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January 2012 Manufacturing ISM *Report On Business*[®]

PMI at 54.1%

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 January 2012.

This report reflects the U.S. Department of Commerce's recently completed annual adjustment to the seasonal factors used to calculate the indexes.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in January for the 30th consecutive month, and the **overall economy** grew for the 32nd 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 54.1 percent, an increase of 1 percentage point from December's seasonally adjusted reading of 53.1 percent, indicating expansion in the manufacturing sector for the 30th consecutive month. The New Orders Index increased 2.8 percentage points from December's seasonally adjusted reading to 57.6 percent, reflecting the 33rd consecutive month of growth in new orders. Prices of raw materials increased for the first time in the last four months. Manufacturing is starting out the year on a positive note, with new orders, production and employment all growing in January."

PERFORMANCE BY INDUSTRY

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

WHAT RESPONDENTS ARE SAYING ...

- "Still seeing raw materials pricing moving down in general, but expect inflation later in the quarter." (Chemical Products)
- "Year starting a little slow, but customers are positive about increased business in 2012." (Machinery)
- "Once again, business continues to be strong." (Paper Products)
- "Pricing remains in check with the demand we are seeing. Supplier deliveries are on time or early." (Food, Beverage & Tobacco Products)
- "The economy seems to be slowly improving." (Fabricated Metal Products)
- "Business lost to offshore is coming back." (Computer & Electronic Products)
- "Business remains strong. Order intake is great — more than 20 percent above budget." (Primary Metals)
- "Indications are that 2012 business environment will improve over 2011." (Transportation Equipment)
- "Market conditions appear to be improving, with the outlook for 2012 better yet." (Wood Products)

MANUFACTURING AT A GLANCE JANUARY 2012						
Index	Series Index Jan	Series Index Dec	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI	54.1	53.1	+1.0	Growing	Faster	30
New Orders	57.6	54.8	+2.8	Growing	Faster	33
Production	55.7	58.9	-3.2	Growing	Slower	32
Employment	54.3	54.8	-0.5	Growing	Slower	28
Supplier Deliveries	53.6	51.5	+2.1	Slowing	Faster	31
Inventories	49.5	45.5	+4.0	Contracting	Slower	4
Customers' Inventories	47.5	42.5	+5.0	Too Low	Slower	2

Prices	55.5	47.5	+8.0	Increasing	From Decreasing	1
Backlog of Orders	52.5	48.0	+4.5	Growing	From Contracting	1
Exports	55.0	53.0	+2.0	Growing	Faster	3
Imports	52.5	54.0	-1.5	Growing	Slower	2
OVERALL ECONOMY				Growing	Faster	32
Manufacturing Sector				Growing	Faster	30

*Number of months moving in current direction.

Indexes reflect newly released seasonal adjustment factors.

COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY

Commodities Up in Price

Caustic Soda; Gasoline; High Density Polyethylene; Oil; Stainless Steel; Steel (2); Steel — Cold Rolled; and Titanium Dioxide.

Commodities Down in Price

Aluminum (5); Aluminum Products (2); Natural Gas (6); Plastic Products (4); Plastic Resins (6); Polyethylene; Polypropylene (3); Polypropylene Resin; and Steel Products.

Commodities in Short Supply

Hard Drives (2); and Integrated Circuit Boards.

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

JANUARY 2012 MANUFACTURING INDEX SUMMARIES

PMI

Manufacturing continued its growth in January as the PMI registered 54.1 percent, an increase of 1 percentage point when compared to December's seasonally adjusted reading of 53.1 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 PMI indicates growth for the 32nd consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 30th consecutive month. Holcomb stated, "The past relationship between the PMI and the overall economy indicates that the PMI for January (54.1 percent) corresponds to a 3.9 percent increase in real gross domestic product (GDP) on an annualized basis."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI</i>	<i>Month</i>	<i>PMI</i>
Jan 2012	54.1	Jul 2011	51.4
Dec 2011	53.1	Jun 2011	55.8
Nov 2011	52.2	May 2011	54.2
Oct 2011	51.8	Apr 2011	59.7
Sep 2011	52.5	Mar 2011	59.7
Aug 2011	52.5	Feb 2011	59.8
Average for 12 months – 54.7 High – 59.8 Low – 51.4			

New Orders

ISM's New Orders Index registered 57.6 percent in January, which is an increase of 2.8 percentage points when compared to the seasonally adjusted December reading of 54.8 percent, and represents a continuation of growth for the 33rd consecutive month. (Due to ISM's seasonal adjustments, this index now demonstrates growth for the past 33 consecutive months.) 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 nine industries reporting growth in new orders in January — listed in order — are: Petroleum & Coal Products; Machinery; Apparel, Leather & Allied Products; Primary Metals; Computer & Electronic Products; Fabricated Metal Products; Transportation Equipment; Paper Products; and Food, Beverage & Tobacco Products. The five industries reporting decreases in new orders in January are: Plastics & Rubber Products; Furniture & Related Products; Textile Mills; Electrical Equipment, Appliances & Components; and Chemical Products.

New Orders	% Better	% Same	% Worse	Net	Index
Jan 2012	35	45	20	+15	57.6
Dec 2011	29	44	27	+2	54.8
Nov 2011	23	55	22	+1	55.0
Oct 2011	22	53	25	-3	53.4

Production

ISM's Production Index registered 55.7 percent in January, which is a decrease of 3.2 percentage points when compared to the December reading of 58.9 percent (seasonally adjusted). This indicates growth for the 32nd 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 nine industries reporting growth in production during the month of January — listed in order — are: Apparel, Leather & Allied Products; Primary Metals; Miscellaneous Manufacturing; Printing & Related Support Activities; Petroleum & Coal Products; Transportation Equipment; Fabricated Metal Products; Machinery; and Computer & Electronic Products. The seven industries reporting a decrease in production in January — listed in order — are: Wood Products; Plastics & Rubber Products; Furniture & Related Products; Food, Beverage & Tobacco Products; Paper Products; Electrical Equipment, Appliances & Components; and Textile Mills.

Production	% Better	% Same	% Worse	Net	Index
Jan 2012	27	53	20	+7	55.7
Dec 2011	27	54	19	+8	58.9
Nov 2011	24	55	21	+3	55.7
Oct 2011	21	59	20	+1	52.7

Employment

ISM's Employment Index registered 54.3 percent in January, which is 0.5 percentage point lower than the seasonally adjusted 54.8 percent reported in December. This is the 28th 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, eight reported growth in employment in January in the following order: Apparel, Leather & Allied Products; Miscellaneous Manufacturing; Paper Products; Transportation Equipment; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Fabricated Metal Products; and Machinery. The six industries reporting a decrease in employment in January — listed in order — are: Plastics & Rubber Products; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Chemical Products; Primary Metals; and Textile Mills.

Employment	% Higher	% Same	% Lower	Net	Index
Jan 2012	23	59	18	+5	54.3
Dec 2011	23	58	19	+4	54.8
Nov 2011	22	57	21	+1	52.4
Oct 2011	22	63	15	+7	54.0

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations was slower in January as the Supplier Deliveries Index registered 53.6 percent, which is 2.1 percentage points higher than the seasonally adjusted December reading of 51.5 percent. This is the 31st consecutive month supplier deliveries have slowed relative to the prior month. A reading above 50 percent indicates slower deliveries.

The six industries reporting slower supplier deliveries in January — listed in order — are: Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Machinery; Computer & Electronic Products; Transportation Equipment; and Fabricated Metal Products. The three industries reporting faster deliveries in January are: Plastics & Rubber Products; Primary Metals; and Chemical Products. Nine industries reported no change in supplier deliveries in January compared to December.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Jan 2012	9	84	7	+2	53.6
Dec 2011	8	79	13	-5	51.5
Nov 2011	9	79	12	-3	51.3
Oct 2011	10	81	9	+1	52.2

Inventories*

The Inventories Index registered 49.5 percent in January, 4 percentage points higher than the 45.5 percent registered in December. (The Inventories Index is no longer seasonally adjusted, and therefore the reading reported in December of 47.1 percent was revised to reflect this change.) 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 January — listed in order — are: Apparel, Leather & Allied Products; Textile Mills; Nonmetallic Mineral Products; Machinery; Computer & Electronic Products; and Miscellaneous Manufacturing. The 10 industries reporting decreases in inventories in January — listed in order — are: Furniture & Related Products; Printing & Related Support Activities; Electrical Equipment, Appliances & Components; Chemical Products; Transportation Equipment; Fabricated Metal Products; Food, Beverage & Tobacco Products; Primary Metals; Plastics & Rubber Products; and Paper Products.

Inventories	% Higher	% Same	% Lower	Net	Index
Jan 2012	21	57	22	-1	49.5
Dec 2011	21	49	30	-9	45.5
Nov 2011	16	61	23	-7	46.5
Oct 2011	17	59	24	-7	46.5

Customers' Inventories*

The ISM Customers' Inventories Index registered 47.5 percent in January, which is 5 percentage points higher than in December when the index registered 42.5 percent. Customers' inventories have registered at or below 50 percent for 34 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 January are: Petroleum & Coal Products; Primary Metals; Electrical Equipment, Appliances & Components; Fabricated Metal Products; and Chemical Products. The five industries reporting customers' inventories as too low during January are: Plastics & Rubber Products; Transportation Equipment; Paper Products; Computer & Electronic Products; and Food, Beverage & Tobacco Products. Eight industries reported no change in customers' inventories in January compared to December.

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Jan 2012	64	17	61	22	-5	47.5
Dec 2011	73	10	65	25	-15	42.5
Nov 2011	65	19	62	19	0	50.0
Oct 2011	71	12	63	25	-13	43.5

Prices*

The ISM Prices Index registered 55.5 percent in January, 8 percentage points higher than the 47.5 percent reported in December. This is the first month the Prices Index has reflected an increase in the price of raw materials since September 2011, when the index registered 56 percent. In January, 30 percent of respondents reported paying higher prices, 19 percent reported paying lower prices and 51 percent of supply executives reported paying the same prices as in December. 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, 11 industries report paying increased prices during the month of January in the following order: Textile Mills; Fabricated Metal Products; Plastics & Rubber Products; Primary Metals; Printing & Related Support Activities; Nonmetallic Mineral Products; Paper Products; Miscellaneous Manufacturing; Transportation Equipment; Computer & Electronic Products; and Chemical Products. The four industries reporting paying lower prices on average during the month of January are: Furniture & Related Products; Petroleum & Coal Products; Food, Beverage & Tobacco Products; and Machinery.

Prices	% Higher	% Same	% Lower	Net	Index
Jan 2012	30	51	19	+11	55.5

Dec 2011	21	53	26	-5	47.5
Nov 2011	19	52	29	-10	45.0
Oct 2011	14	54	32	-18	41.0

Backlog of Orders*

ISM's Backlog of Orders Index registered 52.5 percent in January, which is 4.5 percentage points higher than the 48 percent reported in December. Of the 80 percent of respondents who reported their backlog of orders, 23 percent reported greater backlogs, 18 percent reported smaller backlogs, and 59 percent reported no change from December.

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

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Jan 2012	80	23	59	18	+5	52.5
Dec 2011	87	20	56	24	-4	48.0
Nov 2011	86	15	60	25	-10	45.0
Oct 2011	82	19	57	24	-5	47.5

New Export Orders*

ISM's New Export Orders Index registered 55 percent in January, which is 2 percentage points higher than the 53 percent reported in December. The New Export Orders Index has registered 50 percent or above for the past 31 consecutive months.

The nine industries reporting growth in new export orders in January — listed in order — are: Apparel, Leather & Allied Products; Paper Products; Printing & Related Support Activities; Nonmetallic Mineral Products; Furniture & Related Products; Fabricated Metal Products; Computer & Electronic Products; Machinery; and Transportation Equipment. The four industries reporting a decrease in new export orders during January are: Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Chemical Products; and Miscellaneous Manufacturing.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Jan 2012	74	20	70	10	+10	55.0
Dec 2011	76	18	70	12	+6	53.0
Nov 2011	75	15	74	11	+4	52.0
Oct 2011	76	14	72	14	0	50.0

Imports*

ISM's Imports Index registered 52.5 percent in January, which is 1.5 percentage points lower than the 54 percent reported in December. The Imports Index reflects two consecutive months of growth after only two months of contraction in the past 29 months.

The seven industries reporting growth in imports during the month of January — listed in order — are: Apparel, Leather & Allied Products; Fabricated Metal Products; Transportation Equipment; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Machinery; and Chemical Products. The three industries reporting a decrease in imports during January are: Primary Metals; Plastics & Rubber Products; and Computer & Electronic Products. Eight industries reported no change in imports in January compared to December.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Jan 2012	80	14	77	9	+5	52.5
Dec 2011	77	16	76	8	+8	54.0
Nov 2011	78	10	78	12	-2	49.0
Oct 2011	75	13	73	14	-1	49.5

* 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 increased by 5 days to 116 days. Average lead time for Production Materials increased 1 day to 57 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies increased 1 day to 27 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Jan 2012	25	4	15	20	24	12	116
Dec 2011	26	5	16	18	24	11	111
Nov 2011	27	8	8	22	23	12	113
Oct 2011	24	8	11	22	24	11	113
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Jan 2012	14	39	27	13	5	2	57
Dec 2011	15	41	24	12	6	2	56
Nov 2011	13	39	25	17	4	2	57
Oct 2011	16	39	25	13	5	2	55
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Jan 2012	41	41	15	2	1	0	27
Dec 2011	47	37	10	5	1	0	26
Nov 2011	43	44	10	3	0	0	24
Oct 2011	44	40	12	4	0	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 42.6 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 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 February 2012 data will be released at 10:00 a.m. (ET) on Thursday, March 1, 2012.