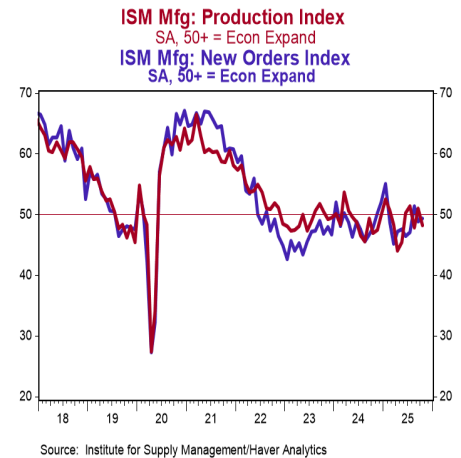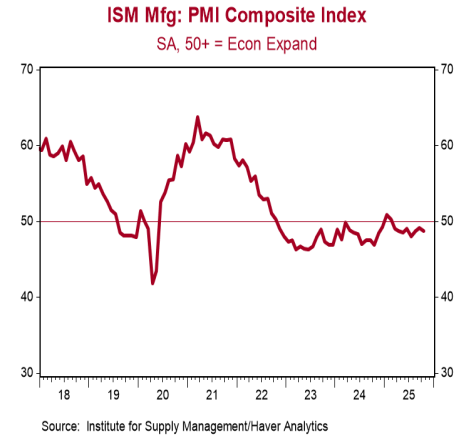# October ISM Manufacturing Index

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- The ISM Manufacturing Index declined to 48.7 in October, lagging the consensus expected 49.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)

- The major measures of activity were mixed in October. The new orders index increased to 49.4 from 48.9, while the production index declined to 48.2 from 51.0. The employment index increased to 46.0 from 45.3 in September and the supplier deliveries index rose to 54.2 from 52.6.

- The prices paid index declined to 58.0 in October from 61.9 in September.

Implications: A rare update on the economy showed manufacturing activity slipping further in October, with the ISM Manufacturing index missing consensus expectations and falling to 48.7. This makes eight consecutive months that the index has been below 50, continuing a pattern that stretched all of 2023 and 2024. Though many believed the downturn was over when the index briefly rose above 50 in January and February, the subsequent eight months of weak readings indicates the sector continues to struggle for traction. Looking at the details, just six of the eighteen major manufacturing categories reported growth in October, while double reported contraction. The overall decline was driven by pullbacks in the production and inventories index, with production falling back into contraction at 48.2 and inventories contracting at the fastest pace this year at 45.8. Meanwhile, demand remains subdued, with just four major manufacturing industries reporting growth in new orders versus nearly triple (eleven) reporting a decline. Order books were weak heading into this year, but now, survey comments blame trade uncertainty for the weakness as many customer orders have been placed on pause until stability returns. This has caused companies to look for ways to reduce overhead, most notably through their hiring efforts. Though the employment index rose to 46.0, it remains firmly in contraction territory, with only three major manufacturing categories reporting an increase in employment in October versus thirteen reporting a decrease. The one piece of good news is that inflation pressures continued easing in October, with the prices index declining for the fourth consecutive month. The 58.0 reading is below the recent peak of 69.8 in April, and well below the levels during the post-COVID inflation surge. Last Tuesday we learned the M2 measure of the money supply rose 0.5% in September and is up 4.5% from a year ago. If we compare to the M2 peak during COVID, in April 2022, the money supply is up a total of just 2.1% in the past 41 months. This slow money growth should help keep inflation on a downward trajectory. On the housing front, the national Case-Shiller index rose 0.2% in August while the FHFA measure of home prices rose 0.4%, the first monthly increases for either index in at least four months. Compared to a year ago, FHFA prices are up 2.3% while Case-Shiller prices are up 1.5%, both less than overall inflation. Finally, pending home sales, which are contracts on existing homes, were unchanged in September following a 4.2% jump in August, suggesting existing home sales (counted at closing) will be little changed in September.

ISM Mfg: PMI Composite Index
SA, 50+ = Econ Expand

Source: Institute for Supply Management/Haver Analytics

ISM Mfg: Production Index
SA, 50+ = Econ Expand
ISM Mfg: New Orders Index
SA, 50+ = Econ Expand

Source: Institute for Supply Management/Haver Analytics

| Institute for Supply Management Index | Oct-25 | Sep-25 | Aug-25 | 3-month | 6-month | Year-ago |
Seasonally Adjusted Unless Noted: 50+ = Econ Growth				moving avg	moving avg	level
Business Barometer	**48.7**	49.1	48.7	48.8	48.7	46.9
New Orders	**49.4**	48.9	51.4	49.9	48.5	47.9
Production	**48.2**	51.0	47.8	49.0	49.0	47.0
Inventories	**45.8**	47.7	49.4	47.6	48.0	43.2
Employment	**46.0**	45.3	43.8	45.0	45.1	44.8
Supplier Deliveries	**54.2**	52.6	51.3	52.7	53.0	52.0
Order Backlog (NSA)	**47.9**	46.2	44.7	46.3	46.2	42.3
Prices Paid (NSA)	**58.0**	61.9	63.7	61.2	64.6	54.8
New Export Orders	**44.5**	43.0	47.6	45.0	44.6	45.5

Source: National Association of Purchasing Management