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# December ISM Manufacturing Index

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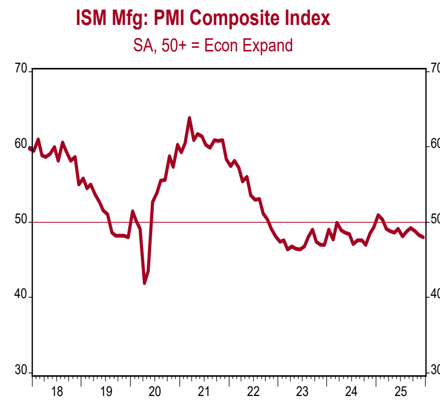
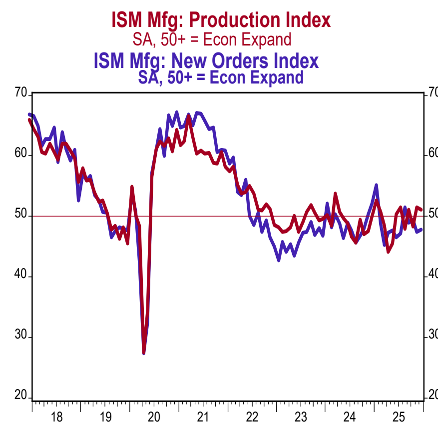
- The ISM Manufacturing Index declined to 47.9 in December, lagging the consensus expected 48.4. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)

- The major measures of activity were mixed in December. The new orders index rose to 47.7 from 47.4, while the production index declined to 51.0 from 51.4. The employment index rose to 44.9 from 44.0 in November and the supplier deliveries index increased to 50.8 from 49.3.

- The prices paid index was unchanged at 58.5 in December.



Source: Institute for Supply Management/Haver Analytics



Source: Institute for Supply Management/Haver Analytics

**Implications:** Factory activity continued to decline in December, capping off a year the manufacturing sector would rather forget. Looking at the headline, the ISM Manufacturing index missed consensus expectations and declined to a thirteen-month low of 47.9. This makes ten consecutive months the index has been below 50, continuing a pattern that stretched all of 2023 and 2024. Though many believed the downturn was over when the index briefly rose above 50 in January and February, the subsequent streak of contractionary readings indicates the sector continues to face headwinds. Looking at the details, just two of the eighteen major manufacturing categories reported growth in December, while fifteen reported contraction. The major measures of activity were mixed in December with all stuck in low gear and showing little sign of improvement. New orders continued shrinking in December, marking the tenth decline in the last twelve months. Order books were already weak heading into this year, and based off the survey comments, respondents see little reason to expect conditions to improve in the new year. Manufacturers appear to be relying on existing stockpiles to meet subdued demand, with the inventories index dropping to the lowest level in more than a year at 45.2. Weak demand has also caused companies to look for ways to reduce overhead, most notably through their hiring efforts. The employment index continued contracting in December (although at a slightly slower pace than the previous month), with only three major manufacturing categories reporting an increase in employment versus thirteen reporting a decline. The one piece of good news is that it appears inflation pressures have begun to stabilize, with the price index remaining unchanged at 58.5, below the recent peak of 69.8 in April, and well below the levels during the post-COVID inflation surge. In other recent news, new claims for unemployment insurance declined 10,000 two weeks ago to 214,000; continuing claims rose 38,000 to 1.923 million. On the housing front, pending home sales, which are contracts on existing homes, increased 3.3% in November after a 2.4% gain in October, signaling that existing home sales (counted at closing) likely rose in December. Meanwhile, both the national Case-Shiller index and the FHFA index showed home prices up 0.4% in October. Compared to a year ago the indexes are up 1.4% and 1.7%, respectively. Look for the trend of very modest home price gains to continue in the year ahead.

| Institute for Supply Management Index<br>*Seasonally Adjusted Unless Noted: 50+ = Econ Growth* | Dec-25 | Nov-25 | Oct-25 | 3-month<br>*moving avg* | 6-month<br>*moving avg* | Year-ago<br>*level* |
|---|---|---|---|---|---|---|
| ***Business Barometer*** | **47.9** | 48.2 | 48.7 | 48.3 | 48.4 | 49.2 |
| ***New Orders*** | **47.7** | 47.4 | 49.4 | 48.2 | 48.7 | 52.1 |
| ***Production*** | **51.0** | 51.4 | 48.2 | 50.2 | 50.1 | 49.9 |
| ***Inventories*** | **45.2** | 48.9 | 45.8 | 46.6 | 47.7 | 48.4 |
| ***Employment*** | **44.9** | 44.0 | 46.0 | 45.0 | 44.6 | 45.4 |
| ***Supplier Deliveries*** | **50.8** | 49.3 | 54.2 | 51.4 | 51.3 | 50.1 |
| ***Order Backlog*** *(NSA)* | **45.8** | 44.0 | 47.9 | 45.9 | 45.9 | 45.9 |
| ***Prices Paid*** *(NSA)* | **58.5** | 58.5 | 58.0 | 58.3 | 60.9 | 52.5 |
| ***New Export Orders*** | **46.8** | 46.2 | 44.5 | 45.8 | 45.7 | 50.0 |

*Source: National Association of Purchasing Management*