

U.S. Data Review

- ISM manufacturing: signaling contraction in May; prices ease but remain elevated

Lawrence Werther

lawrence.werther@us.daiwacm.com
 +1-212-612-6393

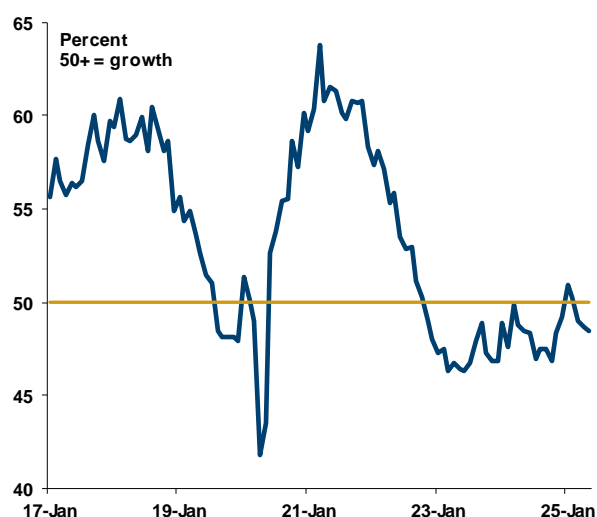
Brendan Stuart

brendan.stuart@us.daiwacm.com
 +1-212-612-6172

ISM Manufacturing Index

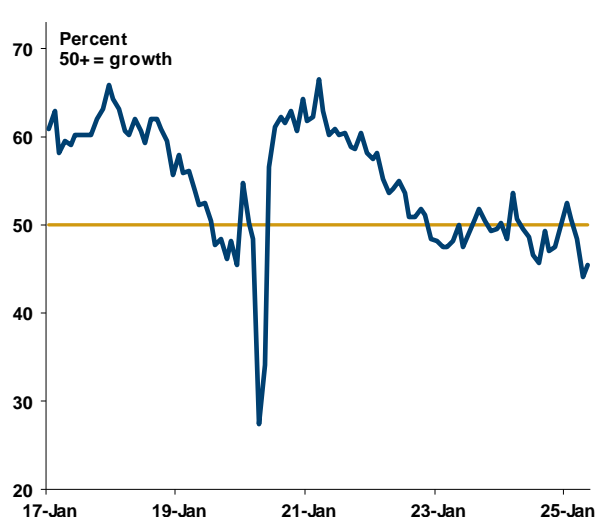
- The Institute for Supply Management's manufacturing index eased 0.2 percentage point to 48.5 percent in May, notably softer than the Bloomberg economist survey expectation of a 1.0 percentage point uptick to 49.5 percent. Following a two-month period of expansion in early 2025, the ISM measure retreated further into contraction territory, remaining below the critical threshold of 50.0 percent for the third consecutive month (and 29th in the past 31; chart, below left). Akin to previous reports, concerns regarding tariffs and their associated impact on the economy weighed on the minds of survey respondents, with firms noting that suppliers are passing levies through at full value, hesitating in taking on inventory risk, and delaying international shipments.
- Although the majority of the five subindexes registered modest improvements in May, only one recorded an observation above 50.0 percent (supplier deliveries). The production component, which had eased to its lowest level since May 2020 in April, increased 1.4 percentage points to 45.4 percent in the latest month, its third straight sub-50.0 percent observation (chart, below right). Of note, Susan Spence, Chair of the Institute for Supply Management Manufacturing Business Survey Committee, noted that "panelists' companies are still revising production plans downward amid economic uncertainty." In a similar vein, new orders, while improved, remained in contractionary territory for the fourth consecutive month as firms continue to grapple with the distribution of tariff-related costs (+0.4 percentage point to 47.6 percent). The employment component also increased again in May, but similarly remained below 50.0 for the fourth consecutive month (+0.3 percentage point to 46.8 percent; charts, next page). The official release indicated that, given the uncertain demand environment, headcount reductions continue to be "urgent," with layoffs being the primary method utilized (as opposed to regular attrition cited as the key method in other recent months).

ISM Manufacturing: Headline Index



Source: Institute for Supply Management via Haver Analytics

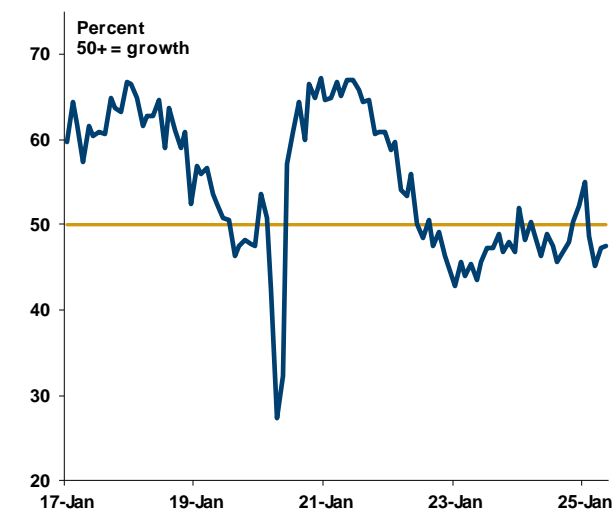
ISM Manufacturing: Production Index



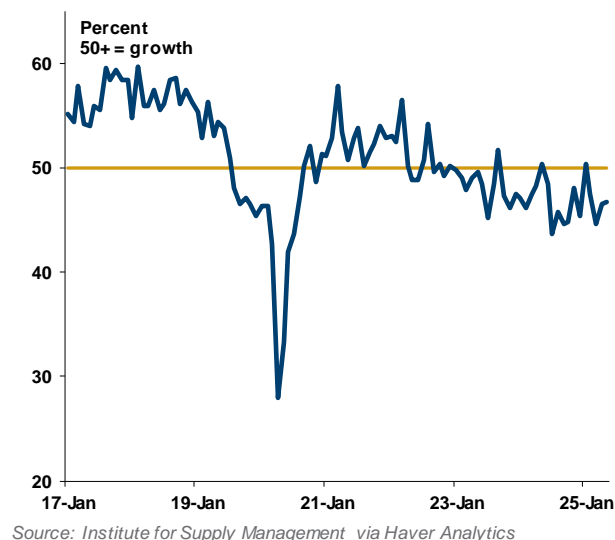
Source: Institute for Supply Management via Haver Analytics

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ISM Manufacturing: New Orders Index

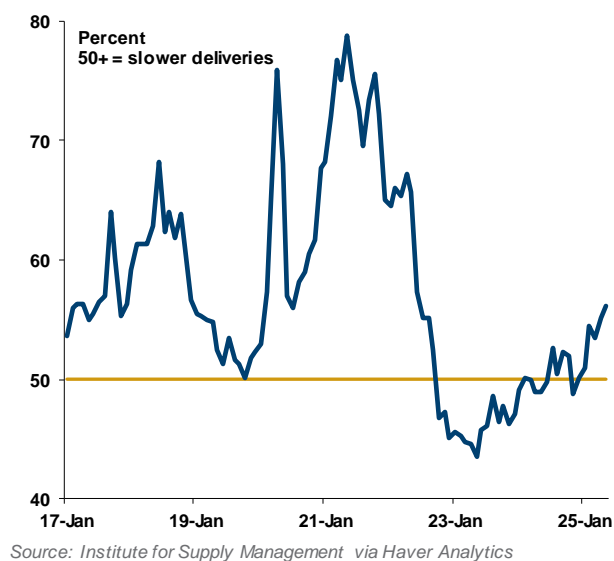


ISM Manufacturing: Employment Index



- The supplier deliveries component was the sole subindex to post an above-50.0 percent reading in May, rising 0.9 percentage point to 56.1 percent and indicating “slower” deliveries for the sixth consecutive month (chart, below left). Tariff effects continue to filter into the supply chain, with Spence noting that the recent performance reflected “ongoing delays in clearing goods through ports of entry.”
- Following five straight months of increases, the prices index eased 0.4 percentage point to a still-elevated 69.4 percent in April. In context, this metric rose 19.5 percentage points between November 2024 and April 2025 to 69.8 percent -- the highest observation since June 2022 (78.5 percent; chart, below right). Tariff policy is exerting an outsized influence on the current pricing environment, with the latest high-side reading reflecting steel and aluminum prices “impacting the entire value chain, as well as the general 10-percent tariff applied to many imported goods.”

ISM Manufacturing: Supplier Deliveries Index



ISM Manufacturing: Prices Index

