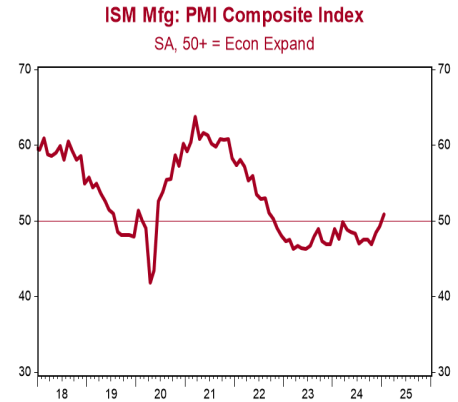


# January ISM Manufacturing Index

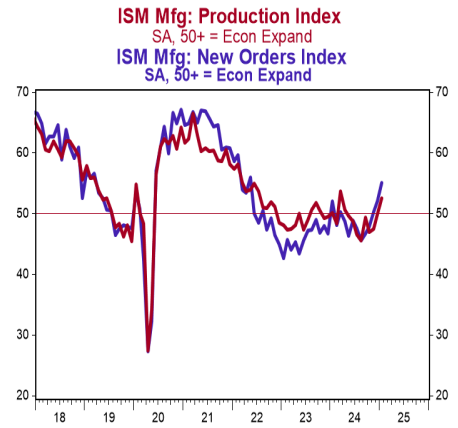
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- The ISM Manufacturing Index increased to 50.9 in January, beating the consensus expected 50.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all higher in January. The new orders index increased to 55.1 from 52.1, while the production index rose to 52.5 from 49.9. The employment index increased to 50.3 from 45.4 in December, while the supplier deliveries index ticked up to 50.9 from 50.1.
- The prices paid index increased to 54.9 in January from 52.5 in December.

**Implications:** The US manufacturing sector showed signs of life in the first month of the new year. Looking at the headline, the ISM Manufacturing index beat expectations in January and rose to 50.9 – the first expansionary reading since October 2022. Digging into the details, growth in January was split with an equal number of industries (eight) reporting expansion vs. contraction, while two reported no change. The good news is that both demand and output were responsible for the headline increase; the new orders index rose to 55.1, the highest level for the category since 2022. Meanwhile, production activity pushed higher with the index rising to 52.5, the first expansionary reading in eight months. Survey comments were modestly positive, penciling in steady to strong customer demand for 2025. It’s very possible a “Trump Bump” could be showing up in the new orders data, as businesses get more certainty on policy framework from the new administration and can look forward to an easier regulatory environment in the next four years, as well as lower tax rates on profits. This newfound optimism can perhaps most easily be seen in their hiring efforts, as the employment index jumped to 50.3 from 45.4, the first expansionary reading in eight months. However, comments were also mindful of impacts from potential new tariffs on materials used for manufacturing, with concerns of shortages and cost pressures resulting (the January ISM survey was conducted before President Trump announced 25% tariffs on imports from Canada and Mexico). The issue is that inflation was already a major problem in the manufacturing sector. Prices paid by companies rose again in January and the pace accelerated, with the index rising to 54.9 from 52.5. Given that the prices index has been above 50 for all but one month in the past year despite sluggish activity, it’s clear the embers of inflation remain. In other recent news, construction spending jumped 0.5% in December, led by large increases for homebuilding and highway & street projects.



Source: Institute for Supply Management/Haver Analytics



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Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Jan-25	Dec-24	Nov-24	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Business Barometer</b>	<b>50.9</b>	49.2	48.4	49.5	48.4	48.9
<b>New Orders</b>	<b>55.1</b>	52.1	50.3	52.5	49.6	52.0
<b>Production</b>	<b>52.5</b>	49.9	47.5	50.0	48.7	50.2
<b>Inventories</b>	<b>45.9</b>	48.4	47.7	47.3	46.7	46.0
<b>Employment</b>	<b>50.3</b>	45.4	48.1	47.9	46.5	47.2
<b>Supplier Deliveries</b>	<b>50.9</b>	50.1	48.7	49.9	50.7	49.1
<b>Order Backlog (NSA)</b>	<b>44.9</b>	45.9	41.8	44.2	43.8	44.7
<b>Prices Paid (NSA)</b>	<b>54.9</b>	52.5	50.3	52.6	52.5	52.9
<b>New Export Orders</b>	<b>52.4</b>	50.0	48.7	50.4	48.4	45.2

Source: National Association of Purchasing Management

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