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June ISM Manufacturing Index

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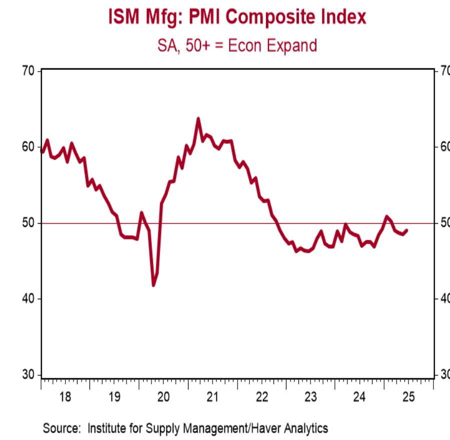
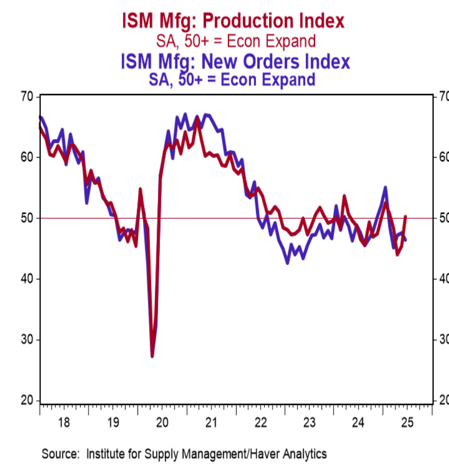
- The ISM Manufacturing Index increased to 49.0 in June, narrowly beating the consensus expected 48.8. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)

- The major measures of activity were mostly lower in June. The new orders index declined to 46.4 from 47.6, but the production index rose to 50.3 from 45.4. The employment index declined to 45.0 from 46.8 in May, and the supplier deliveries index fell to 54.2 from 56.1.

- The prices paid index rose to 69.7 in June from 69.4 in May.





Implications: Activity in the manufacturing sector continued to decline in June, but not by as much as the consensus expected. This makes four consecutive months that the ISM Manufacturing Index has been below 50. The index was below 50 for all of 2023 and 2024. Many thought this contraction was over in January and February when the index jumped over 50. Today's reading, and the last four months of weak readings, are reason for caution. We don't know whether this is the front end of a much slower economy, or just a sign that uncertainty from U.S. trade policy and, more recently, escalating conflict in the Middle East, is temporarily holding things back. Looking at the details of the report, half of the eighteen major industries reported growth in June, versus six that reported contraction, and three that reported no change. The slight increase in the overall index was due to the production and inventories index normalizing to more moderate levels at 50.3 and 49.2, respectively, after they contracted sharply in April (likely the reversal of tariff front-running). Order books were already weak before this year and the added business uncertainty from on-again/off-again tariffs has put many customer orders on pause until stability returns. That effect can be seen in the new orders index, which slipped to 46.4 in June, as well as the survey comments, which were peppered with complaints of trade policy that's making it extremely difficult to make near-term plans and budgets. In turn this has hurt hiring efforts, as the employment index fell to an eight-month low at 45.0, with more than double the industries (ten) reporting lower employment in June versus higher (four). Perhaps the worst part of the report is that inflation pressures remain even while manufacturing stagnates. The prices index rose to 69.7, which is high by historical standards, but below post COVID inflation levels. We will be watching the M2 measure of the money supply closely – which has been roughly flat for three years – as a signal for if these pressures will turn inflationary. In other new this morning, construction spending declined 0.3% in May, led by a large drop in homebuilding as well as commercial projects.

Institute for Supply Management Index *Seasonally Adjusted Unless Noted: 50+ = Econ Growth*	Jun-25	May-25	Apr-25	3-month moving avg	6-month moving avg	Year-ago level
Business Barometer	**49.0**	48.5	48.7	48.7	49.4	48.3
New Orders	**46.4**	47.6	47.2	47.1	48.4	48.9
Production	**50.3**	45.4	44.0	46.6	48.5	48.7
Inventories	**49.2**	46.7	50.8	48.9	49.3	45.5
Employment	**45.0**	46.8	46.5	46.1	46.8	48.4
Supplier Deliveries	**54.2**	56.1	55.2	55.2	54.1	49.8
Order Backlog *(NSA)*	**44.3**	47.1	43.7	45.0	45.2	41.7
Prices Paid *(NSA)*	**69.7**	69.4	69.8	69.6	65.9	52.1
New Export Orders	**46.3**	40.1	43.1	43.2	47.2	48.8

Source: National Association of Purchasing Management