



July 1, 2025

ISM Manufacturing Survey Increased to 49.0 in June 2025

- **The ISM Manufacturing PMI increased to 49.0 in June 2025, first monthly increase since January**
- **New Orders remained in contraction in June 2025, falling to 46.4**
- **Production jumped in June 2025, regaining expansionary territory at 50.3**
- **Commodity Prices continue to post three-year highs, June 2025 coming in at 69.7**

The ISM Manufacturing PMI rose to 49.0 for June 2025. The topline index has been in contractionary territory since February of this year after a healthy rise through the second half of 2024. Forward-looking indicators in the ISM Manufacturing survey's sub-indices continued to lead weakness in June 2025 with New Orders and Employment both slipping on the month. Production posted a gain for the month and broke above the expansionary threshold of 50.0. The strongest monthly gain among the ISM Manufacturing PMI's components was the Imports sub-index, which jumped from a post-Financial Crisis low in May (39.9) to 47.4 in June.

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. June 2025's topline reading of 49.0 represents the fourth consecutive monthly contraction after two months above the expansionary threshold to open this year.

The ISM Manufacturing PMI's Employment component index fell to a three-month low in June 2025, hitting 45.0 after May's modest gain to 46.8. Hiring trends among manufacturers will be the truest test as to whether the industry's response to tariff actions represent the renaissance envisioned by the Trump Administration's policy designs, or if U.S. industry is structurally limited in its capacity to fill the void created by higher-priced imported goods. Job creation according to the ISM Manufacturing PMI's Employment sub-index fell back into contraction in February – before tariff implementation took effect. Its trend through the first few months of the new U.S. trade environment suggests that employers are not expecting demand to warrant new hiring. In fact, the Bureau of Labor Statistics showed Manufacturing jobs declining in its May 2025 Employment Situation report, with the June 2025 numbers due out on Thursday, July 3.

Production and New Orders for manufacturers jointly comprise a perspective on how current and expected near-term demand, respectively, is manifesting. June 2025 revealed a split between these indicators' directions not seen since December 2023—the New Orders sub-index *declined* on the month, falling to 46.4 from May's 47.6 while Production *rose* to 50.3 versus May's 45.4. Yet outlooks for the U.S. economy's performance through the second half of this year remain dour. "Uncertainty," "chaos" and "confusion" were a

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few of the terms used by survey respondents to describe their perspective on U.S. Manufacturing's outlook despite June's Production gain.

June 2025's Commodity Prices reading of 69.7 reveals that price pressures remain high on manufacturers despite tariff policy's on-again/off-again application to date and before the July 9, 2025 re-implementation of the Reciprocal Tariffs policy in force. Higher costs for manufacturers, as demonstrated by the now five-month running trend through June 2025's ISM Manufacturing PMI's Commodity Prices sub-index, suggest that renewed upstream price pressure will be pushing consumer prices higher through the second half of 2025. The Federal Reserve's job of balancing continued economic expansion with the need for higher rates to tame inflation remains an unenviable one.

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