

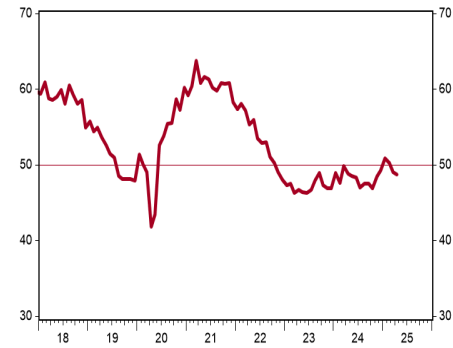
April ISM Manufacturing Index

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- The ISM Manufacturing Index declined to 48.7 in April, beating the consensus expected 47.9. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in April. The new orders index rose to 47.2 from 45.2, while the production index fell to 44.0 from 48.3. The employment index increased to 46.5 from 44.7 in March, while the supplier deliveries index rose to 55.2 from 53.5.
- The prices paid index increased to 69.8 in April from 69.4 in March.

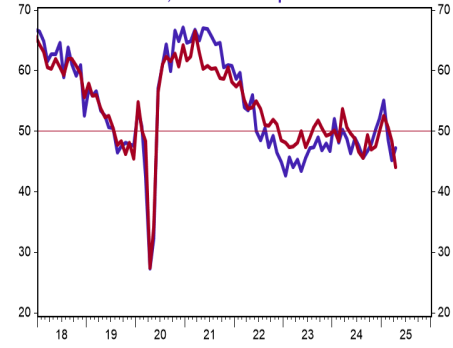
Implications: Activity in the manufacturing sector continued to decline in April, but not as much as the consensus expected. It's important to remember that before 2025, the manufacturing sector had been limping along for two years: the ISM Manufacturing index was below 50 every single month for 2023-24. Now, manufacturers must also contend with uncertainty surrounding tariffs (whether they are actually put in place or not, and to what degree), and the resulting changes in supply chains. That impact is clearly visible in the April data. Looking at the details of the report, it's a surprise that despite the headline index ticking down to 48.7 from 49.0, the major measures of activity moved mostly higher. The overall decline was entirely due to a fall in the production index, as it dropped to 44.0 from 48.3. Order books were already weak before tariffs, and the business-climate uncertainty that manufacturers now face has pushed this index down to the lowest level since the COVID lockdown months. Survey comments note that some customers are starting to delay orders until they can understand how new tariffs impact their products and margins. In turn, manufacturers are responding by adjusting their hiring efforts, as the employment index remains firmly in contraction, with eight out of eighteen industries reporting lower employment in April, versus five reporting higher. On the supply chain front, respondent comments report of delayed border crossings as terms are renegotiated between buyers and suppliers, compounded by duty calculations that are complex and not completely understood. As a result, the supplier deliveries index rose to a 33-month high of 55.2 in April, signaling much slower delivery times. However, this is far from the worst we saw during COVID supply chain disruptions. In other words, supplier bottlenecks are significant, but not as nearly as bad as COVID levels. Finally, the worst part of the report is that inflation remains a major problem. Prices paid by companies rose again in April and the pace accelerated, with the index increasing to 69.8. That is the highest index level since the surging inflation of 2022, even as manufacturing stagnates. Not a good sign for the economy. In employment new this morning, initial jobless claims rose 18,000 last week to 241,000, while continuing claims jumped 83,000 to 1.916 million, the highest level since late 2021. We are forecasting that tomorrow's official Labor Department report will show a nonfarm gain of 145,000, a slowdown from the average pace of 181,000 in the prior six months. In other news this morning, construction spending declined 0.5% in March, as a drop in homebuilding led most other declining categories.

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	Apr-25	Mar-25	Feb-25	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	48.7	49.0	50.3	49.3	49.4	48.8
New Orders	47.2	45.2	48.6	47.0	49.8	48.7
Production	44.0	48.3	50.7	47.7	48.8	50.7
Inventories	50.8	53.4	49.9	51.4	49.4	47.6
Employment	46.5	44.7	47.6	46.3	47.1	48.2
Supplier Deliveries	55.2	53.5	54.5	54.4	52.2	48.9
Order Backlog (NSA)	43.7	44.5	46.8	45.0	44.6	45.4
Prices Paid (NSA)	69.8	69.4	62.4	67.2	59.9	60.9
New Export Orders	43.1	49.6	51.4	48.0	49.2	48.7

Source: National Association of Purchasing Management