

ISM Manufacturing Drifted Down to 46.5 for October 2024 Lowest Since July 2023

- **The ISM Manufacturing PMI declined to 46.5 in October 2024**
- **Employment for October 2024 remained in contractionary territory at 44.4, rising slightly from September**
- **New Orders pushed higher in October 2024 to 47.1, but remain in contraction on net**
- **Manufacturers' costs jumped higher in October 2024 to 54.8, highest reading since May**

The ISM Manufacturing PMI resumed its slide downward in October 2024, posting a decline to 46.5 after stalling at 47.2 for the prior two monthly readings. New Orders and Employment pushed higher for the month, but remain far enough in contractionary territory as to still qualify as searching for a floor to the sector's 2024 malaise. The ISM Manufacturing PMI's Production component posted the largest decline of all of the report's sub-indices for the month, while Commodity Price pressures bounced back sharply from September's reading.

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. The report's topline index has posted only one reading above this threshold in 2024 thus far (50.3; March 2024), which is also the only topline result above 50 since the stark rebound from post-pandemic business closures ended a strong trend in mid-2022.

The ISM Manufacturing PMI's Employment component index rose in October 2024 to a reading of 44.4. This result, however, still leaves the sector's hiring trend in contractionary territory. A great deal of commentary regarding the impact of hurricanes and an ongoing strike at Boeing on the October 2024 Employment Situation Report from the Bureau of Labor Statistics is swirling. However, manufacturing jobs have risen in only four (4) months of this year through October resulting in a net decline of 41,000 – *not* including October's nationwide decline of 46,000. The October 2024 ISM Manufacturing report's slight improvement in the Employment category – despite remaining contractionary – undermines arguments that one-time factors are the primary culprit behind any current manufacturing woes.

Manufacturers' cost pressures renewed their gains in October 2024 according to the ISM Manufacturing PMI report. The Commodity Prices sub-index rose to 54.8 for the month after dipping below the contractionary threshold of 50 in September for the first time since December 2023 (45.2). Oil prices (West Texas Intermediate) have waffled back and forth around \$70 per barrel in recent weeks as anxiety ebbs and flows regarding ongoing conflict in the Middle East. The fact that oil prices have not spiked or retained gains over the past year is encouraging amid this volatility, but broader Commodity Prices for manufacturers have remained a source of concern for manufacturers even in the relative absence of oil price pressures.

Gus Faucher
Chief Economist

Jay Hawkins
Senior Economist

Stuart Hoffman
Senior Economic Advisor

Kurt Rankin
Senior Economist

Ershang Liang
Economist

The October 2024 ISM Manufacturing PMI report showed the lowest reading on manufacturers' inventories on record at 42.6. This component index has been published since January 2012 (compared with the topline index going back to 1948). Low inventories coupled with a weak and declining Production sub-index (46.2 for October 2024) paint a picture of ongoing and expected continued weakness in demand for manufacturing output among producers themselves.

PNC Economics

economics@pnc.com

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