News Release
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S&P Global US Manufacturing PMI®

Manufacturing operating conditions improve at slower pace as demand weakens

December 2025

New orders decline for first time in a year, but output growth remains solid

Tariffs continue to push up prices at elevated pace

Employment growth strengthens

A sustained, albeit slower, improvement in US manufacturing sector operating conditions was signaled by December's S&P Global PMI® data.

The latest survey showed a weaker gain in production, amid a renewed contraction in new order books – the first in exactly a year. International sales continued to fall, in part linked to tariffs, which also continued to push up operating expenses at an elevated pace. That said, although remaining historically elevated, both input and output prices rose at their slowest rates for 11 months.

Positively, firms reported that employment growth was sustained into the end of 2025, with job creation reaching the most pronounced since August. Confidence in the outlook also remained positive despite easing slightly since November.

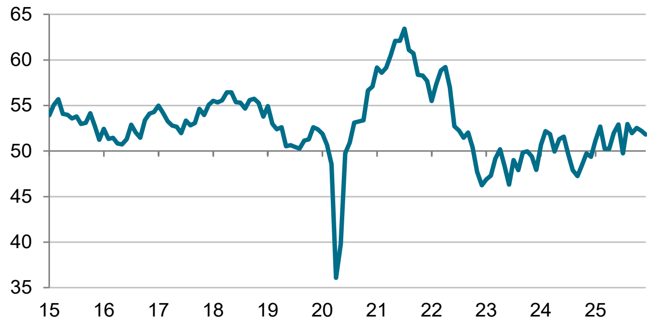
The headline index from the report, the seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI®), recorded 51.8 in December. That was down from 52.2 in November and signaled the weakest expansion of the manufacturing economy in the current five-month growth sequence.

Weaker growth emanated from a contraction in new order intakes. The decline was mild, but nonetheless the first in a year. Exports were also a source of demand weakness, falling for the seventh successive month. Tariffs were reported to have weighed on export sales, especially to Canada.

A reduction in demand led to weaker output gains in December, the softest in three months. Amid a reduction in sales, production increased sufficiently for firms to continued adding to their stocks of finished goods for the fifth month in a row, though the rate of accumulation moderated noticeably from November's survey record.

Work outstanding declined for the fourth month in a row during December, partly due to an expansion in labor capacity. Latest survey data showed that employment rose solidly as firms filled vacancies in anticipation of a stronger 2026.

S&P Global US Manufacturing PMI
Index, sa, >50 = improvement m/m



Data were collected 4-18 December 2025.
Source: S&P Global PMI. ©2026 S&P Global.

Comment

Chris Williamson, Chief Business Economist at S&P Global Market Intelligence

"Although manufacturers continued to ramp up production in December, suggesting the goods producing sector will have contributed to further robust economic growth in the fourth quarter, prospects for the start of 2026 are looking less rosy.

"Something of a Wiley E Coyote scenario has developed, whereby – just like the cartoon character continues to run despite chasing the roadrunner off a cliff– factories are continuing to produce goods despite suffering a drop in orders. The gap between growth of production and the drop in orders is in fact the widest seen since the height of the global financial crisis back in 2008-9. Unless demand improves, current factory production levels are clearly unsustainable. Payroll numbers will also be adversely impacted if production capacity has to be scaled back.

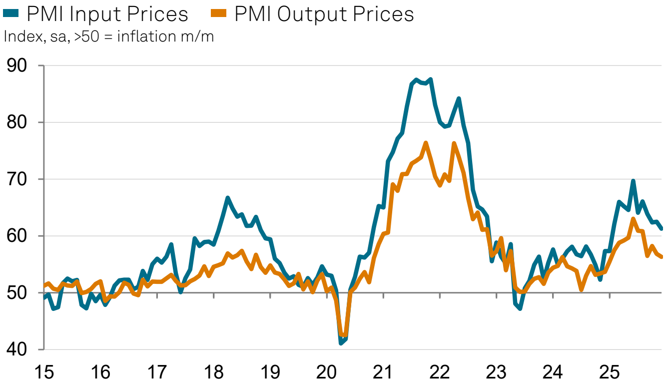
"A key factor causing concern over sales is the extent to which producers are having to pass higher costs on to customers in the form of raised prices, with higher costs continuing to be overwhelmingly blamed on tariffs.

"Some encouragement comes from input cost inflation moderating in December to the lowest recorded since last January. However, while this cost trend suggests the tariff impact on inflation peaked back in the summer, costs are still rising month-on-month at an elevated rate to suggest that US firms continue to face higher cost growth than competitors in most other major economies."

Indeed, manufacturing firms held a positive outlook regarding the year ahead for sales and production. Upbeat business activity expectations were linked to hopes of lower interest rates alongside business expansion and investment plans. That said, the degree of confidence eased since November amid a lack of new work to replace existing orders and the ongoing uncertainty over tariffs and trade policy.

Tariffs continued to push up input prices during December, with vendors reportedly raising charges. Although input cost inflation weakened since November to an 11-month low, it remained historically elevated. Similarly, manufacturers also recorded their least pronounced uplift in charges since the start of 2025, but inflation was again comfortably above trend.

Higher prices and weak demand discouraged purchasing activity in the latest survey period, as input buying stalled over the month. Where buying rose, this was linked to efforts to bolster inventories to protect against further price rises, contributing to a fifth consecutive accumulation in pre-production inventories. Meanwhile, difficulties receiving inputs due to supplier capacity constraints were noted to have driven average lead times higher in December. The latest lengthening of lead times was the most marked in seven months.



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Methodology

The S&P Global US Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 600 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in May 2007.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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