



August 1, 2025

ISM Manufacturing Survey Demonstrating Broad Weakness, Falls to 48.0 in July 2025

- **The ISM Manufacturing PMI decreased to 48.0 in July 2025**
- **New Orders remained in contraction in July 2025, falling to 47.1**
- **Production rose to 51.4 in July 2025, contradicting the remainder of the month's report**
- **Commodity Prices continue to post three-year highs, July 2025 coming in at 64.8**

The ISM Manufacturing PMI fell to 48.0 in July 2025, giving back June's gain and then some. 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 July 2025 with New Orders and Employment both remaining firmly in contractionary territory. Production posted a gain for the month—the component's second consecutive monthly rise—and was the only component in the report to have breached the expansionary threshold of 50.0.

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. July 2025's topline reading of 48.0 represents the fifth 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 one-year low in July 2025, hitting 43.4—the labor market indicator's weakest reading outside of recession-induced results of the pandemic and Great Financial Crisis eras—since May 2003 (42.4). As U.S. tariff policy continues to sow uncertainty regarding import prices and production costs, the desired result of increased U.S. manufacturing employment appears to be slipping further from reach. The separate Employment Situation Report, published by the Bureau of Labor Statistics on Friday morning, showed manufacturing jobs fell for third consecutive month (May 2025 through July 2025).

Production and New Orders for manufacturers jointly comprise a perspective on how current and expected near-term demand, respectively, is manifesting. July 2025 saw a split between these indicators. The New Orders sub-index remained in contraction for sixth consecutive month, rising modestly to 47.1 from June's 46.4 result. Production, however, posted a gain to 51.4 in July and was the only ISM Manufacturing PMI component to breach the 50.0 expansionary threshold in this month's report. Consumers continue to spend, as indicated by this week's Gross Domestic Product (GDP) consumption numbers for Durable and Nondurable

Gus Faucher
Chief Economist

Jay Hawkins
Senior Economist

Stuart Hoffman
Senior Economic Advisor

Kurt Rankin
Senior Economist

Ershang Liang
Economist



Goods showing strength. But U.S. manufacturers appear only to be meeting that demand rather than planning for continued strength on any front.

June 2025's Commodity Prices reading of 64.8 reveals that price pressures remain high on manufacturers despite tariff policy's haphazard application to date and ahead of August 1, 2025 re-implementation of broader tariff policy. Although the July 2025 result is down from 69.7 in June, numbers in the 60s and higher were last maintained in the first half of 2022, at the peak of the pandemic era's supply chain disruptions. Higher costs for manufacturers, as demonstrated by the now six-month running trend through July 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.

PNC Economics

Kurt Rankin, Senior Economist

economics@pnc.com

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