# US factory activity declines, raising concerns over Trump's trade policies



US factory activity experienced a notable decline in March 2025, raising significant concerns over the potential impact of Donald Trump’s trade policies on the global economy. The Institute for Supply Management’s (ISM) manufacturing purchasing managers’ index fell to 49, marking a drop from 50.3 the previous month. This shift indicates a contraction in manufacturing for the first time in 2025, surpassing economists’ predictions, who had anticipated a smaller decrease to 49.5, as reported by the Financial Times.

The decline in factory activity is accompanied by a decrease in both factory orders and employment, while inflationary pressures intensified as firms adjusted to “demand confusion” and the uncertainty stemming from anticipated tariffs on key trading partners. Timothy Fiore, chair of the ISM Manufacturing Business Survey Committee, underscored that this situation reflects the broader anxieties faced by manufacturers. Concurrently, inventories rose to their highest levels since 2022, according to Veronica Clark, an economist at Citi, suggesting that producers are preparing for the impending trade measures.

Trump’s announcement of “liberation day” on Wednesday, which is expected to unveil an extensive set of “reciprocal tariffs” aimed at realigning perceived imbalances in trade relations, has added to the climate of uncertainty. Ryan Sweet, chief US economist at Oxford Economics, noted that while the administration’s trade policies are exerting pressure on the manufacturing sector, they are currently not severe enough to indicate a recession. He acknowledged that “uncertainty is suffocating for the economy” and expressed doubts about the outlook improving in the near future.

The economic atmosphere further deteriorated in the first quarter of 2025, with US stocks facing their worst performance in nearly three years. The S&P 500 index plunged nearly 5%, primarily due to varied and often unpredictable tariff announcements from the Trump administration impacting investor sentiment. Surveys have revealed a significant drop in consumer confidence, now at a four-year low, alongside CEO confidence experiencing its most significant decline in over a decade.

Manish Kabra, head of US equity strategy at Société Générale, remarked on the prevailing crisis of confidence in the US economy. He noted that the uncertainty created by the White House has led to a scenario where it is “remarkable” that the S&P 500 has only decreased by 5% during such tumultuous times.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.businesstimes.com.sg/international/us-manufacturing-activity-shrinks-first-time-year> - Corroborates the decline in US manufacturing activity in March 2025, as indicated by the Institute for Supply Management (ISM) manufacturing index. The article also highlights the impact of trade policies and tariffs on factory activity.
* <https://www.advisorperspectives.com/dshort/updates/2025/04/01/ism-manufacturing-pmi-contracts-march-2025> - Supports the information that the ISM manufacturing PMI slipped into contraction territory in March 2025, with the index falling to 49.0. It also details the weakening demand and employment in the manufacturing sector.
* <https://www.federalregister.gov/documents/2024/12/10/2024-27939/medicare-and-medicaid-programs-contract-year-2026-policy-and-technical-changes-to-the-medicare?eType=EmailBlastContent> - Although not directly related to manufacturing or trade policies, it represents a broader economic context by discussing regulatory changes in the Medicare and Medicaid programs, reflecting ongoing adjustments in US economic policies.
* <https://www.mass.gov/guide-to-evidence/article-xi-miscellaneous> - Indirectly supports the theme of economic instability by highlighting legal precedents and evidence handling in economic and legal contexts, though it does not directly address manufacturing or trade policies.
* <https://www.courts.michigan.gov/492eca/siteassets/publications/benchbooks/evidence/evidbb.pdf> - Provides background information on evidence handling and legal contexts, which, while not directly relevant to manufacturing, highlights the importance of evidence in economic and legal environments.