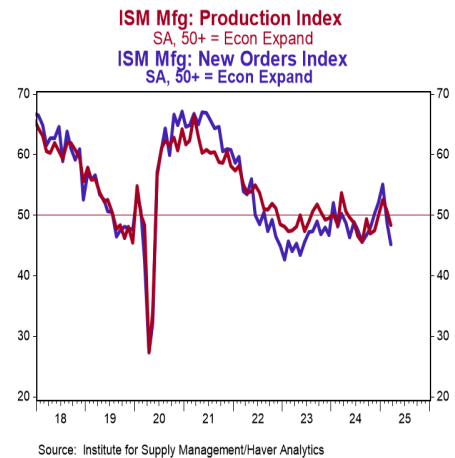
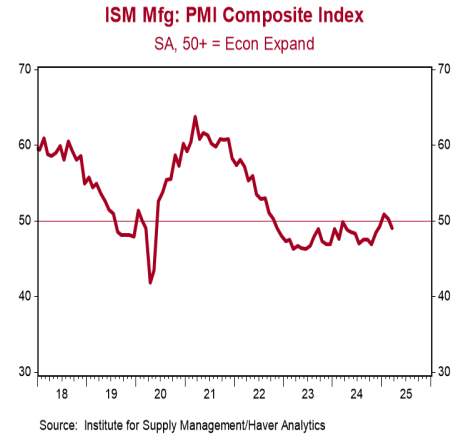


March ISM Manufacturing Index

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- The ISM Manufacturing Index declined to 49.0 in March, lagging the consensus expected 49.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all lower in March. The new orders index declined to 45.2 from 48.6, while the production index fell to 48.3 from 50.7. The employment index declined to 44.7 from 47.6 in February, while the supplier deliveries index fell to 53.5 from 54.5.
- The prices paid index jumped to 69.4 in March from 62.4 in February.

Implications: The manufacturing sector took a turn for the worse in March, with the ISM Manufacturing index falling back below 50.0 to 49.0, the first contractionary reading this year. It's important to remember that before 2025, the manufacturing sector had been limping along the last two years: the ISM index was below 50 every single month for 2023-24. Now, manufacturers will also have to contend with uncertainty surrounding tariffs (whether they are actually put in place or not, and to what degree), and the resulting changes in supply chains. That impact was clearly seen in the March data. Looking at the details of the report, all major measures of activity moved lower. Leading the decline was the index for new orders, falling from 48.6 to 45.2, the lowest level since May 2023. A respondent comment from the Computer & Electronic Products industry noted that customers have begun pulling orders due to anxiety about continued tariffs and pricing pressures. Meanwhile, production retreated, falling from 50.7 to 48.3 (a four-month low) as companies revise their production plans downward. On the hiring front, companies continue to reduce headcounts through layoffs and hiring freezes. The employment index declined to 44.7, with just one out of eighteen industries (Primary Metals) reporting higher employment in March, versus seven that reported a decline. Finally, the worst part of the report is that inflation remains a major problem. Prices paid by companies rose again in March and the pace accelerated, with the index jumping to 69.4. That is the highest index level since the surging inflation of 2022, even as manufacturing stagnates. Not a good sign for the economy. We hope the Federal Reserve has the resolve to stomp the embers of inflation out, despite the short-term economic pain that may result from federal policy changes – pain that will ultimately pave the way for long-term growth. In other news this morning, construction spending rose 0.7% in March, led by a large increase in homebuilding as well as highway & street and commercial projects.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Mar-25	Feb-25	Jan-25	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	49.0	50.3	50.9	50.1	49.1	49.8
<i>New Orders</i>	45.2	48.6	55.1	49.6	49.9	50.3
<i>Production</i>	48.3	50.7	52.5	50.5	49.3	53.7
<i>Inventories</i>	53.4	49.9	45.9	49.7	48.1	47.6
Employment	44.7	47.6	50.3	47.5	46.8	47.5
<i>Supplier Deliveries</i>	53.5	54.5	50.9	53.0	51.6	49.9
<i>Order Backlog (NSA)</i>	44.5	46.8	44.9	45.4	44.4	46.3
<i>Prices Paid (NSA)</i>	69.4	62.4	54.9	62.2	57.4	55.8
<i>New Export Orders</i>	49.6	51.4	52.4	51.1	49.6	51.6

Source: National Association of Purchasing Management