ISM Manufacturing Deteriorated to 47.9 in December, Weakest Since October '24

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Headlines

- **The Institute for Supply Management (ISM) reported that topline manufacturing activity** weakened further in December 2025, falling to an index level of 47.9.
- **New Orders and Employment components reflect** dismal industry trends.
- **Production among manufacturers declined 0.4 to 51.0 but is still in expansion territory.**
- **Pricing pressures were unchanged in December 2025 at 58.5.**
- **Manufacturing Imports** activity nosedived to its lowest levels since May, weakest since the earliest days of the COVID-19 Pandemic.

Details

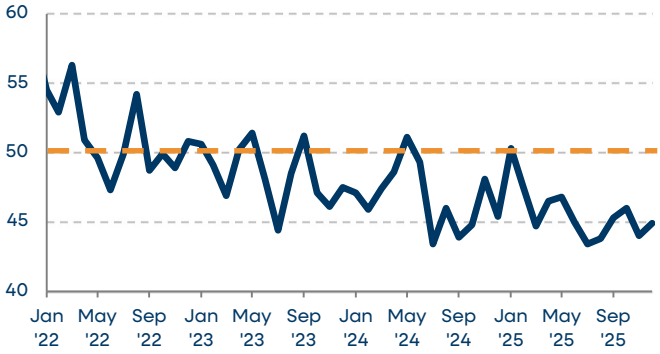
The ISM Manufacturing PMI survey fell to 47.9 in December 2025, setting a new low for 2025 to close out the year. New Orders remained squarely in contractionary territory, marking the component's 10th month of contraction for the year. Although up from November, the December 2025 Employment metric continues to languish in the low 40s (44.9 for the month). Commentary provided by survey participants for the month note that U.S. manufacturing plants are "not running near full capacity," and that "[o]rder levels have continued to decline." Although U.S. households continue to spend, including on durable and nondurable goods, U.S. manufacturers remain unable to cash in on that momentum.

The ISM Manufacturing PMI diffusion index indicates the net percentage of manufacturers who are experiencing expanding or contracting activity across various categories, with a reading below 50 indicating net contraction across the manufacturing sector. December 2025's topline reading of 47.9 puts the U.S. manufacturing industry at 10 consecutive months of contraction to close out the year.

The Employment component of the ISM Manufacturing Survey came in at 44.9 in December 2025 (see Figure 1)—rising from November (44.0) but continuing to demonstrate a bleak hiring outlook. Hiring among manufacturers, according to the ISM Manufacturing PMI report, saw only one month of expansion in 2025 with a fleeting gain to 50.3 in January. U.S. manufacturers have only reported six months' worth of expansionary activity regarding hiring since 2023. Without job creation among

manufacturers, U.S. import tariffs will ultimately have simply raised consumer prices, thus failing to achieve the policy shift's goals.

Figure 1: ISM Manufacturing - Employment (SA)

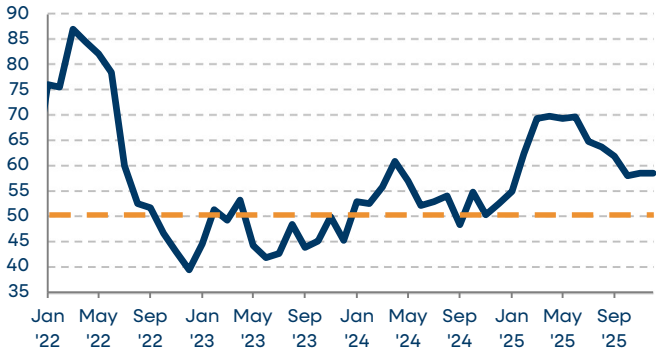


Source: Institute for Supply Management (ISM)

New Orders among U.S. manufacturers posted a fourth consecutive monthly contraction in December 2025 with a reading of 47.7 for the month. After a mid-year rebound through August (51.4), New Orders reported by manufacturers have steadily weakened. Even in industrial sectors where orders have been consistent, such as Transportation Equipment, survey respondents report that "customers are ordering… 20 percent to 30 percent below their historical buying patterns." The malaise extends into intermediate manufactured goods and commodities as well, with one comment from a Chemical Products manufacturer indicating that "[o]rders continue to drop for most of our businesses." With weak New Orders persistent across U.S. manufacturing sectors, the overall outlook for the industry is poor as reported higher input costs, resulting from higher tariff rates, is further undermining profitability among producers.

Offering somewhat contradictory implications regarding U.S. tariff policy impacts, pricing pressures among U.S. manufacturers have diminished according to the ISM Manufacturing Survey's Commodity Prices component index. Commodity Prices were reported at 58.5 for December 2025, matching the November reading. While still indicating gains, this result is down from April's high (69.8; see Figure 2). Announcements regarding U.S. tariff policy have been calm relative to the earliest months of the new approach's application. But the topic continues to be reported by ISM Manufacturing survey respondents as influencing planning and strategies looking ahead. Even without the Commodity Prices component demonstrating worsening cost pressures for manufacturers, sentiment across the U.S. manufacturing base is likely to keep the industry's potential to contribute to growth in the new year at bay.

Figure 2: ISM Manufacturing – Commodity Prices (SA)



Source: Institute for Supply Management (ISM)

U.S. manufacturers' imports posted a reading of 44.6 in December 2025. This is the weakest Imports reading for this ISM Manufacturing PMI survey component since May (39.9), the month after U.S. tariff policy threw trade-related planning efforts into chaos. Beyond that reactionary monthly reading in May, Imports activity according to the ISM Manufacturing report has not been this weak since May 2020 (41.3), and May 2009 (38.5) before that—both cases coming in the throes of severe economic disruption. It will take time for U.S. manufacturers to restructure supply chains away from the newly unpredictable imports that the U.S. sector has traditionally relied upon, further undermining any potential for the sector to contribute to broader economic strength over any reasonable near-term horizon.

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