

September 2012 Manufacturing ISM Report On Business®

PMI at 51.5%

DO NOT CONFUSE THIS NATIONAL REPORT with the various regional purchasing reports released across the country. The national report's information reflects the entire United States, while the regional reports contain primarily regional data from their local vicinities. Also, the information in the regional reports is not used in calculating the results of the national report. The information compiled in this report is for the month of September 2012.

New Orders, Employment and Inventories Growing Production Contracting Supplier Deliveries Slower

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in September following three consecutive months of slight contraction, and the **overall economy** grew for the 40th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM Report On Business®**.

The report was issued today by Bradley J. Holcomb, CPSM, CPSD, chair of the Institute for Supply Management™ Manufacturing Business Survey Committee. "The PMI™ registered 51.5 percent, an increase of 1.9 percentage points from August's reading of 49.6 percent, indicating a return to expansion after contracting for three consecutive months. The New Orders Index registered 52.3 percent, an increase of 5.2 percentage points from August, indicating growth in new orders after three consecutive months of contraction. The Production Index registered 49.5 percent, an increase of 2.3 percentage points and indicating contraction in production for the second time since May 2009. The Employment Index increased by 3.1 percentage points, registering 54.7 percent. The Prices Index increased 4 percentage points from its August reading to 58 percent. Comments from the panel reflect a mix of optimism over new orders beginning to pick up, and continued concern over soft global business conditions and an unsettled political environment."

PERFORMANCE BY INDUSTRY

Of the 18 manufacturing industries, 11 are reporting growth in September in the following order: Textile Mills; Food, Beverage & Tobacco Products; Printing & Related Support Activities; Wood Products; Apparel, Leather & Allied Products; Paper Products; Petroleum & Coal Products; Primary Metals; Fabricated Metal Products; Furniture & Related Products; and Miscellaneous Manufacturing. The six industries reporting contraction in September — listed in order — are: Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Machinery; Chemical Products; and Computer & Electronic Products.

WHAT RESPONDENTS ARE SAYING ...

- "Appears that our so-called 'slowdown' was a summer thing. September brings with it increasing requirements and business." (Paper Products)
- "Business improved through Q3, but is beginning to show signs of slowing down in Q4; this has been a typical trend over the last few years." (Wood Products)
- "Business has picked up going into the last quarter." (Plastics & Rubber Products)
- "We are sticking to our manufacturing plan, but have slowed production down considerably. Haven't added any new units to the 2012 plan, and still have no forecast for 2013 released." (Computer & Electronic Products)
- "Sales have tanked over the last two months, bringing a very concerned and stressed management team. Not very optimistic for the near-term future." (Apparel, Leather & Allied Products)
- "Uncertainty in the healthcare legislation (reform) continues to be the underlying force keeping our sales revenue below its full potential." (Miscellaneous Manufacturing)
- "Steel and aluminum prices still dropping, and auto production orders are up." (Transportation Equipment)
- "Domestic business is up; international is down." (Electrical Equipment, Appliances & Components)
- "Demand seems to have stabilized from August. New orders are appearing this month without advanced notice from our customers." (Chemical Products)

Index	Series Index Sep	Series Index Aug	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI™	51.5	49.6	+1.9	Growing	From Contracting	1
New Orders	52.3	47.1	+5.2	Growing	From Contracting	1
Production	49.5	47.2	+2.3	Contracting	Slower	2
Employment	54.7	51.6	+3.1	Growing	Faster	36
Supplier Deliveries	50.3	49.3	+1.0	Slowing	From Faster	1
Inventories	50.5	53.0	-2.5	Growing	Slower	2
Customers' Inventories	49.5	49.0	+0.5	Too Low	Slower	10
Prices	58.0	54.0	+4.0	Increasing	Faster	2
Backlog of Orders	44.0	42.5	+1.5	Contracting	Slower	6
Exports	48.5	47.0	+1.5	Contracting	Slower	4
Imports	49.5	49.0	+0.5	Contracting	Slower	2
OVERALL ECONOMY				Growing	Faster	40
Manufacturing Sector				Growing	From Contracting	1

*Number of months moving in current direction.

COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY

Commodities Up in Price

Caustic Soda (2); Corn (3); Corn Products (2); Corrugated Boxes (2); Flour; Fuel (2); Gasoline; HDPE; Soy Bean Oil; Steel*; and Structural Steel.

Commodities Down in Price

Aluminum (2); Nickel (2); Stainless Steel (3); Steel* (7); and Steel Products.

Commodities in Short Supply

Plastic Components is the only commodity reported in short supply.

Note: The number of consecutive months the commodity is listed is indicated after each item.

*Reported as both up and down in price.

SEPTEMBER 2012 MANUFACTURING INDEX SUMMARIES

PMI™

Manufacturing expanded in September as the PMI™ registered 51.5 percent, an increase of 1.9 percentage points when compared to August's reading of 49.6 percent. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.

A PMI™ in excess of 42.6 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the September PMI™ indicates growth for the 40th consecutive month in the overall economy, and indicates a return to growth in the manufacturing sector following three consecutive months of slight contraction. Holcomb stated, "The past relationship between the PMI™ and the overall economy indicates that the average PMI™ for January through September (52.1 percent) corresponds to a 3.2 percent increase in real gross domestic product (GDP). In addition, if the PMI™ for September (51.5 percent) is annualized, it corresponds to a 3 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI™</i>	<i>Month</i>	<i>PMI™</i>
Sep 2012	51.5	Mar 2012	53.4
Aug 2012	49.6	Feb 2012	52.4
Jul 2012	49.8	Jan 2012	54.1
Jun 2012	49.7	Dec 2011	53.1
May 2012	53.5	Nov 2011	52.2
Apr 2012	54.8	Oct 2011	51.8
Average for 12 months – 52.2 High – 54.8 Low – 49.6			

New Orders

ISM's New Orders Index registered 52.3 percent in September, which is an increase of 5.2 percentage points when compared to the August reading of 47.1 percent. This represents a return to growth in new orders following three consecutive months of contraction. A New Orders Index above 52.3 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders (in constant 2000 dollars).

The eight industries reporting growth in new orders in September — listed in order — are: Petroleum & Coal Products; Apparel, Leather & Allied Products; Food, Beverage & Tobacco Products; Furniture & Related Products; Paper Products; Plastics & Rubber Products; Primary Metals; and Fabricated Metal Products. The six industries reporting a decrease in new orders during September — listed in order — are: Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Machinery; Miscellaneous Manufacturing; and Wood Products.

New Orders	% Better	% Same	% Worse	Net	Index
Sep 2012	27	48	25	+2	52.3
Aug 2012	21	50	29	-8	47.1
Jul 2012	20	51	29	-9	48.0
Jun 2012	24	53	23	+1	47.8

Production

ISM's Production Index registered 49.5 percent in September, which is an increase of 2.3 percentage points when compared to the 47.2 percent reported in August. This indicates contraction in production for the second time since May 2009 when the Production Index registered 43.9 percent. An index above 51.2 percent, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures.

The five industries reporting growth in production during the month of September are: Printing & Related Support Activities; Food, Beverage & Tobacco Products; Apparel, Leather & Allied Products; Paper Products; and Fabricated Metal Products. The six industries reporting a decrease in production in September — listed in order — are: Nonmetallic Mineral Products; Machinery; Petroleum & Coal Products; Transportation Equipment; Chemical Products; and Electrical Equipment, Appliances & Components. Seven industries reported no change in production in September compared to August.

Production	% Better	% Same	% Worse	Net	Index
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Sep 2012	24	50	26	-2	49.5
Aug 2012	19	57	24	-5	47.2
Jul 2012	19	58	23	-4	51.3
Jun 2012	24	60	16	+8	51.0

Employment

ISM's Employment Index registered 54.7 percent in September, which is 3.1 percentage points higher than the 51.6 percent reported in August. This is the 36th consecutive month of growth in the Employment Index. An Employment Index above 50.5 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) data on manufacturing employment.

Of the 18 manufacturing industries, 11 reported growth in employment in September in the following order: Textile Mills; Printing & Related Support Activities; Wood Products; Food, Beverage & Tobacco Products; Paper Products; Petroleum & Coal Products; Primary Metals; Furniture & Related Products; Fabricated Metal Products; Miscellaneous Manufacturing; and Machinery. The six industries reporting a decrease in employment in September — listed in order — are: Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Transportation Equipment; Computer & Electronic Products; and Apparel, Leather & Allied Products.

Employment	% Higher	% Same	% Lower	Net	Index
Sep 2012	23	59	18	+5	54.7
Aug 2012	19	65	16	+3	51.6
Jul 2012	20	65	15	+5	52.0
Jun 2012	29	57	14	+15	56.6

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations was slower in September as the Supplier Deliveries Index registered 50.3 percent, which is 1 percentage point higher than the 49.3 percent reported in August. This is the first month that supplier deliveries have been slower than the previous month since January 2012, when the Supplier Deliveries Index registered 53.6 percent. A reading above 50 percent indicates slower deliveries.

The seven industries reporting slower supplier deliveries in September — listed in order — are: Wood Products; Primary Metals; Electrical Equipment, Appliances & Components; Paper Products; Chemical Products; Food, Beverage & Tobacco Products; and Fabricated Metal Products. The four industries reporting faster supplier deliveries in

September are: Furniture & Related Products; Plastics & Rubber Products; Machinery; and Miscellaneous Manufacturing. Seven industries reported no change in supplier deliveries in September compared to August.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Sep 2012	8	86	6	+2	50.3
Aug 2012	9	83	8	+1	49.3
Jul 2012	9	84	7	+2	48.7
Jun 2012	8	85	7	+1	48.9

Inventories*

The Inventories Index registered 50.5 percent in September, which is 2.5 percentage points lower than the 53 percent reported in August. This month's reading indicates that respondents are reporting inventories are growing for the second consecutive month, but at a slower rate than in August. An Inventories Index greater than 42.8 percent, over time, is generally consistent with expansion in the Bureau of Economic Analysis' (BEA) figures on overall manufacturing inventories (in chained 2000 dollars).

The six industries reporting higher inventories in September — listed in order — are: Textile Mills; Plastics & Rubber Products; Wood Products; Machinery; Food, Beverage & Tobacco Products; and Computer & Electronic Products. The eight industries reporting decreases in inventories in September — listed in order — are: Electrical Equipment, Appliances & Components; Petroleum & Coal Products; Transportation Equipment; Chemical Products; Paper Products; Miscellaneous Manufacturing; Fabricated Metal Products; and Apparel, Leather & Allied Products.

Inventories	% Higher	% Same	% Lower	Net	Index
Sep 2012	20	61	19	+1	50.5
Aug 2012	24	58	18	+6	53.0
Jul 2012	21	56	23	-2	49.0
Jun 2012	13	62	25	-12	44.0

Customers' Inventories*

The ISM Customers' Inventories Index registered 49.5 percent in September, which is 0.5 percentage point higher than in August when the index registered 49 percent. Customers' inventories have registered at or below 50 percent for 42 consecutive months. A reading below 50 percent indicates customers' inventories are considered too low.

The five manufacturing industries reporting customers' inventories as being too high during September are: Apparel, Leather & Allied Products; Printing & Related Support Activities; Primary Metals; Electrical Equipment, Appliances & Components; and Chemical Products. The six industries reporting customers' inventories as too low during September — listed in order — are: Paper Products; Miscellaneous Manufacturing; Machinery; Transportation Equipment; Computer & Electronic Products; and Food, Beverage & Tobacco Products. Six industries reported no change in Customers' Inventories in September compared to August.

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Sep 2012	68	21	57	22	-1	49.5
Aug 2012	70	16	66	18	-2	49.0
Jul 2012	69	17	65	18	-1	49.5
Jun 2012	70	13	71	16	-3	48.5

Prices*

The ISM Prices Index registered 58 percent in September, which is an increase of 4 percentage points compared to August, and follows a 14.5 percentage point increase in August compared to July. In September, 27 percent of respondents reported paying higher prices, 11 percent reported paying lower prices, and 62 percent of supply executives reported paying the same prices as in August. A Prices Index above 49.4 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) Index of Manufacturers Prices.

Of the 18 manufacturing industries, 10 reported paying increased prices during the month of September in the following order: Food, Beverage & Tobacco Products; Plastics & Rubber Products; Printing & Related Support Activities; Wood Products; Chemical Products; Primary Metals; Furniture & Related Products; Machinery; Fabricated Metal Products; and Miscellaneous Manufacturing. The four industries reporting paying lower prices during September are: Paper Products; Electrical Equipment, Appliances & Components; Computer & Electronic Products; and Nonmetallic Mineral Products.

Prices	% Higher	% Same	% Lower	Net	Index
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Sep 2012	27	62	11	+16	58.0
Aug 2012	23	62	15	+8	54.0
Jul 2012	11	57	32	-21	39.5
Jun 2012	7	60	33	-26	37.0

Backlog of Orders*

ISM's Backlog of Orders Index registered 44 percent in September, which is 1.5 percentage points higher than the 42.5 percent reported in August. This is the sixth consecutive month of contraction in order backlogs. Of the 83 percent of respondents who reported their backlog of orders, 14 percent reported greater backlogs, 26 percent reported smaller backlogs, and 60 percent reported no change from August.

The four industries reporting increased order backlogs in September are: Petroleum & Coal Products; Plastics & Rubber Products; Miscellaneous Manufacturing; and Food, Beverage & Tobacco Products. The 10 industries reporting decreases in order backlogs during September — listed in order — are: Nonmetallic Mineral Products; Machinery; Wood Products; Transportation Equipment; Primary Metals; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Fabricated Metal Products; Chemical Products; and Apparel, Leather & Allied Products.

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Sep 2012	83	14	60	26	-12	44.0
Aug 2012	84	16	53	31	-15	42.5
Jul 2012	84	13	60	27	-14	43.0
Jun 2012	86	16	57	27	-11	44.5

New Export Orders*

ISM's New Export Orders Index registered 48.5 percent in September, which is 1.5 percentage points higher than the 47 percent reported in August, and represents the fourth month of contraction in the index since June 2009, when the index registered 49.5 percent. Prior to this current four-month period of contraction, the New Export Orders Index had registered 50 percent or above for the past 35 consecutive months.

The seven industries reporting growth in new export orders in September — listed in order — are: Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Petroleum & Coal Products; Miscellaneous Manufacturing; Chemical Products; and Computer & Electronic Products. The eight industries reporting a decrease in

new export orders during September — listed in order — are: Wood Products; Electrical Equipment, Appliances & Components; Furniture & Related Products; Transportation Equipment; Machinery; Paper Products; Food, Beverage & Tobacco Products; and Apparel, Leather & Allied Products.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Sep 2012	77	15	67	18	-3	48.5
Aug 2012	77	13	68	19	-6	47.0
Jul 2012	77	10	73	17	-7	46.5
Jun 2012	78	15	65	20	-5	47.5

Imports*

ISM's Imports Index registered 49.5 percent in September, which is 0.5 percentage point higher than the 49 percent reported in August. This month's reading reflects the second month of contraction in imports since November 2011, when the Imports Index registered 49 percent.

The nine industries reporting growth in imports during the month of September — listed in order — are: Textile Mills; Wood Products; Printing & Related Support Activities; Nonmetallic Mineral Products; Paper Products; Plastics & Rubber Products; Primary Metals; Food, Beverage & Tobacco Products; and Miscellaneous Manufacturing. The seven industries reporting a decrease in imports during September — listed in order — are: Furniture & Related Products; Machinery; Computer & Electronic Products; Transportation Equipment; Electrical Equipment, Appliances & Components; Chemical Products; and Apparel, Leather & Allied Products.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Sep 2012	77	11	77	12	-1	49.5
Aug 2012	77	13	72	15	-2	49.0
Jul 2012	80	13	75	12	+1	50.5
Jun 2012	78	18	71	11	+7	53.5

* The Inventories, Customers' Inventories, Prices, Backlog of Orders, New Export Orders and Imports Indexes do not meet the accepted criteria for seasonal adjustments.

Buying Policy

Average commitment lead time for Capital Expenditures decreased 1 day to 123 days. Average lead time for Production Materials decreased 1 day to 54 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies remained unchanged at 27 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Sep 2012	25	5	14	18	23	15	123
Aug 2012	23	7	13	19	23	15	124
Jul 2012	29	7	13	18	21	12	109
Jun 2012	26	10	9	20	20	15	118
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Sep 2012	18	38	22	16	4	2	54
Aug 2012	16	37	26	15	4	2	55
Jul 2012	17	37	24	17	3	2	54
Jun 2012	15	40	21	17	5	2	57
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Sep 2012	44	36	16	3	1	0	27
Aug 2012	46	38	11	3	2	0	27
Jul 2012	47	36	11	5	1	0	26
Jun 2012	43	40	11	3	2	1	31

About this Report

The data presented herein is obtained from a survey of manufacturing supply managers based on information they have collected within their respective organizations. ISM makes no representation, other than that stated within this

release, regarding the individual company data collection procedures. Use of the data is in the public domain and should be compared to all other economic data sources when used in decision-making.

Data and Method of Presentation

The **Manufacturing ISM Report On Business**[®] is based on data compiled from purchasing and supply executives nationwide. Membership of the Manufacturing Business Survey Committee is diversified by NAICS, based on each industry's contribution to gross domestic product (GDP). Manufacturing Business Survey Committee responses are divided into the following NAICS code categories: Food, Beverage & Tobacco Products; Textile Mills; Apparel, Leather & Allied Products; Wood Products; Paper Products; Printing & Related Support Activities; Petroleum & Coal Products; Chemical Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Furniture & Related Products; and Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies).

Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (New Orders, Backlog of Orders, New Export Orders, Imports, Production, Supplier Deliveries, Inventories, Customers' Inventories, Employment and Prices), this report shows the percentage reporting each response, the net difference between the number of responses in the positive economic direction (higher, better and slower for Supplier Deliveries) and the negative economic direction (lower, worse and faster for Supplier Deliveries), and the diffusion index. Responses are raw data and are never changed. The diffusion index includes the percent of positive responses plus one-half of those responding the same (considered positive).

The resulting single index number for those meeting the criteria for seasonal adjustments (PMI[™], New Orders, Production, Employment and Supplier Deliveries) is then seasonally adjusted to allow for the effects of repetitive intra-year variations resulting primarily from normal differences in weather conditions, various institutional arrangements, and differences attributable to non-moveable holidays. All seasonal adjustment factors are supplied by the U.S. Department of Commerce and are subject annually to relatively minor changes when conditions warrant them. The PMI[™] is a composite index based on the diffusion indexes of five of the indexes with equal weights: New Orders (seasonally adjusted), Production (seasonally adjusted), Employment (seasonally adjusted), Supplier Deliveries (seasonally adjusted), and Inventories.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change. A PMI[™] reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining. A PMI[™] in excess of 42.6 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 42.6 percent, it is generally declining. The distance from 50 percent or 42.6 percent is indicative of the strength of the expansion or decline. With some of the indicators within this report, ISM has

indicated the departure point between expansion and decline of comparable government series, as determined by regression analysis.

The **Manufacturing ISM Report On Business**[®] surveys are sent out to Manufacturing Business Survey Committee respondents the first part of each month. Respondents are asked to ONLY report on information for the current month. ISM receives survey responses throughout most of any given month, with the majority of respondents generally waiting until late in the month to submit responses in order to give the most accurate picture of current business activity. ISM then compiles the reports for release on the first business day of the following month.

The industries reporting growth, as indicated in the **Manufacturing ISM Report On Business**[®] monthly reports, are listed in the order of most growth to least growth. For the industries reporting contraction or decreases, those are listed in the order of the highest level of contraction/decrease to the least level of contraction/decrease.

Responses to Buying Policy reflect the percent reporting the current month's lead time, the approximate weighted number of days ahead for which commitments are made for Production Materials; Capital Expenditures; and Maintenance, Repair and Operating (MRO) Supplies, expressed as hand-to-mouth (five days), 30 days, 60 days, 90 days, six months (180 days), a year or more (360 days), and the weighted average number of days. These responses are raw data, never revised, and not seasonally adjusted since there is no significant seasonal pattern.

The **Manufacturing ISM Report On Business**[®] is published monthly by the Institute for Supply Management[™], the first supply institute in the world. Founded in 1915, ISM exists to lead and serve the supply management profession and is a highly influential and respected association in the global marketplace. ISM's mission is to lead the supply management profession through its standards of excellence, research, promotional activities and education. This report has been issued by the association since 1931, except for a four-year interruption during World War II.

The full text version of the **Manufacturing ISM Report On Business**[®] is posted on ISM's website at www.ism.ws on the first business day of every month after 10:10 a.m. (ET).

The next **Manufacturing ISM Report On Business**[®] featuring the October 2012 data will be released at 10:00 a.m. (ET) on Thursday, November 1, 2012.