

## ISM Manufacturing Survey Fell to 48.7 in April 2025

- **The ISM Manufacturing PMI decreased to 48.7 in April 2025, below PNC's expectation of a marginal improvement for the month**
- **Export Orders saw the biggest hit among component indices, falling to 43.1 – weakest since April 2009 outside of the Pandemic's disruptions**
- **Production slipped further into contractionary territory in April 2025 at 44.0**
- **Commodity Prices remained elevated for manufacturers in April 2025 with a Commodity Prices reading of 69.8**

The ISM Manufacturing PMI posted a third consecutive monthly decline in April 2025, falling to 48.7 for the month. The U.S. economy's manufacturing sector had shown signs of life entering the new year but has since fizzled as the implementation, removal and resulting confusion regarding tariffs has undermined business planning and execution. Current conditions indicators from the ISM Manufacturing report were generally weak, with Production, Employment and New Orders all treading water in contractionary territory. But the potential impact of trade war conditions announced itself in a big way with the release of this month's results.

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 revealing net contraction across the manufacturing sector. April 2025's topline reading of 48.7 represents the second consecutive monthly contraction in this metric after enjoying two months above the expansionary threshold to open the year.

U.S. producers' New Export Orders posted the largest decline among ISM Manufacturing PMI components in the April 2025 report. This sub-index fell to 43.1, which is the lowest reading since April 2009 (42.9) outside of the disruptions to economic activity resulting from pandemic-induced business closures worldwide. While U.S. economic activity is much more heavily influenced by domestic demand than from international buyers of U.S.-made goods, the April 2025 result is nonetheless a stark reminder that U.S. producers will endure damage as a result of the trade war. Offsetting that damage would require U.S. producers to see increased domestic demand for their wares, which while being touted as the aim of current tariff policy is far from an assured outcome.

Another harbinger of concern for U.S. manufacturers is a cost environment that will be pressuring profits even ahead of the most severe tariff-induced price hikes. The Commodity Prices component of the April 2025 ISM Manufacturing PMI report rose to 69.8 – its fifth straight monthly increase which now has the metric trending near mid-2022 highs (June 2022 = 78.5). Producers' own costs are sure to rise in the months ahead if tariffs that have been delayed for 90 days do go back into effect in early July – and they may even rise as a result of risk and uncertainty along the way if consumer demand continues unabated.

Either way, the current cost and pricing environment for manufacturers is hindrance enough to make the prospect of compounding trade war damage a sobering thought indeed.

The current conditions indicators of the ISM Manufacturing PMI report all remained in contractionary territory in April 2025. Production fell to a reading of 44.0 from 48.3 in March. New Orders rose versus the month prior, but only to 47.2 (from 45.2). Employment also rose in April, but again remained below the expansionary threshold of 50.0 at 46.5 for the month. All of these results – only slightly negative but floundering there – tell a story of a manufacturing sector that is not in a position to take on the burden of pulling itself up by its bootstraps. U.S. manufacturing had endured nearly two full years of contraction according to the ISM Manufacturing PMI report's results through 2023 and 2024. But just as the topline results broke into expansionary territory to open this year, the chaos of trade war rhetoric and eventually action arrested that momentum. A lot of assumptions regarding U.S. sustained consumer spending in the face of higher prices and redirected spending toward U.S.-made goods must bear fruit before a resumption of the sector's trend upward can be considered likely, or even possible.

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