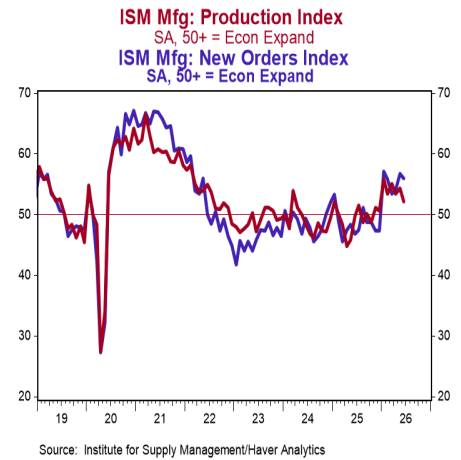
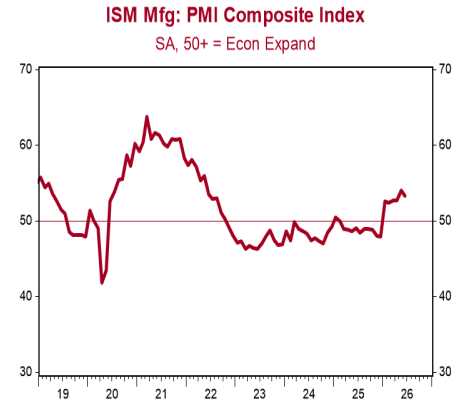


June ISM Manufacturing Index

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- The ISM Manufacturing Index declined to 53.3 in June, lagging the consensus expected 53.9. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in June. The new orders index declined to 56.0 from 56.8, and the production index fell to 52.2 from 54.3. The employment index rose to 49.7 from 48.6, while the supplier deliveries index declined to 57.4 from 60.6.
- The prices paid index dropped to 73.0 in June from 82.1 in May.

Implications: Activity in the manufacturing sector continued expanding in June, but at a slightly slower pace than the previous month. This is now the sixth consecutive month of expansion for the ISM Manufacturing index, an encouraging development for an industry that has faced significant challenges over the past three years. While we remain cautious of the broader economy, it appears that the reshoring of production, AI buildout, and favorable business tax incentives such as bonus depreciation for domestic capex under the “Big Beautiful Bill” are providing meaningful support to the industry. Looking at the major measures of activity, new orders and production both fell in June but sit firmly above 50 at 56.0 and 52.2, respectively, signaling expansion. It is important to remember that until this year, new orders had been very weak going back to 2023, leaving manufacturers focused on order backlogs to keep production going. So it’s great to see backlogs have grown each month here in 2026 after more than three straight years in contraction. But despite the notable improvement in demand, manufacturers have remained reluctant to add new workers, with the employment index remaining in contraction territory for the 33rd consecutive month. However, of the eighteen major manufacturing categories, more reported employment growth in June (nine) than contraction (three), a sign the industry’s employment picture may be turning a corner. The best news in today’s report was that the prices index fell from 82.1 to a still-elevated 73.0 in June, after the U.S.-Iran peace agreement discussions sent energy prices lower with further declines likely. Notably, a survey comment from the Petroleum & Coal Products category wrote, “With the potential ending of the Iran war, management is expecting us to go back to February pricing structures and plans since the increase in oil prices was driven by the war and not regular market influences.” In other news this morning, construction spending climbed 0.1% in May, as a large increase in homebuilding more than offset a decline for manufacturing construction. On the employment front, ADP’s measure of private payrolls increased 98,000 in June versus a consensus expected 120,000. We’re estimating tomorrow’s official report (out a day early due to Friday’s market closure for Independence Day) will show a nonfarm payroll gain of 70,000 with the unemployment rate remaining steady at 4.3%. Finally, on the housing front, the FHFA index and the national Case-Shiller index both declined 0.1% in April but remain up 2.0% and 0.8%, respectively, in the past year.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Jun-26	May-26	Apr-26	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	53.3	54.0	52.7	53.3	53.0	49.0
New Orders	56.0	56.8	54.1	55.6	55.6	46.9
Production	52.2	54.3	53.4	53.3	54.1	49.8
Inventories	51.4	49.9	49.0	50.1	49.0	49.0
Employment	49.7	48.6	46.4	48.2	48.4	45.1
Supplier Deliveries	57.4	60.6	60.6	59.5	57.8	54.2
Order Backlog (NSA)	50.5	52.2	51.4	51.4	52.8	44.3
Prices Paid (NSA)	73.0	82.1	84.6	79.9	74.6	69.7
New Export Orders	48.5	50.6	47.9	49.0	49.6	46.3

Source: National Association of Purchasing Management