PNC ECONOMICS RESEARCH

September 2, 2025

ISM Manufacturing Improved in August, Remained in Contraction at 48.7

Headlines

- The ISM Manufacturing PMI survey rose modestly to 48.7 in August 2025, up from 48.0 in July.
- Production fell into contraction in August 2025 at 47.8.
- Manufacturers' cost pressures weakened modestly for a second consecutive month to 63.7.
- New Orders regained an expansionary footing at 51.4 in August 2025.
- Manufacturing hiring remained exceptionally weak, rising only slightly to 43.8.

The ISM Manufacturing PMI survey rose modestly to 48.7 in August 2025, up from 48.0 in July. Gains in New Orders and Suppliers Inventories pushed the topline number higher, while continued weakness in the survey's Employment component and a stumble across manufacturers' Production kept the reading in contractionary territory. Manufacturers' costs relented slightly on the month but remain elevated with further price pressures expected as tariff policy continues to stumble forward in fits and starts.

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. August 2025's topline reading of 48.7 represents the sixth consecutive monthly contraction after two months above the expansionary threshold to open this year.

The ISM Manufacturing PMI's Employment component posted a dismal 43.8 result in August, up from an equally disheartening 43.4 in July. Job prospects according to the ISM Manufacturing report's Employment gauge have not been this weak since October 2003, outside of the outright economic calamities of the pandemic-induced economic shutdown era and the fallout from the Great Financial Crisis in 2008 and 2009. The report's Employment sub-index has averaged 46.0 in 2025 thus far, which includes a short-lived bounce into expansionary territory in January (50.3).

New Orders jumped to their highest reading since January, rising to 51.4 in the August 2025 ISM Manufacturing report. New Orders offers the most forward-looking perspective among the survey's components, but August's jump into expansionary territory must be considered with skepticism. Survey respondents continue to express concern and caution regarding their outlook, as "[t]ariffs continue to wreak havoc on planning/scheduling activities." Some anecdotal observations have noted that uncertainty might be being conflated with dissatisfaction in qualitative sentiment analysis. But until manufacturers begin hiring

Gus Faucher
Chief Economist

Jay Hawkins
Senior Economist

Stuart Hoffman
Senior Economic Advisor

Kurt Rankin
Senior Economist

Ershang Liang
Economist

or putting production capacity into action to substantiate such suggestions, comments citing uncertainty regarding tariff policy can only be taken at face value.

The August 2025 ISM Manufacturing PMI report indicates that inventories are being exhausted and inventory replenishment. The ISM Manufacturing PMI's Inventories component showed manufacturers' own inventories in contractionary territory for a fourth consecutive month, rising only slightly to 49.4. Customer Inventories fell to 44.6 from 45.7 in July. These indications of inventory depletion help to explain the August 2025 report's New Orders gain. But given pessimism regarding the U.S. economic outlook, they also reinforce the notion that August's New Orders bounce is more about maintaining minimum supply levels than any indication of a new trend upward.

Please reach out with any questions,

PNC Economics
Kurt Rankin, Senior Economist
economics@pnc.com