

U.S. Data Review

- ISM manufacturing: stuck in contraction; prices remain elevated

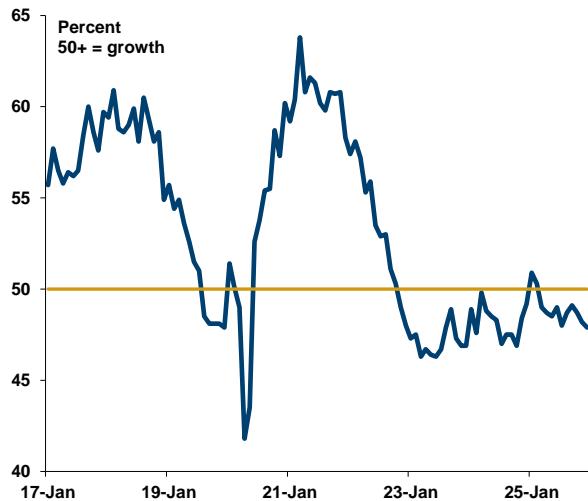
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ISM Manufacturing Index

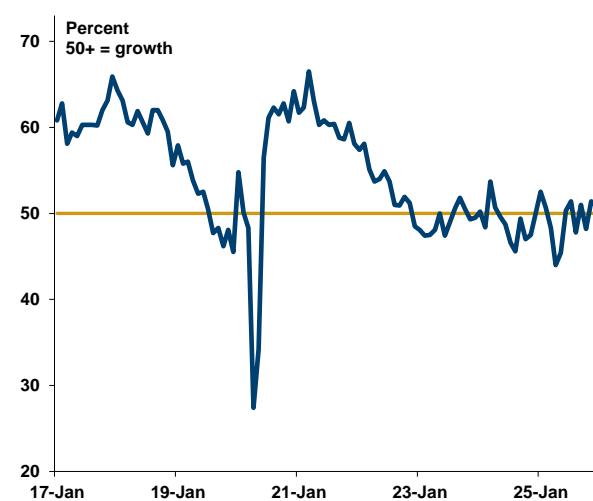
- The Institute for Supply Management's manufacturing index eased 0.3 percentage point to 47.9 percent in December -- softer than the expected uptick to 48.4 percent and the lowest read since October 2024. As a result, this metric remained below the critical threshold of 50.0 percent for the tenth consecutive month (and 36th in the past 38), signaling ongoing contraction in the factory sector (chart, below left). Similar to recent reports, concerns related to federal policy, specifically with respect to tariffs, were abundant in responses submitted by surveyed firms. For instance, respondents noted that current levies have contributed a reduction in real consumer spending, an increase in component costs, and a recalibration in procurement strategies.
- Of the five subindexes that directly factor into the calculation of the composite measure, three indicated contraction in December (versus four in November). Taking a closer look, the inventories index led the decline with a 3.7-percentage-point drop to 45.2 percent, its lowest read since October 2024. Concurrently, while still signaling expansion, the production index dipped 0.4 percentage point to 51.0 percent (chart, below right). Meanwhile, the new orders index rose 0.3 percentage point to 47.7 percent in December, remaining below the critical threshold for the fourth consecutive month. Employment, while improved, signaled contraction for the eleventh straight month (+0.9 percentage point to 44.9 percent; charts, next page). As mentioned in the official release, manufacturing firms have shifted to trimming payrolls as a hedge against a murky demand outlook, with every comment on hiring being matched with three on reducing headcounts.

ISM Manufacturing: Headline Index



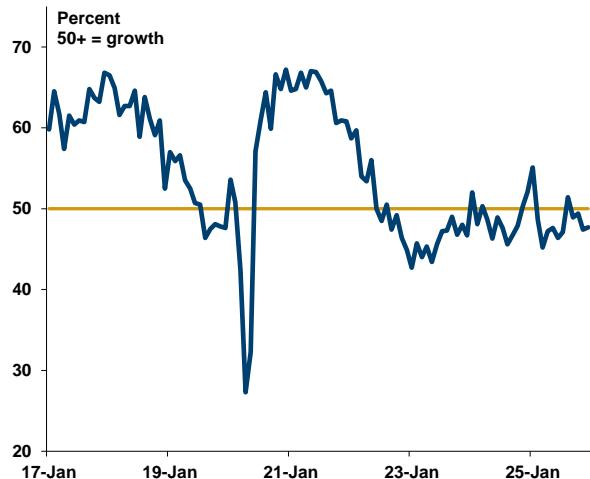
Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: Production Index



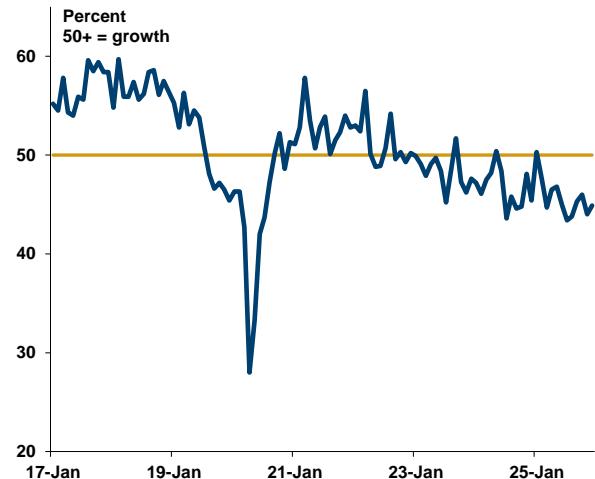
Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: New Orders Index



Source: Institute for Supply Management via Haver Analytics

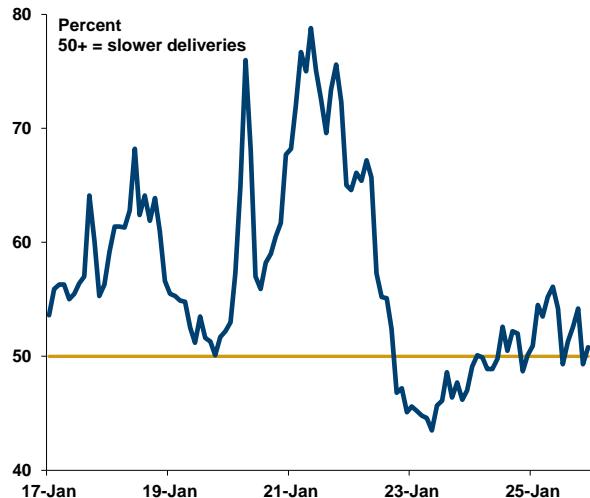
ISM Manufacturing: Employment Index



Source: Institute for Supply Management via Haver Analytics

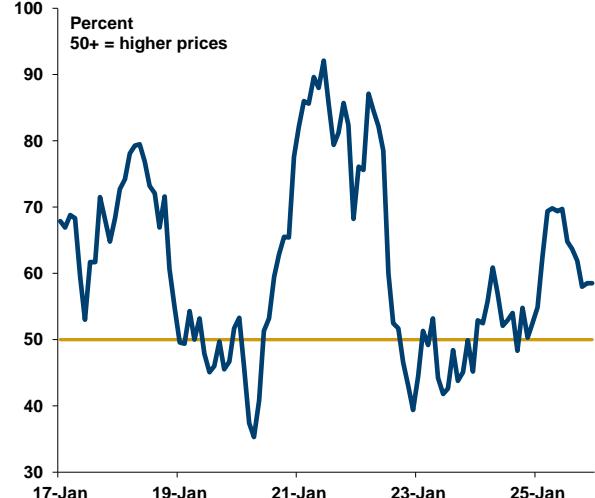
- The supplier deliveries index advanced 1.5 percentage points to 50.8 percent in December, suggesting “slower” deliveries for the tenth time in the past twelve months (chart, below left). While we suspect that tariff policy will complicate cross-border deliveries for some time, the latest reading does not indicate current significant disruptions to supply chains.
- The prices index remained unchanged at 58.5 percent in the final month of 2025, its fifteenth consecutive reading indicating higher prices (chart, below right). While this measure has eased from the “Liberation Day” high of 69.8 percent last April, it is still above levels observed prior to the current tariff episode, with prevailing readings driven by “increases in steel and aluminum prices that impact the entire value chain, as well as tariffs applied to many imported goods.”

ISM Manufacturing: Supplier Deliveries Index



Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: Prices Index



Source: Institute for Supply Management via Haver Analytics