modest official output and slow hiring meet the year-end data run

AIG-MIN-26-005 • 10 OCTOBER 2026

PUBLIC RELEASE
THE AEGEAN REGISTER



THE AEGEAN REGISTER • PUBLISHED MARKET RESEARCH

The Factory Floor into Winter: ISM, Fed Output and Factory Jobs

A hot survey, modest official output and slow hiring meet the year-end data run

US factory surveys say the sector is expanding briskly, and official output has followed, but only modestly and with a pause in August that was not only about cars. Slow deliveries lift part of the survey headline, input costs are high, and hiring is positive but slow. The October readings decide how far the gap closes.

The US factory upturn is real in order books and has reached official output, but only modestly. The Fed's factory output index rose for seven straight months before a fall in August, and the gains were weaker than a survey reading in the mid-50s would suggest; motor vehicles explain only part of the August fall. Slow supplier deliveries account for a large share of the survey headline's distance above 50, and they reflect both strong demand and supply stress, in a split the survey cannot measure. We expect the survey to stay in expansion through year end, with official output growing slowly and factory payrolls rising at a modest pace. Buyers should plan for high input costs through year end, with oil prices as the swing factor and the case weakest in the first quarter, rather than for a broad production boom.

HEADLINE INDICATORS

54.5 ISM MANUFACTURING PMI, SEPTEMBER 2026	77.9 ISM PRICES INDEX, SEPTEMBER 2026	-0.3 percent FED MANUFACTURING OUTPUT CHANGE, AUGUST 2026
75.7 percent MANUFACTURING CAPACITY UTILIZATION, AUGUST 2026	9,000 jobs MANUFACTURING PAYROLL CHANGE, SEPTEMBER 2026	15,000 jobs AVERAGE MONTHLY MANUFACTURING PAYROLL GAIN, JULY TO SEPTEMBER 2026

DOCUMENT CONTROL

REGISTER NUMBER	AIG-MIN-26-005 · formerly PMR-2026-1010-GLB-005
PRODUCT	Assessment · Publishable Market Research
DESK	manufacturing
ISSUED	2026-10-10 · Aegean Intelligence Group
TIMELINESS	CURRENT
DISTRIBUTION	Public release · The Aegean Register · aegeanintel.com/research

CITE THIS REPORT

Aegean Intelligence Group, "The Factory Floor into Winter: ISM, Fed Output and Factory Jobs," AIG-MIN-26-005, The Aegean Register, 2026-10-10.

CENTRAL JUDGMENT

The gap between the factory survey and the official factory data is one of degree, and it matters into winter. Orders and backlogs point up, official output has risen but slowly and paused in August with declines outside motor vehicles too, and hiring has picked up only to a modest pace. We judge that the gap closes from both sides: the delivery pressure that lifts the survey headline fades slowly, while official output resumes modest growth rather than surging. Input prices stay high through year end, and factory jobs keep growing slowly.

KEY JUDGMENTS

KJ-1	The factory upturn has reached official output, but only modestly: official manufacturing output rose for seven straight months before falling in August, weaker than a survey in the mid-50s would suggest, and the August fall was not confined to motor vehicles. Official output shows seven small monthly gains, a 0.3 percent fall in August, growth of 0.9 percent over the year and factory capacity use 2.5 points below its long-run average, while manufacturing excluding motor vehicles also fell 0.2 percent in August.	MODERATE
KJ-2	Part of the survey headline's strength reflects supply stress rather than demand, although the split between demand and supply in the deliveries index cannot be measured from the report. Slow deliveries supply about 1.8 of the headline's 4.5 points above 50, and the direct evidence of supply stress is that 21 percent of respondents' negative comments cite longer lead times, in a month when a war-driven prices index rose to 77.9.	MODERATE
KJ-3	Input price pressure is likely to stay high through year end, meaning an ISM prices index above 70 in the readings for October, November and December, and the judgment is weakest for the first quarter of 2027. The index sits 7.9 points above that mark after a raised oil outlook and metals and tariffs do not reverse within weeks, but its August low was only 1.1 points above the mark and the official outlook has Brent falling from USD 105 in the fourth quarter to an average of USD 84 in 2027.	MODERATE
KJ-4	Factory hiring is likely to stay positive but modest through year end, averaging around 10,000 a month, below its recent three-month pace of about 15,000 a month. On the revised figures, factory payrolls rose 20,000 in July, 15,000 in August and 9,000 in September, against about 8,000 a month since the December low, and the flat workweek and overtime show no labor strain that would force faster hiring.	LOW
KJ-5	The August headline industrial production index masked the factory fall in that month. Utilities output rose 1.8 percent and mining 0.1 percent while manufacturing fell 0.3 percent, netting the total index to unchanged.	MODERATE

KEY STATISTICS

54.5 index ISM manufacturing PMI for September, 2026-10-01⁴	55.3 index ISM new orders index for September, 2026-10-01⁴	77.9 index ISM prices index for September, 2026-10-01⁴	59.0 index ISM supplier deliveries index for September, 2026-10-01⁴
52.7 index ISM employment index for September, 2026-10-01⁴	-0.3 percent Monthly change in Fed manufacturing output for August, 2026-09-18¹	-1.2 percent Monthly change in Fed motor vehicles and parts output for August, 2026-09-18¹	75.7 percent Manufacturing capacity utilization for August, 2026-09-18¹
1.8 percent Monthly change in utilities output for August, 2026-09-18¹	9,000 jobs Monthly change in manufacturing payrolls for September, 2026-10-02³		

Scope and method

METHOD

This paper reads the three monthly series that track US factories: the Institute for Supply Management's manufacturing survey, the Federal Reserve's industrial production and capacity utilization release, and the Bureau of Labor Statistics payroll survey, with the Energy Information Administration's oil price outlook for the cost path. The Fed release was read in its text and in its summary and special aggregates tables, which carry the motor vehicle line and manufacturing excluding motor vehicles; factory payroll revisions were read from the payroll survey's industry table of seasonally adjusted levels. The institute's September report page is on the firm's Source List and is cited here; the page asks for a sign-in, so its figures were read from the institute's own press release text of the same report and checked against a public summary of it. All sources were read on 8 October 2026, and figures are as published on that date. Survey arithmetic in Section 03, the vehicle contribution in Section 02 and the payroll averages in Section 04 are our own, from the published figures. No client-attributable material is used.

SECTION 01 • ASSESSMENT

The survey runs hot

Orders and backlogs are building.

The ISM manufacturing PMI was 54.5 percent in September 2026, 0.1 point below August's 54.6 percent, and marked the ninth consecutive month of expansion, according to the institute's report of 1 October 2026.⁴

New orders rose to 55.3 from 53.7 and the backlog of orders index rose to 56.4 from 51.8, while the production index eased to 56.7 from 58.3 and the inventories index stood at 48.6, in the same report.⁴

Customers' inventories fell to 41.6 from 42.8, and twelve manufacturing industries reported growth in September, the institute said.⁴

UNKNOWN: The customers' inventories reading was not found in a second summary of the report, and the backlog index level before August was not read, so the size of the August drop in backlogs is not stated here.

ASSESSMENT • MODERATE CONFIDENCE

Demand indicators in the survey are firm, and lean customer inventories suggest orders can keep coming for several months. The backlog index swung sharply in a single month, so one month's rise is weak support for a durable order book.

SECTION 02 • ASSESSMENT

Official output has followed, modestly

The hard data rose, then paused.

Manufacturing output decreased 0.3 percent in August 2026 after increasing for seven consecutive months, with gains of 0.4 percent in March, 0.7 percent in April, 0.1 percent in May, 0.1 percent in June and 0.2 percent in July, the Federal Reserve reported on 18 September 2026.¹

Total industrial production was unchanged in August after rising 0.2 percent in July, durable manufacturing fell 0.5 percent with broad-based declines across categories, and nondurable manufacturing was unchanged, in the same release.¹

Utilities output rose 1.8 percent, with electric utilities more than offsetting a fall in natural gas utilities, mining output rose 0.1 percent, and manufacturing output stood 0.9 percent above its level a year earlier, in the same release.¹

Motor vehicles and parts output fell 1.2 percent in August after falling 0.8 percent in July, while manufacturing excluding motor vehicles and parts fell 0.2 percent in August and stood 1.0 percent above its level a year earlier, in the release's special aggregates table.¹

On the release's 2025 proportions of 5.80 for motor vehicles and parts and 70.09 for manufacturing excluding them, our arithmetic puts the vehicle contribution at about 0.1 point of the 0.3 percent manufacturing fall in August, so roughly a third of the decline came from vehicles and two thirds from the rest of manufacturing.¹

Manufacturing capacity utilization fell 0.3 percentage point to 75.7 percent in August, 2.5 percentage points below its 1972 to 2025 average, while business equipment output was 7.1 percent above a year earlier and consumer goods output 1.1 percent below.¹

UNKNOWN: The release text read does not say why vehicle output fell in July and August, so whether model changeovers or plant stoppages drove it is not stated here.

ASSESSMENT • MODERATE CONFIDENCE

Official factory output has grown this year, but slowly, and August looks like a pause in a modest run rather than proof that output never followed the survey. Vehicles explain only about a third of the August fall, and twelve-month growth near one percent with or without vehicles and capacity use well below its long-run average are weaker than a survey headline in the mid-50s would suggest.

SECTION 03 • ASSESSMENT

Prices and supply stress

Costs and deliveries are doing part of the work.

The ISM prices index rose 6.8 points to 77.9 in September from an August low of 71.1, close to the March level of 78.3 recorded when the Iran war began, the institute reported on 1 October 2026.⁴

Among respondents' negative comments, pricing volatility was cited by 46 percent, tariffs by 34 percent, the Iran war by 30 percent and longer lead times by 21 percent, and the supplier deliveries index stood at 59.0, a tenth month of slowing deliveries, the institute said.⁴

The headline PMI is the average of five components, new orders, production, employment, supplier deliveries and inventories, so the deliveries reading of 59.0 contributed about 1.8 of the headline's 4.5 points above 50 in September, while inventories at 48.6 subtracted about 0.3 point; the prices index is not one of the five.⁴

The Energy Information Administration forecast on 6 October 2026 that the Brent crude oil spot price will average USD 105 per barrel in the fourth quarter of 2026, 14 dollars higher than in its previous month's outlook, and fall to USD 84 per barrel in 2027.⁵

UNKNOWN: The split of the deliveries index between demand-driven and supply-driven slowing cannot be measured from the report, the March prices level of 78.3 was not found in a second summary of the survey, and how far a fall in oil prices would pull the prices index down is not estimated here.

ASSESSMENT • MODERATE CONFIDENCE

Delivery pressure explains a large part of the survey headline's distance above 50, and some of it is supply stress, although slow deliveries also reflect strong demand and the inventories drag partly offsets them. The comment shares rank respondents' complaints rather than measure why deliveries slowed, so the direct evidence is the minority citing longer lead times, set against a war that lifted input prices sharply; the official oil outlook makes energy the swing factor for input costs, with easing most likely in the first quarter.

SECTION 04 • ASSESSMENT

Factory jobs pick up, modestly

Hiring lags the survey.

Manufacturing employment was little changed in September 2026, rising 9,000, and was 72,000 above a recent low in December 2025, the Bureau of Labor Statistics reported on 2 October 2026.³

The payroll survey's industry table puts seasonally adjusted manufacturing employment at 12,608,000 in June, 12,628,000 in July, 12,643,000 in August and 12,652,000 in September 2026, gains of 20,000, 15,000 and 9,000, with August and September preliminary.⁶

On those figures, our arithmetic puts the average factory payroll gain at about 15,000 a month from July to September 2026, against about 8,000 a month over the nine months since the December low.⁶

The average manufacturing workweek was unchanged at 40.6 hours and overtime held at 3.0 hours, while total nonfarm payrolls rose 29,000 and the unemployment rate was 4.2 percent, in the same release.³

The ISM employment index rose to 52.7 in September from 51.2 in August, according to the institute.⁴

UNKNOWN: The first published estimates of factory payrolls for July and August were not read from a primary source, so the size of their revisions is not stated here.

ASSESSMENT • LOW CONFIDENCE

Factory hiring has picked up to a modest pace, about 15,000 a month over the last three months, consistent with an employment gauge in the low 50s, but September slowed to 9,000 and a flat workweek and flat overtime show no labor strain that would force faster hiring. Monthly sector payrolls are noisy and the latest two months are preliminary, so the three-month pace is a weak guide to the next print.

SECTION 05 • ASSESSMENT

The data run into year end

The test comes in a few weeks.

The Federal Reserve schedules its industrial production releases for 16 October, 17 November and 16 December 2026, with an annual revision on 24 November 2026 that moves the index base year to 2022.²

The October employment report is scheduled for 6 November 2026, according to the Bureau of Labor Statistics.³

The institute's October manufacturing report is due on 2 November 2026.⁴

UNKNOWN: The size and direction of the annual production revision are not known before it is published.

ASSESSMENT • MODERATE CONFIDENCE

The September output figure and the October survey are the first real test of whether official output resumes its modest growth and how much of the survey strength fades with delivery pressure. Both arrive within a month, before the annual revision can change the history.

SECTION 06 • DECISION

Decision

Decision	Owner	Trigger	Pre-authorised action
Treat the survey upturn as only partly confirmed in capacity planning	Operations planning lead	The Fed's September manufacturing output, published on 16 October 2026, falls again, including outside motor vehicles	Hold capacity additions to those already contracted until an official release shows renewed growth
Extend cost cover on energy-linked inputs	Procurement lead	The October ISM prices index, published on 2 November 2026, stays at or above 70.0	Extend fixed-price cover on petroleum-based inputs through year end; extend into the first quarter only where cover is cheap, because the case for high input prices is weakest there as the official outlook has oil falling in 2027

SECTION 07 • OUTLOOK

Outlook

Baseline. The survey stays in expansion with a softer headline as delivery pressure eases slowly, official factory output resumes modest growth after its August pause, and factory payrolls keep rising at a modest pace. Input prices stay high through year end while oil prices stay elevated, then ease in the first quarter.

Deterioration. Energy and tariff costs squeeze margins, new orders turn down, and a second fall in official output outside motor vehicles shows the survey strength was mostly supply stress. Factory payrolls slip.

Stabilization. Official output growth picks up toward what the orders imply, backlogs are worked down, and price pressure eases as energy costs settle. Hiring holds near its recent three-month pace.

Claim C-1. The ISM manufacturing PMI for October 2026 is at or above 53.0. Probability 0.70. Resolves on 2026-11-02 from Reuters: YES if Reuters reports a headline ISM manufacturing PMI for October 2026 of 53.0 or higher, as first published, whatever the method; NO otherwise. Horizon 30 days. The September reading was well above this level and new orders and backlogs rose. Easing supplier deliveries could still pull the headline down.

Claim C-2. The ISM prices index for October 2026 is at or above 70.0. Probability 0.75. Resolves on 2026-11-02 from Reuters: YES if Reuters reports an ISM manufacturing prices index for October 2026 of 70.0 or higher, as first published, whatever the method; NO otherwise. Horizon 30 days. The index stayed above 70 even at its August low and respondents tie it to metals, tariffs and energy, which do not reverse within a month. A sharp fall in oil prices is the main risk.

Claim C-3. Fed manufacturing output for September 2026 is unchanged or higher than in August. Probability 0.60. Resolves on 2026-10-16 from Federal Reserve Board data & statistics: YES if the industrial production release of 16 October 2026 shows a monthly change in manufacturing output for September 2026 of 0.0 percent or more, as first published, whatever the method; NO otherwise. Horizon 30 days. Official output rose for seven straight months before the August pause, and survey production and new orders argue for a rebound. The monthly gains have been small and the August decline reached beyond motor vehicles, so the call is only modestly above even.

Claim C-4. Total Fed industrial production for September 2026 is unchanged or higher than in August. Probability 0.55. Resolves on 2026-10-16 from Federal Reserve Board data & statistics: YES if the industrial production release of 16 October 2026 shows a monthly change in total industrial production for September 2026 of 0.0 percent or more, as first published, whatever the

method; NO otherwise. Horizon 30 days. A factory rebound would lift the total. The large electric utilities gain in August is likely to partly reverse, which holds the total call close to even.

Claim C-5. The monthly change in US manufacturing employment for October 2026. Point and interval: lo -15, central 10, hi 35, unit thousand jobs, level 80. Resolves on 2026-11-06 from Bureau of Labor Statistics: the over-the-month change in manufacturing employment for October 2026, in thousands, as first published in the Employment Situation of 6 November 2026, whatever the method. Horizon 30 days. Factory payroll gains averaged about 15,000 a month from July to September but slowed to 9,000 in September, and the workweek is flat. The interval is wide because one month of sector payrolls is noisy and vehicle employment swings.

Claim C-6. The ISM manufacturing PMI for November 2026 is at or above 50.0. Probability 0.85. Resolves on 2026-12-01 from Reuters: YES if Reuters reports a headline ISM manufacturing PMI for November 2026 of 50.0 or higher, as first published, whatever the method; NO otherwise. Horizon 60 days. The survey has been in expansion for nine months with a wide margin, and lean customer inventories support orders. Only a sharp demand shock would push it into contraction within two months.

Indicators.

- The Fed's September industrial production release on 16 October 2026, manufacturing, motor vehicle, manufacturing excluding motor vehicles and utilities lines
- The ISM October report on 2 November 2026, new orders, backlogs, prices, supplier deliveries and the share of comments citing lead times
- The October employment report on 6 November 2026, manufacturing payrolls, revisions to August and September and the workweek
- The Fed's annual production revision on 24 November 2026
- Brent crude and diesel prices against the Energy Information Administration's outlook, as the driver of factory input costs into the first quarter

SECTION 08 • SCORECARD

Scorecard

No earlier firm claim is resolved or advanced by this draft.

SOURCE REGISTRY

1. Federal Reserve Board data & statistics, Industrial Production and Capacity Utilization G.17, August 2026 data, release text and tables 1 and 2, released 2026-09-18, federalreserve.gov, read 2026-10-08.
2. Federal Reserve Board data & statistics, Industrial Production and Capacity Utilization G.17 release dates for 2026, federalreserve.gov, read 2026-10-08.
3. Bureau of Labor Statistics, The Employment Situation for September 2026, released 2026-10-02, bls.gov, read 2026-10-08.
4. <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-pmi-reports/pmi/september/>, Institute for Supply Management, Manufacturing PMI at 54.5%: September 2026 ISM Manufacturing PMI Report, released 2026-10-01, figures read from the institute's press release text of the same report, read 2026-10-08.
5. Energy Information Administration, Short-Term Energy Outlook, October 2026, released 2026-10-06, eia.gov, read 2026-10-08.
6. Bureau of Labor Statistics, Employment Situation Table B-1, Employees on nonfarm payrolls by industry sector, seasonally adjusted, September 2026, released 2026-10-02, bls.gov, read 2026-10-08.



A E G E A N I N T E L L I G E N C E G R O U P

Publishable Market Research

contact@aegeanintel.com · aegeanintel.com

AIG-MIN-26-005 · THE AEGEAN REGISTER · PUBLIC RELEASE · © 2026 AEGEAN LLC