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## **September 2013 Manufacturing ISM *Report On Business*<sup>®</sup>**

**PMI<sup>™</sup> at 56.2%**

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 2013.

### **New Orders, Production and Employment Growing Inventories Unchanged Supplier Deliveries Slowing**

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in September for the fourth consecutive month, and the **overall economy** grew for the 52nd consecutive month, say the nation's supply executives in the latest **Manufacturing ISM *Report On Business*<sup>®</sup>**.

The report was issued today by Bradley J. Holcomb, CPSM, CPSD, chair of the Institute for Supply Management<sup>™</sup> Manufacturing Business Survey Committee. "The PMI<sup>™</sup> registered 56.2 percent, an increase of 0.5 percentage point from August's reading of 55.7 percent. September's PMI<sup>™</sup> reading is the highest of the year, leading to an average PMI<sup>™</sup> reading of 55.8 percent for the third quarter. The New Orders Index decreased in September by 2.7 percentage points to 60.5 percent, and the Production Index increased by 0.2 percentage point to 62.6 percent. The Employment Index registered 55.4 percent, an increase of 2.1 percentage points compared to August's reading of

53.3 percent, which is the highest reading for the year. Comments from the panel are generally positive and optimistic about increasing demand and improving business conditions."

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

### **WHAT RESPONDENTS ARE SAYING ...**

- "Global sales generally trending moderately higher." (Textile Mills)
- "Slight increase in demand. Forecast looks better. 4Q looking better than 3Q — should begin to see demand increase in October/November." (Food, Beverage & Tobacco Products)
- "Raw materials shortages continue. General trends are up, which enhances shortage issues." (Wood Products)
- "Overall business is flat to down across the board." (Machinery)
- "Housing continues to improve, resulting in improved conditions for our industry." (Furniture & Related Products)
- "Rising costs of China labor has us re-evaluating our current position in that country." (Computer & Electronic Products)
- "Steady increase in work this month." (Primary Metals)
- "Overall business is picking up." (Transportation Equipment)
- "Outlook remains strong with housing market and customer orders." (Electrical Equipment, Appliances & Components)
- "Labor rates along the Gulf Coast are rising with the increased activity of construction and maintenance projects." (Chemical Products)

<b>MANUFACTURING AT A GLANCE SEPTEMBER 2013</b>						
<b>Index</b>	<b>Series Index Sep</b>	<b>Series Index Aug</b>	<b>Percentage Point Change</b>	<b>Direction</b>	<b>Rate of Change</b>	<b>Trend* (Months)</b>
<b>PMI™</b>	56.2	55.7	+0.5	Growing	Faster	4
<b>New Orders</b>	60.5	63.2	-2.7	Growing	Slower	4
<b>Production</b>	62.6	62.4	+0.2	Growing	Faster	4
<b>Employment</b>	55.4	53.3	+2.1	Growing	Faster	3
<b>Supplier Deliveries</b>	52.6	52.3	+0.3	Slowing	Faster	3
<b>Inventories</b>	50.0	47.5	+2.5	Unchanged	From Contracting	1
<b>Customers' Inventories</b>	43.0	42.5	+0.5	Too Low	Slower	22
<b>Prices</b>	56.5	54.0	+2.5	Increasing	Faster	2
<b>Backlog of Orders</b>	49.5	46.5	+3.0	Contracting	Slower	5
<b>Exports</b>	52.0	55.5	-3.5	Growing	Slower	10
<b>Imports</b>	55.0	58.0	-3.0	Growing	Slower	8
<b>OVERALL ECONOMY</b>				Growing	Faster	52
<b>Manufacturing Sector</b>				Growing	Faster	4

\*Number of months moving in current direction.

## **COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY**

### **Commodities Up in Price**

Aluminum; Aluminum Based Products; Caustic Soda; Corrugated Boxes (14); HDPE Resin; Metal Parts; Oil (3); Plastic Resin (3); and Steel Based Products.

## **Commodities Down in Price**

Corn (2); and Latex.

## **Commodities in Short Supply**

No commodities are reported in short supply.

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

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## **SEPTEMBER 2013 MANUFACTURING INDEX SUMMARIES**

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### **PMI™**

Manufacturing expanded in September as the PMI™ registered 56.2 percent, an increase of 0.5 percentage point when compared to August's reading of 55.7 percent. September's reading reflects the highest overall PMI™ reading in 2013. 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 September PMI™ indicates growth for the 52nd consecutive month in the overall economy, and indicates expansion in the manufacturing sector for the fourth consecutive month. Holcomb stated, "The past relationship between the PMI™ and the overall economy indicates that the average PMI™ for January through September (52.9 percent) corresponds to a 3.3 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI™ for September (56.2 percent) is annualized, it corresponds to a 4.4 percent increase in real GDP annually."

## THE LAST 12 MONTHS

<i>Month</i>	<i>PMI™</i>	<i>Month</i>	<i>PMI™</i>
Sep 2013	56.2	Mar 2013	51.3
Aug 2013	55.7	Feb 2013	54.2
Jul 2013	55.4	Jan 2013	53.1
Jun 2013	50.9	Dec 2012	50.2
May 2013	49.0	Nov 2012	49.9
Apr 2013	50.7	Oct 2012	51.7
Average for 12 months – 52.4 High – 56.2 Low – 49.0			

## New Orders

ISM's New Orders Index registered 60.5 percent in September, a decrease of 2.7 percentage points when compared to the August reading of 63.2 percent. This represents growth in new orders for the fourth consecutive month, but at a moderately slower rate than in August. 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 12 industries reporting growth in new orders in September — listed in order — are: Textile Mills; Plastics & Rubber Products; Petroleum & Coal Products; Fabricated Metal Products; Printing & Related Support Activities; Furniture & Related Products; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Paper Products; Transportation Equipment; and Computer & Electronic Products. The three industries reporting a decrease in new orders during September are: Nonmetallic Mineral Products; Primary Metals; and Machinery.

<b>New Orders</b>	<b>% Better</b>	<b>% Same</b>	<b>% Worse</b>	<b>Net</b>	<b>Index</b>
Sep 2013	32	53	15	+17	60.5
Aug 2013	33	52	15	+18	63.2
Jul 2013	29	49	22	+7	58.3
Jun 2013	30	49	21	+9	51.9

## Production

ISM's Production Index registered 62.6 percent in September, which is an increase of 0.2 percentage point when compared to the 62.4 percent reported in August. This month's reading indicates growth in production for the fourth consecutive month. An index above 51.2 percent, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures.

The 10 industries reporting growth in production during the month of September — listed in order — are: Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Furniture & Related Products; Paper Products; Fabricated Metal Products; Petroleum & Coal Products; Transportation Equipment; Computer & Electronic Products; Miscellaneous Manufacturing; and Chemical Products. The five industries reporting a decrease in production in September are: Textile Mills; Apparel, Leather & Allied Products; Primary Metals; Plastics & Rubber Products; and Nonmetallic Mineral Products.

Production	% Better	% Same	% Worse	Net	Index
Sep 2013	29	57	14	+15	62.6
Aug 2013	33	54	13	+20	62.4
Jul 2013	30	55	15	+15	65.0
Jun 2013	28	55	17	+11	53.4

## Employment

ISM's Employment Index registered 55.4 percent in September, which is 2.1 percentage points higher than the 53.3 percent reported in August. This month's reading indicates expansion in employment for the third consecutive month. 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, eight reported growth in employment in September in the following order: Electrical Equipment, Appliances & Components; Wood Products; Printing & Related Support Activities; Furniture & Related Products; Paper Products; Food, Beverage & Tobacco Products; Chemical Products; and Fabricated Metal Products. The six industries reporting a decrease in employment in September — listed in order — are: Apparel, Leather & Allied Products; Primary Metals; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Transportation Equipment; and Computer & Electronic Products.

<b>Employment</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
Sep 2013	20	66	14	+6	55.4
Aug 2013	22	63	15	+7	53.3
Jul 2013	21	67	12	+9	54.4
Jun 2013	19	65	16	+3	48.7

## **Supplier Deliveries**

The delivery performance of suppliers to manufacturing organizations slowed in September at a slightly faster rate relative to August as the Supplier Deliveries Index registered 52.6 percent. This month's reading is 0.3 percentage point higher than the 52.3 percent reported in August. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The seven industries reporting slower supplier deliveries in September — listed in order — are: Petroleum & Coal Products; Fabricated Metal Products; Furniture & Related Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; Transportation Equipment; and Machinery. The three industries reporting faster supplier deliveries in September are: Miscellaneous Manufacturing; Chemical Products; and Electrical Equipment, Appliances & Components. Eight industries reported no change in supplier deliveries in September compared to August.

<b>Supplier Deliveries</b>	<b>% Slower</b>	<b>% Same</b>	<b>% Faster</b>	<b>Net</b>	<b>Index</b>
Sep 2013	10	86	4	+6	52.6
Aug 2013	12	81	7	+5	52.3
Jul 2013	11	85	4	+7	52.1
Jun 2013	9	84	7	+2	50.0

## **Inventories\***

The Inventories Index registered 50 percent in September, which is 2.5 percentage points higher than the 47.5 percent reported in August. This month's reading indicates that respondents are reporting inventories are unchanged from August. For the first nine months of 2013, inventories of raw materials have registered in a well-managed range from a high of 51.5 percent in February to a low of 46.5 percent 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 September — listed in order — are: Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Transportation Equipment; Furniture & Related Products; Machinery; and Computer & Electronic Products. The nine industries reporting decreases in inventories in September — listed in order — are: Textile Mills; Apparel, Leather & Allied Products; Miscellaneous Manufacturing; Plastics & Rubber Products; Wood Products; Chemical Products; Primary Metals; Paper Products; and Fabricated Metal Products.

Inventories	% Higher	% Same	% Lower	Net	Index
Sep 2013	19	62	19	0	50.0
Aug 2013	16	63	21	-5	47.5
Jul 2013	15	64	21	-6	47.0
Jun 2013	19	63	18	+1	50.5

### Customers' Inventories\*

The ISM Customers' Inventories Index registered 43 percent in September, which is 0.5 percentage point higher than in August when the index registered 42.5 percent. This month's reading indicates that customers' inventories are considered too low, but slightly higher than reported in August. Customers' inventories have registered at or below 50 percent for 54 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 the month of September are: Apparel, Leather & Allied Products; Petroleum & Coal Products; Miscellaneous Manufacturing; Chemical Products; and Machinery. The 10 industries reporting customers' inventories as too low during September — listed in order — are: Textile Mills; Furniture & Related Products; Primary Metals; Computer & Electronic Products; Transportation Equipment; Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Plastics & Rubber Products; Fabricated Metal Products; and Food, Beverage & Tobacco Products.

Customers' Inventories	% Reporting	% Too High	% About Right	% Too Low	Net	Index
Sep 2013	71	10	66	24	-14	43.0
Aug 2013	66	9	67	24	-15	42.5
Jul 2013	67	12	71	17	-5	47.5
Jun 2013	66	10	70	20	-10	45.0



## Prices\*

The ISM Prices Index registered 56.5 percent in September, which is an increase of 2.5 percentage points compared to the August reading of 54 percent. This month's reading indicates an increase in raw materials prices for the second consecutive month. In September, 22 percent of respondents reported paying higher prices, 9 percent reported paying lower prices, and 69 percent of supply executives reported paying the same prices as in August. 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, 12 reported paying increased prices during the month of September in the following order: Wood Products; Printing & Related Support Activities; Plastics & Rubber Products; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; Chemical Products; Transportation Equipment; Paper Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; and Machinery. The only industry reporting paying lower prices during September is Primary Metals.

Prices	% Higher	% Same	% Lower	Net	Index
Sep 2013	22	69	9	+13	56.5
Aug 2013	21	66	13	+8	54.0
Jul 2013	20	58	22	-2	49.0
Jun 2013	20	65	15	+5	52.5

## Backlog of Orders\*

ISM's Backlog of Orders Index registered 49.5 percent in September, which is 3 percentage points higher than the 46.5 percent reported in August. This is the fifth consecutive month of contracting order backlogs. Of the 86 percent of respondents who reported their backlog of orders, 19 percent reported greater backlogs, 20 percent reported smaller backlogs, and 61 percent reported no change from August.

The eight industries reporting increased order backlogs in September — listed in order — are: Textile Mills; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Paper Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; and Furniture & Related Products. The five industries reporting decreases in order backlogs during September are: Apparel, Leather & Allied Products; Machinery; Transportation Equipment; Miscellaneous Manufacturing; and Chemical Products.

<b>Backlog of Orders</b>	<b>% Reporting</b>	<b>% Greater</b>	<b>% Same</b>	<b>% Less</b>	<b>Net</b>	<b>Index</b>
Sep 2013	86	19	61	20	-1	49.5
Aug 2013	85	16	61	23	-7	46.5
Jul 2013	86	15	60	25	-10	45.0
Jun 2013	84	17	59	24	-7	46.5

### **New Export Orders\***

ISM's New Export Orders Index registered 52 percent in September, which is 3.5 percentage points lower than the 55.5 percent reported in August. September's reading reflects growth in the level of exports relative to August, but at a moderately slower level. This month's reading also represents the 10th consecutive month of growth in new export orders.

The six industries reporting growth in new export orders in September — listed in order — are: Textile Mills; Wood Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Machinery; and Transportation Equipment. The four industries reporting a decrease in new export orders during September are: Apparel, Leather & Allied Products; Furniture & Related Products; Paper Products; and Food, Beverage & Tobacco Products. Eight industries reported no change in new export orders in September compared to August.

<b>New Export Orders</b>	<b>% Reporting</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
Sep 2013	76	14	76	10	+4	52.0
Aug 2013	74	17	77	6	+11	55.5
Jul 2013	75	15	77	8	+7	53.5
Jun 2013	74	15	79	6	+9	54.5

### **Imports\***

ISM's Imports Index registered 55 percent in September, which is 3 percentage points lower than the 58 percent reported in August. September's reading reflects growth in the level of imports relative to August, but at a moderately slower level. This month's reading also represents the 10th consecutive month that the Imports Index has registered at or above 50 percent.

The 10 industries reporting growth in imports during the month of September — listed in order — are: Primary Metals; Plastics & Rubber Products; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical

Equipment, Appliances & Components; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Transportation Equipment; and Furniture & Related Products. The three industries reporting a decrease in imports during September are: Nonmetallic Mineral Products; Apparel, Leather & Allied Products; and Chemical Products.

<b>Imports</b>	<b>% Reporting</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
Sep 2013	77	19	72	9	+10	55.0
Aug 2013	77	21	74	5	+16	58.0
Jul 2013	77	22	71	7	+15	57.5
Jun 2013	76	20	72	8	+12	56.0

\* 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 decreased 12 days to 112 days. Average lead time for Production Materials decreased 1 day to 58 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies decreased 1 day to 25 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Sep 2013	26	7	14	17	25	11	112
Aug 2013	28	4	15	13	24	16	124
Jul 2013	29	3	13	15	26	14	121
Jun 2013	28	3	12	14	29	14	125
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Sep 2013	17	37	23	16	4	3	58
Aug 2013	16	37	21	20	3	3	59
Jul 2013	18	33	21	20	4	4	63
Jun 2013	16	36	23	18	4	3	60
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Sep 2013	45	40	11	3	1	0	25
Aug 2013	45	39	11	4	1	0	26
Jul 2013	44	37	13	5	1	0	27
Jun 2013	46	38	12	3	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<sup>®</sup>** 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**<sup>®</sup> monthly report, 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**<sup>®</sup> is published monthly by the Institute for Supply Management<sup>™</sup>, 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**<sup>®</sup> is posted on ISM's website at [www.ism.ws](http://www.ism.ws) on the first business day of every month after 10:10 a.m. (ET).

The next **Manufacturing ISM Report On Business**<sup>®</sup> featuring the October 2013 data will be released at 10:00 a.m. (ET) on Friday, November 1, 2013.