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July ISM Manufacturing Index

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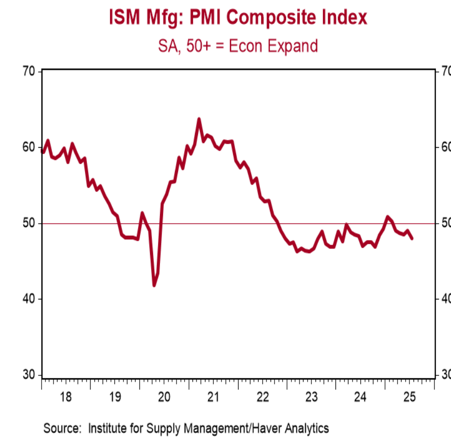
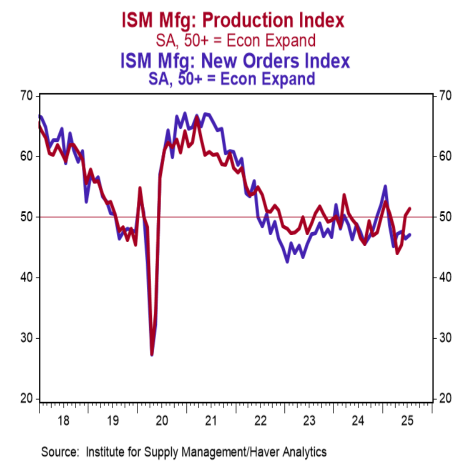
- The ISM Manufacturing Index declined to 48.0 in July, lagging the consensus expected 49.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)

- The major measures of activity were mixed in July. The new orders index increased to 47.1 from 46.4, and the production index rose to 51.4 from 50.3. The employment index declined to 43.4 from 45.0 in June and the supplier deliveries index dropped to 49.3 from 54.2.

- The prices paid index declined to 64.8 in July from 69.7 in June.





Implications: Manufacturing activity continued to soften in July, with the index lagging consensus expectations and declining to 48.0. This makes five consecutive months that the ISM Manufacturing index has been below 50, continuing a pattern that stretched all of 2023 and 2024. While many believed the downturn was over when the index briefly rose above 50 in January and February, the subsequent five months of weak readings suggest caution is still warranted. Uncertainty from U.S. trade policy and, more recently, escalating conflict in the Middle East could be weighing on the sector, but these readings are consistent with a swath of other recent economic data that indicate a slowing economy. Looking at the details of the report, seven of the eighteen major industries reported growth in July, versus ten that reported contraction. Notably, of the six largest manufacturing industries, none expanded in July. Despite the slight decline in the overall index both the new orders index and production index increased in July, albeit to sluggish levels (47.1 and 51.4, respectively). Order books were 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. In turn this has severely undermined their hiring efforts, as the employment index fell to the lowest level excluding the COVID shutdown months since 2009, with more than triple the industries (eleven) reporting lower employment in July versus higher (three). Perhaps the worst part of the report is that inflation pressures remain even while manufacturing stagnates. The prices index declined to 64.8, which is high by historical standards, but below post COVID inflation levels. We will be watching the M2 measure of the money supply closely – it is roughly unchanged versus three years ago – as a signal for if these pressures will turn inflationary. In other news this morning, construction spending declined 0.4% in June, led by a large drop in homebuilding as well as declines in office and manufacturing projects.

Institute for Supply Management Index *Seasonally Adjusted Unless Noted: 50+ = Econ Growth*	Jul-25	Jun-25	May-25	3-month *moving avg*	6-month *moving avg*	Year-ago *level*
Business Barometer	**48.0**	49.0	48.5	48.5	48.9	47.0
New Orders	**47.1**	46.4	47.6	47.0	47.0	47.6
Production	**51.4**	50.3	45.4	49.0	48.4	46.6
Inventories	**48.9**	49.2	46.7	48.3	49.8	44.6
Employment	**43.4**	45.0	46.8	45.1	45.7	43.6
Supplier Deliveries	**49.3**	54.2	56.1	53.2	53.8	52.6
Order Backlog *(NSA)*	**46.8**	44.3	47.1	46.1	45.5	41.7
Prices Paid *(NSA)*	**64.8**	69.7	69.4	68.0	67.6	52.9
New Export Orders	**46.1**	46.3	40.1	44.2	46.1	49.0

Source: National Association of Purchasing Management