

## ISM Manufacturing Jumps to 48.4, Strongest Reading Since June 2024

- **The ISM Manufacturing PMI increased to 48.4 in November 2024**
- **Employment for November 2024 strengthened but remained in contractionary territory at 48.1**
- **New Orders bounced into a mild expansionary stance at 50.4 for November 2024**
- **Manufacturers' costs refunded much of October's gains, dropping to 50.3 in the November 2024 ISM Manufacturing PMI report**

The ISM Manufacturing PMI reversed course in November 2024, posting a rise to 48.4 after having fallen steadily since mid-year. New Orders, Production and Employment categories all contributed to the November topline gain, but all remain at or below the expansionary levels. Manufacturers' Inventories bounced sharply for the month, while Commodity Prices gave back much of the increase posted in the month prior. – both component indices offering the foundation for continued easing inflationary pressures in the months to come.

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. Although November 2024's reading of 48.4 was a solid gain from October's 46.5, the report's topline index has posted only one reading above the expansionary 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 November 2024 to a reading of 48.1, which is still in contraction. This reading on manufacturers' hiring was the strongest result for this component index since June 2024. Hurricanes and the Boeing workers' strike were credited with weak Employment sub-index results in October 2024. However, manufacturing job gains rose in only four (4) months of 2024 through October resulting in a net decline of 41,000 – *not* including October's nationwide decline of 46,000 – according to Bureau of Labor Statistics numbers. The November 2024 ISM Manufacturing report's improvement in the Employment category – despite remaining contractionary – suggests that the temporary influences on manufacturing hiring may well have passed but that the industry's jobs outlook is still less than rosy.

New Orders for manufacturers climbed above the expansionary threshold of 50 in November 2024, posting a reading of 50.4 for the month. This is the first result above the index level of 50 since March 2024 (51.4) for New Orders, and represents a third consecutive month of gains for this component index. New Orders being a forward-looking component of the ISM Manufacturing PMI report, the November result proffers a flash of hope that U.S. manufacturers may have a better 2025 ahead after flailing for much of the past two years across all ISM report categories. Some survey respondents' comments highlight still-weak housing

construction, which is likely to remain a damper on manufacturing demand, while others cite the impact of increased tariffs under the incoming Trump administration as a boon for U.S.-based production. These offsetting demand influences will likely limit near-term ISM Manufacturing PMI gains but the topline index does appear to have room for an upward trend into 2025, which would result in the index regaining a foothold in expansionary territory.

Commodity Prices dipped in November 2024 to 50.3, well below October's 54.8. Although the September reading on Commodity Prices actually fell below the expansionary threshold of 50 (48.3), input costs for manufacturers have been a burden throughout most of this year, averaging 54.1 from January through October. Oil prices (West Texas Intermediate) have waffled within a few dollars above and below \$70 for most of the past year, despite ongoing conflict in the Middle East. Without the threat of oil prices rejuvenating manufacturers' cost pressures, it is reasonable to expect continued softening in the ISM Manufacturing Report's Commodity Prices component index heading into the new year. As a result, consumer price inflation will also have one less driver to contend with and Fed monetary policy will be faced with economic fundamentals that support continued easing through interest rate cuts in the new year.

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