

August ISM Manufacturing Index

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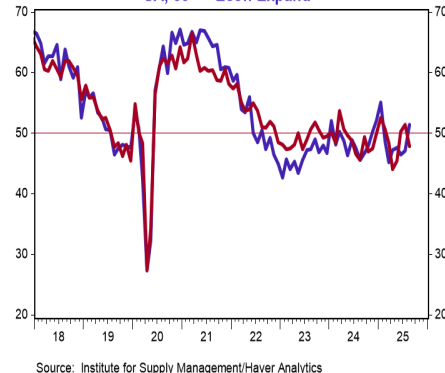
- The ISM Manufacturing Index rose to 48.7 in August, lagging the consensus expected 49.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in August. The new orders index increased to 51.4 from 47.1, while the production index fell to 47.8 from 51.4. The employment index increased to 43.8 from 43.4 in July and the supplier deliveries index rose to 51.3 from 49.3.
- The prices paid index declined to 63.7 in August from 64.8 in July.

Implications: Manufacturing activity remained soft in August but did not contract as rapidly as in July, with the index rising to 48.7. This makes six 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 six months of weak readings suggest caution is warranted. Looking at the details of the report, seven of the eighteen major industries reported growth in August, versus ten that reported contraction. The good news is the new orders index drove the headline increase as it broke into expansion territory for the first time since January at 51.4. Order books were weak heading into this year, and survey comments suggest the added business uncertainty from on-again/off-again tariffs has caused many customer orders to pause until stability returns. In response, manufacturing companies have scaled back, with both production and employment contracting in August. Notably, though the employment index rose slightly in August, it is contracting near the fastest pace excluding the COVID shutdown months since 2009, with more than six times the industries (thirteen) reporting lower employment in the month versus higher (two). Perhaps the worst part of the report is that inflation pressures remain even while manufacturing stagnates. The prices index declined to 63.7, which is high by historical standards, but below the recent high of 69.7 in June, and well below the post-COVID inflation levels. We will be watching the M2 measure of the money supply closely (which has barely moved for three years) as a signal for if these pressures will turn inflationary. In other news this morning, construction spending declined 0.1% in July, as drops in manufacturing and commercial projects were partially offset by an increase in homebuilding.

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



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



Institute for Supply Management Index	Aug-25	Jul-25	Jun-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	48.0	49.0	48.6	48.7	47.5
New Orders	51.4	47.1	46.4	48.3	47.5	45.6
Production	47.8	51.4	50.3	49.8	47.9	45.6
Inventories	49.4	48.9	49.2	49.2	49.7	50.2
Employment	43.8	43.4	45.0	44.1	45.0	45.8
Supplier Deliveries	51.3	49.3	54.2	51.6	53.3	50.5
Order Backlog (NSA)	44.7	46.8	44.3	45.3	45.2	43.6
Prices Paid (NSA)	63.7	64.8	69.7	66.1	67.8	54.0
New Export Orders	47.6	46.1	46.3	46.7	45.5	48.6

Source: National Association of Purchasing Management