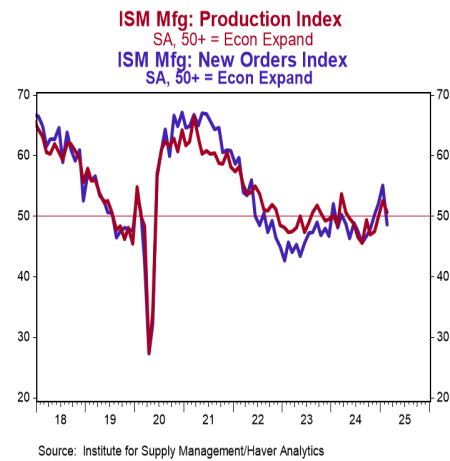
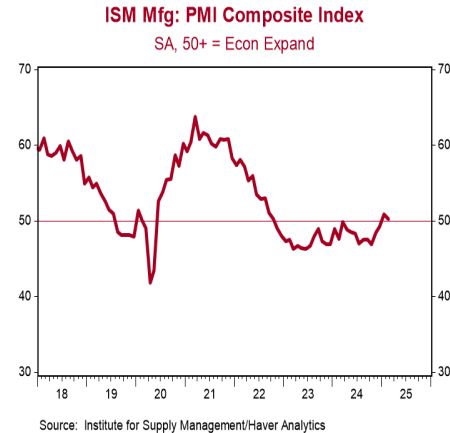


February ISM Manufacturing Index

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- The ISM Manufacturing Index declined to 50.3 in February, lagging the consensus expected 50.7. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly lower in February. The new orders index declined to 48.6 from 55.1, while the production index fell to 50.7 from 52.5. The employment index declined to 47.6 from 50.3 in January, while the supplier deliveries index rose to 54.5 from 50.9.
- The prices paid index increased to 62.4 in February from 54.9 in January.

Implications: Activity in the US manufacturing sector expanded marginally for the second month in a row, but the details of the report were ugly. Nearly all major measures of activity declined in February and sit in or are hovering near contraction territory. The new orders index led the drop, falling to 48.6 from 55.1. Production cooled to a reading of 50.7, while the employment index fell to 47.6; the tenth month in the last twelve below 50. Although manufacturing was already tepid before, it appears a key reason for the drop in the index this month had to do with policy coming out of Washington. Survey comments were full of tariff concerns, with reports of price increases from suppliers and delayed customer orders over uncertainty with how the tariffs will be implemented. Notably, one respondent in the Computers & Electronic Products industry said that limits on U.S. government spending in key organizations like the FDA, EPA, and NIH are delaying some of their orders. We expect volatility in the data to continue in the months ahead as businesses figure out how the new policy environment changes the outlook for investment and growth. Perhaps the worst part of the report was that inflation remains a major problem in the manufacturing sector. Prices paid by companies rose again in February and the pace accelerated, with the index rising to 62.4. That is the highest index level since the surging inflation of 2022, a clear sign that the embers of inflation remain even as manufacturing stagnates. We hope the Federal Reserve has the resolve to stomp the embers out, despite the short-term economic pain that may result from federal policy changes – pain that will ultimately pave the way for long-term growth. In other news this morning, construction spending declined 0.2% in January, as a large decline in homebuilding fully offset smaller increases elsewhere.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Feb-25	Jan-25	Dec-24	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	50.3	50.9	49.2	50.1	48.9	47.6
New Orders	48.6	55.1	52.1	51.9	50.1	48.1
Production	50.7	52.5	49.9	51.0	49.5	48.4
Inventories	49.9	45.9	48.4	48.1	46.6	45.5
Employment	47.6	50.3	45.4	47.8	46.8	46.1
Supplier Deliveries	54.5	50.9	50.1	51.8	51.4	50.1
Order Backlog (NSA)	46.8	44.9	45.9	45.9	44.3	46.3
Prices Paid (NSA)	62.4	54.9	52.5	56.6	53.9	52.5
New Export Orders	51.4	52.4	50.0	51.3	48.9	51.6

Source: National Association of Purchasing Management