



U.S. Manufacturing Sector Continues to Expand

The latest ISM report shows U.S. manufacturing grew again in May, even as costs and uncertainty kept rising.

External forces be darned, the U.S. manufacturing sector is chugging along and registering consistent, month-over-month expansion according to at least one leading indicator. The latest *ISM Manufacturing PMI Report* says economic activity in the manufacturing sector expanded in May for the fifth consecutive month.

According to ISM, the PMI registered 54% in May, 1.3 percentage points higher than in April and its highest reading since May 2022 (55.9%). The overall economy continued to expand for the 19th month in a row. A Manufacturing PMI above 47.5%, over a period of time, generally indicates an expansion of the overall economy.

Some of the key findings from May:

- The New Orders Index expanded for the fifth consecutive month after four straight readings in contraction, registering 56.8%—up 2.7 percentage points compared to April’s figure of 54.1%.

- The May reading of the Production Index (54.3%) is 0.9 percentage point higher than April’s reading of 53.4%.
- The Prices Index remained in expansion (or “increasing” territory), registering 82.1%, a 2.5-percentage point decrease from April’s reading of 84.6%.
- The Backlog of Orders Index registered 52.2%, up 0.8 percentage point compared to the 51.4% recorded in April.
- The Employment Index registered 48.6%, up 2.2 percentage points from April’s figure of 46.4%.

In the report, ISM Chair Susan Spence says the Supplier Deliveries Index indicated “slowing performance for the sixth month in a row after one month in ‘faster’ territory.” She also says the Inventories Index registered 49.9%, up 0.9 percentage point compared to April’s reading of 49%.

“In May, U.S. manufacturing activity remained in expansion territory, growing at a faster pace compared to the month before. Of the five subindexes that make up the PMI, the New Orders index indicated faster growth compared to the previous month, the Supplier Deliveries index stayed the same, the Production Index grew at a faster rate, and the Employment and Inventories indexes remained in contraction, though both improved,” Spence adds.

Just One Industry Contracted

Sixteen manufacturing industries reported growth in May, including textile mills; nonmetallic mineral products; electrical equipment, appliances & components; computer & electronic products; transportation equipment; chemical products; and fabricated metal products. The wood products sector was the only one that contracted.

The monthly index always turns up some interesting comments from the companies that responded to the survey. Someone from a transportation equipment manufacturer said the “impact of the Iran conflict starting to directly and negatively impact supply chain [costs]. Oil and related commodities are escalating in price.”

One machinery manufacturer said the Middle East conflict is triggering shipment delays and uncertainties. “Elevated gas prices and inflation will surely impact our purchases. However, over the last quarter, we’ve seen increased demand that was unexpected.” And a chemical products maker highlighted the impact of rising fuel costs on the company and its customers.

“As with all companies, we have felt the effects of fuel-related inflation and general market uncertainty due to overall economic variability and geopolitical events that have impacted such markets as construction, automotive and agriculture, as well as the general industrial sector.”

Looking ahead, another manufacturer says the current atmosphere is one of “extreme uncertainty and concern for the future,” both in terms of price stability and longer-term supply continuity related to the Iran conflict and Strait of Hormuz closure. “We have a lot of negotiations in process related to requested price increases, some related to oil prices and some still fallout from the 2025 tariff/geopolitical climate.”