

U.S. Data Review

- ISM manufacturing: indicating expansion for the fifth consecutive month; prices remain elevated

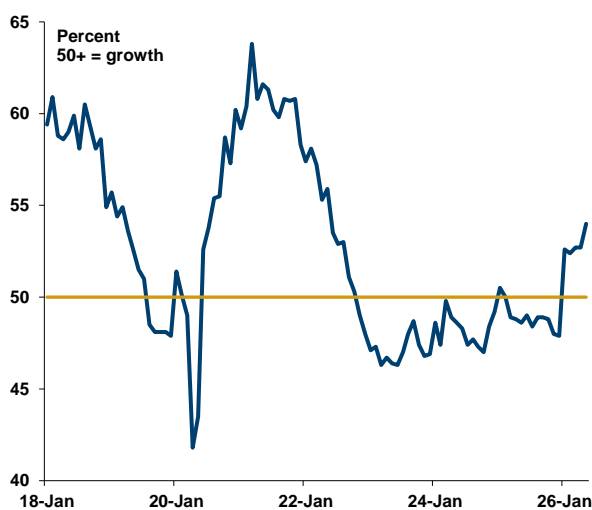
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ISM Manufacturing Index

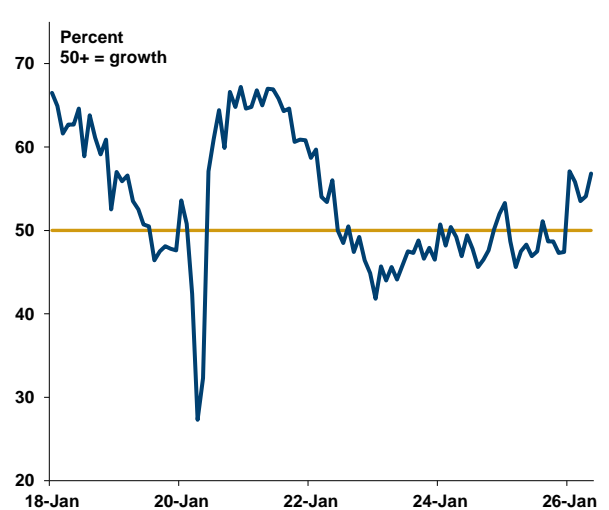
- The Institute for Supply Management's manufacturing PMI performed well in May, rising 1.3 percentage points to 54.0 percent (versus the median projection of 53.0 percent from the Bloomberg survey of economists and the highest reading since an observation of 55.9 percent in May 2022). Following a 10-month streak of contraction, the latest shift leaves the metric in expansion territory (that is, above the critical threshold of 50.0 percent) for the fifth consecutive month – exhibiting the resilience of factory firms despite significant headwinds stemming from the Trump administration's latest intervention in the Middle East. However, the report did provide evidence of reverberations of that conflict on survey respondents, with numerous responses indicating shipment delays, increased input costs, and complications in purchasing decisions. Moreover, Susan Spence, Chair of the ISM Manufacturing Business Survey Committee, noted that "25 percent of the comments were positive and 69 percent negative, with a 1-to-2.7 ratio of positive to negative sentiment."
- Performance across subcomponents was mixed, with only three of the five indexes that factor into the composite indicating expansion in May (unchanged from April). Turning first to the positives, new orders led the way with a 2.7-percentage-point increase to 56.8 percent, signaling expansion for the fifth consecutive month. "Demand sentiment was positive in May, and for a second straight month, there was a 1.6-to-1 ratio of positive to negative comments," stated Spence in the official release. Production, meanwhile, posted a more subdued increase of 0.9 percentage point to 54.3 percent – its seventh consecutive expansionary read. Concurrently, the employment index rose 2.2 percentage points to 48.6 percent, retracing most of April's 2.3-percentage-point decline but still leaving the measure in contraction for the 32nd consecutive month. Against the backdrop of the current Iran conflict, manufacturing firms are managing headcounts to hedge against rising operating costs and the possibility of slowing in demand.

ISM Manufacturing: Headline Index



Source: Institute for Supply Management via Haver Analytics

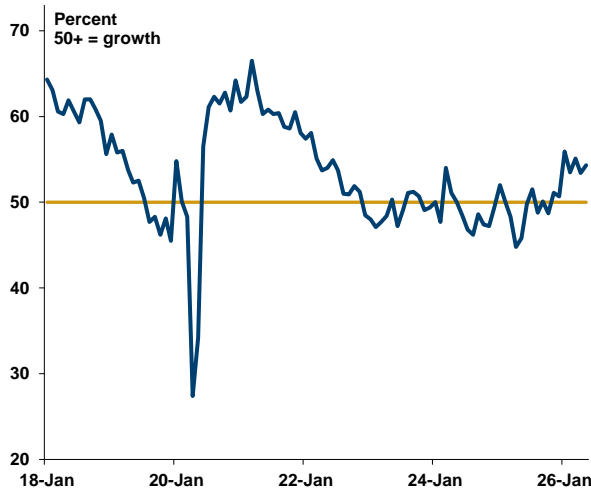
ISM Manufacturing: New Orders Index



Source: Institute for Supply Management via Haver Analytics

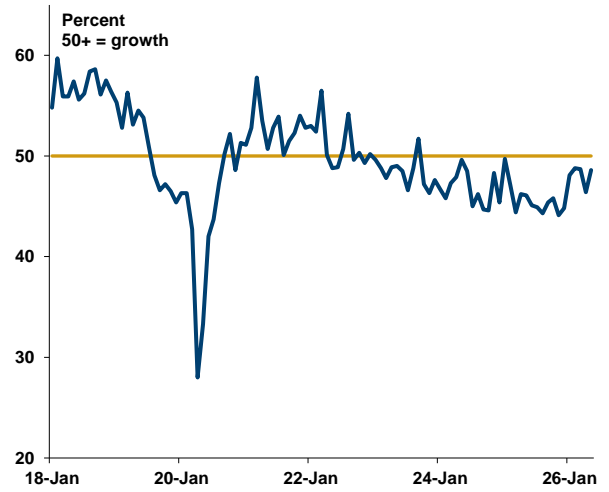
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ISM Manufacturing: Production Index



Source: Institute for Supply Management via Haver Analytics

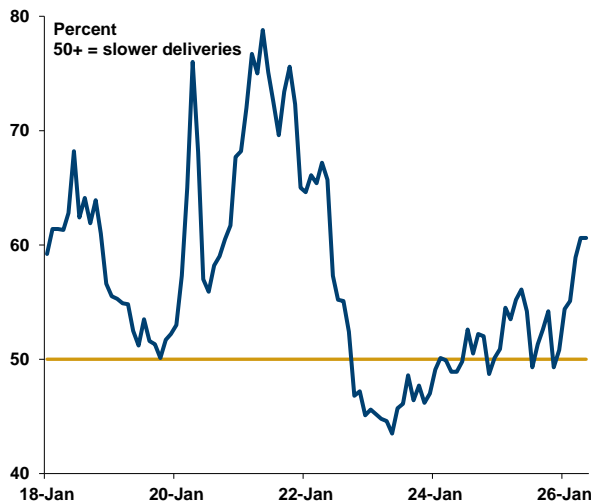
ISM Manufacturing: Employment Index



Source: Institute for Supply Management via Haver Analytics

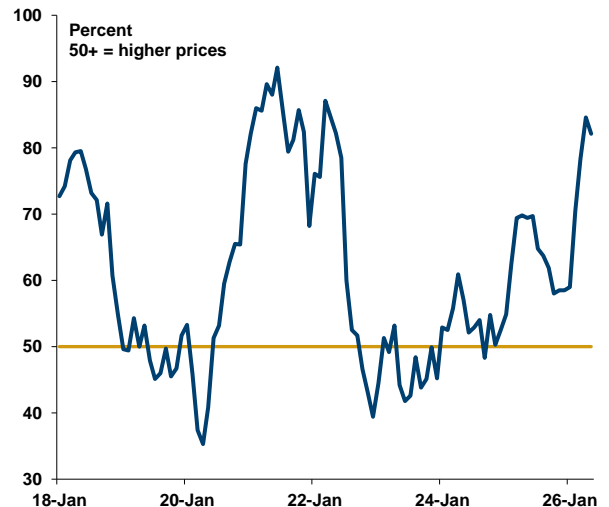
- Turning to components tied to supply chains and less indicative of client demand, the inventories index increased 0.9 percentage point to 49.9 percent, its 13th consecutive read below the breakeven threshold (and 19th in the past 21) – a sign that responding firms are managing stock cautiously amid heightened uncertainty. At the same time, the supplier deliveries index remained unchanged from April’s observation of 60.6 percent (which itself was the highest read since May 2022), indicating “slower” deliveries for the 16th time in the past 18 months. Thus, while a 50+ percent reading contributes positively to the headline measure, it does suggest strains in supply chains.
- The prices index, which doesn’t factor into the composite, eased 2.5 percentage points from April’s four-year high to 82.1 percent in May – the 20th consecutive month indicating higher prices and the fourth straight reading above 70.0 percent. Similar to previous reports, the recent pressure can be primarily attributed to increases in steel and aluminum prices, prevailing tariff policy, and the war-driven energy shock. Of the 18 manufacturing industries surveyed by ISM, 16 indicated paying higher prices for raw materials in May, down from 17 in the prior month.

ISM Manufacturing: Supplier Deliveries Index



Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: Prices Index



Source: Institute for Supply Management via Haver Analytics