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September 2011 Manufacturing ISM Report On Business[®]

PMI at 51.6%

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 2011.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in September for the 26th consecutive month, and the **overall economy** grew for the 28th 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 51.6 percent, an increase of 1 percentage point from August, indicating expansion in the manufacturing sector for the 26th consecutive month, at a slightly higher rate. The Production Index registered 51.2 percent, indicating a return to growth after contracting in August for the first time since May of 2009. The New Orders Index remained unchanged from August at 49.6 percent, indicating contraction for the third consecutive month. The Backlog of Orders Index decreased 4.5 percentage points to 41.5 percent, contracting for the fourth consecutive month and reaching its lowest level since April 2009, when it registered 40.5 percent. Comments from respondents generally reflect concern over the sluggish economy, political and policy uncertainty in Washington, and forecasts of ongoing high unemployment that will continue to put pressure on demand for manufactured products."

PERFORMANCE BY INDUSTRY

Of the 18 manufacturing industries, 12 are reporting growth in September, in the following order: Wood Products; Petroleum & Coal Products; Food, Beverage & Tobacco Products; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Machinery; Miscellaneous Manufacturing; Transportation Equipment; Plastics & Rubber Products; Printing & Related Support Activities; Chemical Products; and Computer & Electronic Products. The six industries reporting contraction in September — listed in order — are: Primary Metals; Textile Mills; Furniture & Related Products; Fabricated Metal Products; Paper Products; and Electrical Equipment, Appliances & Components.

WHAT RESPONDENTS ARE SAYING ...

- "The economy continues to be a drag on our business outlook. We are trying to deal with new and additional FDA regulations which are costing significant dollars. It is hard to recoup any of these additional costs in our pricing levels without losing significant sales volumes." (Chemical Products)
- "Market is cautious, but still steady." (Electrical Equipment, Appliances & Components)
- "Global demand for semiconductors is down and maybe not yet 'bottomed out.' Inventory reduction activities are a priority." (Computer & Electronic Products)
- "Still strong automotive demand." (Fabricated Metal Products)
- "Orders remain consistent and steady — no sign of lower demand." (Paper Products)
- "Japan supply chain issues are over, but exchange rates and raw material prices are hurting our profit." (Transportation Equipment)
- "We sense a weakening in demand, but it is not extreme at this point." (Plastics & Rubber Products)
- "Overall, business is improving with a measurable uptick in orders this month. Part of that is due to pre-holiday season orders." (Miscellaneous Manufacturing)
- "Business continues to be sluggish." (Furniture & Related Products)

MANUFACTURING AT A GLANCE SEPTEMBER 2011						
Index	Series Index Sep	Series Index Aug	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI	51.6	50.6	+1.0	Growing	Faster	26
New Orders	49.6	49.6	0.0	Contracting	Same	3
Production	51.2	48.6	+2.6	Growing	From Contracting	1
Employment	53.8	51.8	+2.0	Growing	Faster	24
Supplier Deliveries	51.4	50.6	+0.8	Slowing	Faster	28
Inventories	52.0	52.3	-0.3	Growing	Slower	2
Customers' Inventories	49.0	46.5	+2.5	Too Low	Slower	30

Prices	56.0	55.5	+0.5	Increasing	Faster	27
Backlog of Orders	41.5	46.0	-4.5	Contracting	Faster	4
Exports	53.5	50.5	+3.0	Growing	Faster	27
Imports	54.5	55.5	-1.0	Growing	Slower	25
OVERALL ECONOMY				Growing	Faster	28
Manufacturing Sector				Growing	Faster	26

*Number of months moving in current direction.

COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY

Commodities Up in Price

Aluminum Products* (2); Copper Based Products (11); Corn (2); Electric/Electronic Components (3); Gasoline; Plastic Resins*; Stainless Steel (2); Steel* (13); and Titanium Dioxide.

Commodities Down in Price

Aluminum; Aluminum Products*; Copper (2); Corrugated Containers; Natural Gas (2); Plastic Products (2); Plastic Resins* (2); Rubber; and Steel* (5).

Commodities in Short Supply

Castings; and Electric/Electronic Components (9).

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

*Reported as both up and down in price.

SEPTEMBER 2011 MANUFACTURING INDEX SUMMARIES

PMI

Manufacturing continued its growth in September as the PMI registered 51.6 percent, an increase of 1 percentage point when compared to August's reading of 50.6 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 42.5 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the PMI indicates growth for the 28th consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 26th consecutive month. Holcomb stated, "The past relationship between the PMI and the overall economy indicates that the average PMI for January through September (56.2 percent) corresponds to a 4.8 percent increase in real gross domestic product (GDP). In addition, if the PMI for September (51.6 percent) is annualized, it corresponds to a 3.2 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI</i>	<i>Month</i>	<i>PMI</i>
Sep 2011	51.6	Mar 2011	61.2
Aug 2011	50.6	Feb 2011	61.4
Jul 2011	50.9	Jan 2011	60.8
Jun 2011	55.3	Dec 2010	58.5
May 2011	53.5	Nov 2010	58.2
Apr 2011	60.4	Oct 2010	56.9
Average for 12 months – 56.6			
High – 61.4			
Low – 50.6			

New Orders

ISM's New Orders Index registered 49.6 percent in September, which represents the same rate as in August. This is the third consecutive month of contraction in the New Orders Index, following 24 months of growth. A New Orders Index above 52.1 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 September — listed in order — are: Wood Products; Nonmetallic Mineral Products; Printing & Related Support Activities; Chemical Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; and Fabricated Metal Products. The nine industries reporting decreases in new orders in September — listed in order — are: Primary Metals; Textile Mills; Apparel, Leather & Allied Products; Paper Products; Transportation Equipment; Machinery; Computer & Electronic Products; Electrical Equipment, Appliances & Components; and Plastics & Rubber Products.

New Orders	% Better	% Same	% Worse	Net	Index
Sep 2011	23	53	24	-1	49.6
Aug 2011	22	53	25	-3	49.6

Jul 2011	24	53	23	+1	49.2
Jun 2011	34	43	23	+11	51.6

Production

ISM's Production Index registered 51.2 percent in September, which is an increase of 2.6 percentage points when compared to the August reading of 48.6 percent, and a return to growth following one month of contraction. An index above 51 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 September — listed in order — are: Wood Products; Nonmetallic Mineral Products; Apparel, Leather & Allied Products; Plastics & Rubber Products; Paper Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Transportation Equipment; and Electrical Equipment, Appliances & Components. The five industries reporting a decrease in production in September are: Primary Metals; Textile Mills; Machinery; Miscellaneous Manufacturing; and Computer & Electronic Products.

Production	% Better	% Same	% Worse	Net	Index
Sep 2011	23	56	21	+2	51.2
Aug 2011	19	62	19	0	48.6
Jul 2011	22	60	18	+4	52.3
Jun 2011	35	46	19	+16	54.5

Employment

ISM's Employment Index registered 53.8 percent in September, which is 2 percentage points higher than the 51.8 percent reported in August. An Employment Index above 50.1 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, nine reported growth in employment in September in the following order: Wood Products; Petroleum & Coal Products; Transportation Equipment; Food, Beverage & Tobacco Products; Chemical Products; Computer & Electronic Products; Paper Products; Miscellaneous Manufacturing; and Machinery. The six industries reporting a decrease in employment in September — listed in order — are: Primary Metals; Plastics & Rubber Products; Textile Mills; Electrical Equipment, Appliances & Components; Fabricated Metal Products; and Printing & Related Support Activities.

Employment	% Higher	% Same	% Lower	Net	Index
Sep 2011	22	62	16	+6	53.8
Aug 2011	22	63	15	+7	51.8
Jul 2011	24	63	13	+11	53.5
Jun 2011	34	56	10	+24	59.9

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations was slower in September as the Supplier Deliveries Index registered 51.4 percent, which is 0.8 percentage point higher than the 50.6 percent registered in August. This is the 28th consecutive month the Supplier Deliveries Index has been above 50 percent. A reading above 50 percent indicates slower deliveries.

The seven industries reporting slower supplier deliveries in September — listed in order — are: Petroleum & Coal Products; Textile Mills; Electrical Equipment, Appliances & Components; Machinery; Miscellaneous Manufacturing; Computer & Electronic Products; and Transportation Equipment. The four industries reporting faster deliveries in September are: Primary Metals; Paper Products; Fabricated Metal Products; and Plastics & Rubber Products. Seven industries reported no change in supplier deliveries in September compared to August.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Sep 2011	12	81	7	+5	51.4
Aug 2011	12	81	7	+5	50.6
Jul 2011	13	80	7	+6	50.4
Jun 2011	18	78	4	+14	56.3

Inventories

The Inventories Index registered 52 percent in September, 0.3 percentage point lower than the 52.3 percent reported in August. 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 eight industries reporting higher inventories in September — listed in order — are: Wood Products; Apparel, Leather & Allied Products; Machinery; Food, Beverage & Tobacco Products; Plastics & Rubber Products; Petroleum & Coal Products; Miscellaneous Manufacturing; and Transportation Equipment. The seven industries reporting decreases in inventories in September — listed in order — are: Nonmetallic Mineral Products; Furniture & Related Products; Fabricated

Metal Products; Chemical Products; Paper Products; Electrical Equipment, Appliances & Components; and Primary Metals.

Inventories	% Higher	% Same	% Lower	Net	Index
Sep 2011	23	58	19	+4	52.0
Aug 2011	23	63	14	+9	52.3
Jul 2011	18	60	22	-4	49.3
Jun 2011	23	61	16	+7	54.1

Customers' Inventories*

The ISM Customers' Inventories Index registered 49 percent in September, 2.5 percentage points higher than in August when the index registered 46.5 percent. This is the 30th consecutive month the Customers' Inventories Index has been below 50 percent, indicating that respondents believe their customers' inventories are too low at this time.

The six manufacturing industries reporting customers' inventories as being too high during September — listed in order — are: Miscellaneous Manufacturing; Fabricated Metal Products; Food, Beverage & Tobacco Products; Chemical Products; Computer & Electronic Products; and Machinery. The seven industries reporting customers' inventories as too low during September — listed in order — are: Textile Mills; Furniture & Related Products; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Printing & Related Support Activities; Transportation Equipment; and Electrical Equipment, Appliances & Components.

Customers' Inventories	% Reporting	% Too High	% About Right	% Too Low	Net	Index
Sep 2011	73	17	64	19	-2	49.0
Aug 2011	73	15	63	22	-7	46.5
Jul 2011	72	11	66	23	-12	44.0
Jun 2011	70	13	68	19	-6	47.0

Prices*

The ISM Prices Index registered 56 percent in September, 0.5 percentage point higher than the 55.5 percent reported in August. This is the fifth consecutive month the Prices Index has registered below 80 percent since December 2010, and is the 27th consecutive month the index has registered above 50 percent. While 26 percent of respondents reported paying higher prices and 14 percent reported paying lower prices, 60 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, 13 report paying increased prices during the month of September, in the following order: Furniture & Related Products; Textile Mills; Printing & Related Support Activities; Plastics & Rubber Products; Primary Metals; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Machinery; Nonmetallic Mineral Products; Paper Products; Chemical Products; Electrical Equipment, Appliances & Components; and Transportation Equipment. The only manufacturing industry reporting paying lower prices on average in September is Fabricated Metal Products.

Prices	% Higher	% Same	% Lower	Net	Index
Sep 2011	26	60	14	+12	56.0
Aug 2011	29	53	18	+11	55.5
Jul 2011	35	48	17	+18	59.0
Jun 2011	48	40	12	+36	68.0

Backlog of Orders*

ISM's Backlog of Orders Index registered 41.5 percent in September, which is 4.5 percentage points lower than the 46 percent reported in August. Of the 86 percent of respondents who reported their backlog of orders, 15 percent reported greater backlogs, 32 percent reported smaller backlogs, and 53 percent reported no change from August.

The three industries reporting increased order backlogs in September are: Wood Products; Miscellaneous Manufacturing; and Fabricated Metal Products. The 10 industries reporting decreases in order backlogs during September — listed in order — are: Primary Metals; Apparel, Leather & Allied Products; Computer & Electronic Products; Furniture & Related Products; Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Machinery; Chemical Products; Paper Products; and Transportation Equipment.

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Sep 2011	86	15	53	32	-17	41.5
Aug 2011	86	15	62	23	-8	46.0
Jul 2011	81	16	58	26	-10	45.0
Jun 2011	84	24	50	26	-2	49.0

New Export Orders*

ISM's New Export Orders Index registered 53.5 percent in September, which is 3 percentage points higher than the 50.5 percent reported in August. This is the 27th consecutive month of growth in the New Export Orders Index.

The seven industries reporting growth in new export orders in September — listed in order — are: Apparel, Leather & Allied Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Transportation Equipment; Computer & Electronic Products; Miscellaneous Manufacturing; and Chemical Products. The four industries reporting a decrease in new export orders during September are: Primary Metals; Machinery; Paper Products; and Electrical Equipment, Appliances & Components. Six industries reported no change in exports in September compared to August.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Sep 2011	78	18	71	11	+7	53.5
Aug 2011	76	16	69	15	+1	50.5
Jul 2011	77	19	70	11	+8	54.0
Jun 2011	76	17	73	10	+7	53.5

Imports*

Imports of materials by manufacturers continued to expand in September as the Imports Index registered 54.5 percent, 1 percentage point lower than the 55.5 percent reported in August. This is the 25th consecutive month of growth in imports.

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

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Sep 2011	80	19	71	10	+9	54.5
Aug 2011	77	18	75	7	+11	55.5
Jul 2011	74	17	73	10	+7	53.5
Jun 2011	76	15	72	13	+2	51.0

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

Buying Policy

Average commitment leadtime for Capital Expenditures increased 3 days to 117 days. Average leadtime for Production Materials increased 5 days to 57 days. Average leadtime for Maintenance, Repair and Operating (MRO) Supplies remained unchanged at 26 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Sep 2011	22	10	14	16	26	12	117
Aug 2011	28	8	8	19	25	12	114
Jul 2011	30	9	10	15	23	13	112
Jun 2011	30	10	13	13	24	10	103
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Sep 2011	15	37	28	13	5	2	57
Aug 2011	14	46	22	13	3	2	52
Jul 2011	16	38	27	12	5	2	55
Jun 2011	19	37	25	12	5	2	54
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Sep 2011	43	37	16	4	0	0	26
Aug 2011	45	39	12	3	1	0	26
Jul 2011	44	43	9	4	0	0	24
Jun 2011	44	43	10	3	0	0	24

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, Supplier Deliveries and Inventories) 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 seasonally adjusted diffusion indexes for five of the indicators with equal weights: New Orders, Production, Employment, Supplier Deliveries 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 42.5 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 42.5 percent, it is generally declining. The distance from 50 percent or 42.5 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 Institute for Supply Management[™], established in 1915, is the largest supply management organization in the world as well as one of the most respected. 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 Web site 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 2011 data will be released at 10:00 a.m. (ET) on Tuesday, November 1, 2011.