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May 2013 Manufacturing ISM Report On Business[®]

PMI[™] at 49%

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 May 2013.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** contracted in May for the first time since November 2012, and the **overall economy** grew for the 48th 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 49 percent, a decrease of 1.7 percentage points from April's reading of 50.7 percent, indicating contraction in manufacturing for the first time since November 2012 and only the second time since July 2009. This month's PMI[™] reading is at its lowest level since June 2009, when it registered 45.8 percent. The New Orders Index decreased in May by 3.5 percentage points to 48.8 percent, and the Production Index decreased by 4.9 percentage points to 48.6 percent. The Employment Index registered 50.1 percent, a slight decrease of 0.1 percentage point compared to April's reading of 50.2 percent. The Prices Index registered 49.5 percent, decreasing 0.5 percentage point from April, indicating that overall raw materials prices decreased from last month. Several comments from the panel indicate a flattening or softening in demand due to a sluggish economy, both domestically and globally."

Of the 18 manufacturing industries, 10 are reporting growth in May in the following order: Printing & Related Support Activities; Nonmetallic Mineral Products; Fabricated Metal Products; Wood Products; Furniture & Related Products; Apparel, Leather & Allied Products; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Machinery; and Paper Products. The six industries reporting contraction in May — listed in order — are: Miscellaneous Manufacturing; Transportation Equipment; Chemical Products; Plastics & Rubber Products; Computer & Electronic Products; and Primary Metals.

WHAT RESPONDENTS ARE SAYING ...

- "Customers are anticipating resin price decreases and holding back orders." (Plastics & Rubber Products)
- "Slight uptick in overall business but not substantial." (Textile Mills)
- "Government spending has tightened, which has moved out program awards and caused some reduction in force." (Computer & Electronic Products)
- "Market outlook is relatively flat, with some promise of raw materials inflation relaxing." (Electrical Equipment, Appliances & Components)
- "General economy seems sluggish and pensive. Buyers are not buying much beyond lead times." (Fabricated Metal Products)
- "Downturn in European and Chinese markets is having a negative effect on our business." (Machinery)
- "We are having a difficult time hiring skilled employees." (Transportation Equipment)
- "Business continues to increase, but over the past 20 days we have seen the trend flatten." (Furniture & Related Products)
- "Market was holding strong until mid-month — then softened." (Wood Products)
- "Decline in sales for FYQ2 over same period a year ago due to softer demand [in] both domestic and exports." (Chemical Products)

**MANUFACTURING AT A GLANCE
MAY 2013**

Index	Series Index May	Series Index Apr	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI™	49.0	50.7	-1.7	Contracting	From Growing	1
New Orders	48.8	52.3	-3.5	Contracting	From Growing	1
Production	48.6	53.5	-4.9	Contracting	From Growing	1
Employment	50.1	50.2	-0.1	Growing	Slower	44
Supplier Deliveries	48.7	50.9	-2.2	Faster	From Slowing	1
Inventories	49.0	46.5	+2.5	Contracting	Slower	3
Customers' Inventories	46.0	44.5	+1.5	Too Low	Slower	18
Prices	49.5	50.0	-0.5	Decreasing	From Unchanged	1
Backlog of Orders	48.0	53.0	-5.0	Contracting	From Growing	1
Exports	51.0	54.0	-3.0	Growing	Slower	6
Imports	54.5	55.0	-0.5	Growing	Slower	4
OVERALL ECONOMY				Growing	Slower	48
Manufacturing Sector				Contracting	From Growing	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); Corrugated Boxes (10); Corrugated Packaging; Lumber (5); and Natural Gas (2).

Commodities Down in Price

Polypropylene; Stainless Steel; Steel (2); Steel — Hot Rolled; and Sugar.

Commodities in Short Supply

Lumber — Hardwood, Pine and Plywood is the only commodity reported in short supply.

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

MAY 2013 MANUFACTURING INDEX SUMMARIES

PMI™

Manufacturing contracted in May as the PMI™ registered 49 percent, a decrease of 1.7 percentage points when compared to April's reading of 50.7 percent. This month's reading reflects the second month of contraction in the manufacturing sector since July 2009, when the index registered 49.9 percent. It is also the lowest reading for the PMI™ since June 2009, when the index registered 45.8 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 42.2 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the May PMI™ indicates growth for the 48th consecutive month in the overall economy, and indicates contraction in the manufacturing sector for the first time since November 2012. Holcomb stated, "The past relationship between the PMI™ and the overall economy indicates that the average PMI™ for January through May (51.7 percent) corresponds to a 3 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI™ for May (49 percent) is annualized, it corresponds to a 2.1 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI™</i>	<i>Month</i>	<i>PMI™</i>
May 2013	49.0	Nov 2012	49.9
Apr 2013	50.7	Oct 2012	51.7
Mar 2013	51.3	Sep 2012	51.6
Feb 2013	54.2	Aug 2012	50.7
Jan 2013	53.1	Jul 2012	50.5
Dec 2012	50.2	Jun 2012	50.2
Average for 12 months – 51.1 High – 54.2 Low – 49.9			

New Orders

ISM's New Orders Index registered 48.8 percent in May, a decrease of 3.5 percentage points when compared to the April reading of 52.3 percent. This represents contraction in new orders for the first time since December 2012, when the index registered 49.7 percent. A New Orders Index above 52.2 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders (in constant 2000 dollars).

The seven industries reporting growth in new orders in May — listed in order — are: Printing & Related Support Activities; Nonmetallic Mineral Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Wood Products; Furniture & Related Products; and Machinery. The eight industries reporting a decrease in new orders during May — listed in order — are: Apparel, Leather & Allied Products; Miscellaneous Manufacturing; Plastics & Rubber Products; Petroleum & Coal Products; Transportation Equipment; Paper Products; Chemical Products; and Computer & Electronic Products.

New Orders	% Better	% Same	% Worse	Net	Index
May 2013	28	50	22	+6	48.8
Apr 2013	34	46	20	+14	52.3
Mar 2013	31	52	17	+14	51.4
Feb 2013	37	47	16	+21	57.8

Production

ISM's Production Index registered 48.6 percent in May, which is a decrease of 4.9 percentage points when compared to the 53.5 percent reported in April. This month's reading indicates contraction in production for the first time since August 2012, when the index registered 48.9 percent. It also reflects only the second month of contraction for the index since May 2009. An index above 51.2 percent, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures.

The nine industries reporting growth in production during the month of May — listed in order — are: Printing & Related Support Activities; Wood Products; Nonmetallic Mineral Products; Fabricated Metal Products; Furniture & Related Products; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Transportation Equipment; and Machinery. The five industries reporting a decrease in production in May are: Miscellaneous Manufacturing; Plastics & Rubber Products; Petroleum & Coal Products; Paper Products; and Computer & Electronic Products.

Production	% Better	% Same	% Worse	Net	Index
May 2013	26	57	17	+9	48.6
Apr 2013	33	53	14	+19	53.5
Mar 2013	33	51	16	+17	52.2
Feb 2013	36	49	15	+21	57.6

Employment

ISM's Employment Index registered 50.1 percent in May, which is 0.1 percentage point lower than the 50.2 percent reported in April. This month's reading indicates growth in employment for the 44th consecutive month, but at a slightly slower rate. 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, 12 reported growth in employment in May in the following order: Printing & Related Support Activities; Plastics & Rubber Products; Apparel, Leather & Allied Products; Fabricated Metal Products; Wood Products; Furniture & Related Products; Paper Products; Petroleum & Coal Products; Primary Metals; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; and Machinery. The four industries reporting a decrease in employment in May are: Miscellaneous Manufacturing; Transportation Equipment; Computer & Electronic Products; and Chemical Products.

Employment	% Higher	% Same	% Lower	Net	Index
May 2013	22	60	18	+4	50.1
Apr 2013	26	57	17	+9	50.2
Mar 2013	24	60	16	+8	54.2
Feb 2013	21	65	14	+7	52.6

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations was faster in May as the Supplier Deliveries Index registered 48.7 percent, which is 2.2 percentage points lower than the 50.9 percent reported in April. The index has alternated between slower and faster supplier deliveries for the past four months. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The five industries reporting slower supplier deliveries in May are: Furniture & Related Products; Machinery; Petroleum & Coal Products; Fabricated Metal Products; and Electrical Equipment, Appliances & Components. The six industries reporting faster supplier deliveries in May — listed in order — are: Primary Metals; Transportation Equipment; Miscellaneous Manufacturing; Computer & Electronic Products; Food, Beverage & Tobacco Products; and Chemical Products. Seven industries reported no change in supplier deliveries in May compared to April.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
May 2013	8	85	7	+1	48.7
Apr 2013	12	81	7	+5	50.9
Mar 2013	11	82	7	+4	49.4
Feb 2013	9	84	7	+2	51.4

Inventories*

The Inventories Index registered 49 percent in May, which is 2.5 percentage points higher than the 46.5 percent reported in April. This month's reading indicates that respondents are reporting inventories contracted in May for the third consecutive month, but at a slower rate than in April. An Inventories Index greater than 42.7 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 seven industries reporting higher inventories in May — listed in order — are: Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Paper Products; Fabricated Metal Products; Computer & Electronic Products; Food, Beverage & Tobacco Products; and Machinery. The three industries reporting decreases in inventories in May are: Plastics & Rubber Products; Chemical Products; and Transportation Equipment. Eight industries reported no change in raw materials inventories in May compared to April.

Inventories	% Higher	% Same	% Lower	Net	Index
May 2013	20	58	22	-2	49.0
Apr 2013	18	57	25	-7	46.5
Mar 2013	20	59	21	-1	49.5
Feb 2013	22	59	19	+3	51.5

Customers' Inventories*

The ISM Customers' Inventories Index registered 46 percent in May, which is 1.5 percentage points higher than in April when the index registered 44.5 percent. This month's reading indicates that customers' inventories are considered too low, but higher than reported in April. Customers' inventories have registered at or below 50 percent for 50 consecutive months. A reading below 50 percent indicates customers' inventories are considered too low.

The four manufacturing industries reporting customers' inventories as being too high during the month of May are: Apparel, Leather & Allied Products; Petroleum & Coal Products; Miscellaneous Manufacturing; and Food, Beverage & Tobacco Products. The eight industries reporting customers' inventories as too low during May — listed in order — are: Paper Products; Plastics & Rubber Products; Primary Metals; Computer & Electronic Products; Machinery; Fabricated Metal Products; Transportation Equipment; and Chemical Products. Six industries reported no change in customers' inventories in May compared to April.

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
May 2013	70	14	64	22	-8	46.0
Apr 2013	71	11	67	22	-11	44.5
Mar 2013	75	14	67	19	-5	47.5
Feb 2013	69	11	71	18	-7	46.5

Prices*

The ISM Prices Index registered 49.5 percent in May, which is a decrease of 0.5 percentage point compared to the April reading of 50 percent. This also indicates that raw materials prices decreased in May for the first time since July 2012. The Prices Index has decreased by 12 percentage points in the last three months. In May, 19 percent of respondents reported paying higher prices, 20 percent reported paying lower prices, and 61 percent of supply executives reported paying the same prices as in April. A Prices Index above 49.7 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, seven reported paying increased prices during the month of May in the following order: Nonmetallic Mineral Products; Furniture & Related Products; Wood Products; Chemical Products; Transportation Equipment; Miscellaneous Manufacturing; and Food, Beverage & Tobacco Products. The seven industries reporting paying lower prices during May — listed in order — are: Textile Mills; Primary Metals; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Machinery; Fabricated Metal Products; and Computer & Electronic Products.

Prices	% Higher	% Same	% Lower	Net	Index
May 2013	19	61	20	-1	49.5
Apr 2013	15	70	15	0	50.0
Mar 2013	21	67	12	+9	54.5
Feb 2013	31	61	8	+23	61.5

Backlog of Orders*

ISM's Backlog of Orders Index registered 48 percent in May, which is 5 percentage points lower than the 53 percent reported in April. This is the first month of contracting order backlogs since January 2013, when the index registered 47.5 percent. Of the 82 percent of respondents who reported their backlog of orders, 23 percent reported greater backlogs, 27 percent reported smaller backlogs, and 50 percent reported no change from April.

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

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
May 2013	82	23	50	27	-4	48.0
Apr 2013	85	25	56	19	+6	53.0
Mar 2013	85	22	58	20	+2	51.0
Feb 2013	83	26	58	16	+10	55.0

New Export Orders*

ISM's New Export Orders Index registered 51 percent in May, which is 3 percentage points lower than the 54 percent reported in April. This month's reading represents the sixth consecutive month of growth in new export orders, and follows six consecutive months of contraction dating back to June 2012.

The four industries reporting growth in new export orders in May are: Fabricated Metal Products; Food, Beverage & Tobacco Products; Machinery; and Electrical Equipment, Appliances & Components. The four industries reporting a decrease in new export orders during May are: Miscellaneous Manufacturing; Chemical Products; Transportation Equipment; and Computer & Electronic Products. Ten industries reported no change in new export orders in May compared to April.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
May 2013	76	16	70	14	+2	51.0
Apr 2013	75	18	72	10	+8	54.0
Mar 2013	77	22	68	10	+12	56.0
Feb 2013	73	16	75	9	+7	53.5

Imports*

ISM's Imports Index registered 54.5 percent in May, which is 0.5 percentage point lower than the 55 percent reported in April. This month's reading represents the sixth consecutive month that the Imports Index has registered at or above 50 percent.

The six industries reporting growth in imports during the month of May — listed in order — are: Machinery; Fabricated Metal Products; Furniture & Related Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; and Transportation Equipment. The three industries reporting a decrease in imports during May are:

Apparel, Leather & Allied Products; Computer & Electronic Products; and Primary Metals. Nine industries reported no change in imports in May compared to April.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
May 2013	75	16	77	7	+9	54.5
Apr 2013	76	19	72	9	+10	55.0
Mar 2013	77	18	72	10	+8	54.0
Feb 2013	75	20	68	12	+8	54.0

* 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 increased 3 days to 125 days. Average lead time for Production Materials increased 4 days to 62 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies remained the same at 26 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
May 2013	27	5	10	19	23	16	125
Apr 2013	26	4	13	16	28	13	122
Mar 2013	28	7	9	19	25	12	114
Feb 2013	28	10	9	18	22	13	112
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
May 2013	17	34	26	15	4	4	62
Apr 2013	18	30	33	13	3	3	58
Mar 2013	17	37	26	13	4	3	57
Feb 2013	17	35	27	14	5	2	56
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
May 2013	43	40	13	3	1	0	26
Apr 2013	43	40	13	4	0	0	26
Mar 2013	44	39	13	3	1	0	26
Feb 2013	47	38	10	4	1	0	25

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 42.2 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 42.2 percent, it is generally declining. The distance from 50 percent or 42.2 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**[®] survey is 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 report 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 enhance the value and performance of procurement and supply chain management practitioners and their organizations worldwide. 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 June 2013 data will be released at 10:00 a.m. (ET) on Monday, July 1, 2013.