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

PMI at 53.5%

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

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in May for the 34th consecutive month, and the **overall economy** grew for the 36th 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 53.5 percent, a modest decrease of 1.3 percentage points from April's reading of 54.8 percent, indicating expansion in the manufacturing sector for the 34th consecutive month. The New Orders Index continued its growth trend for the 37th consecutive month, registering 60.1 percent in May. This represents an increase of 1.9 percentage points from April and also the highest level recorded by the index since April 2011. The Prices Index for raw materials fell to 47.5 percent in May, dropping 13.5 percentage points from April, indicating lower prices for the first time since December 2011. Comments from the panel generally reflect stable-to-strong orders, with sales showing steady improvement over the first five months of 2012."

PERFORMANCE BY INDUSTRY

Of the 18 manufacturing industries, 13 are reporting growth in May, in the following order: Nonmetallic Mineral Products; Furniture & Related Products; Apparel, Leather & Allied Products; Miscellaneous Manufacturing; Primary Metals; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Machinery; Textile Mills; Paper Products; Computer & Electronic Products; Printing & Related Support Activities; and Chemical Products. The four industries reporting contraction in May are: Plastics & Rubber Products; Petroleum & Coal Products; Food, Beverage & Tobacco Products; and Transportation Equipment.

WHAT RESPONDENTS ARE SAYING ...

- "Business has been trending moderately higher since the beginning of the year. [We] anticipate 5 percent to 7 percent growth for the year." (Chemical Products)
- "Sales were stronger than expected; customers are waiting until the last minute to place orders." (Machinery)
- "We are having the best year in sales volume and profit since mid-2008." (Fabricated Metal Products)
- "Business seems to be holding steady." (Miscellaneous Manufacturing)
- "We had modest growth across most of our businesses, with stable raw materials [prices] and improved schedules and efficiency in our operations." (Textile Mills)
- "Business is lower than forecast for Q2 2012." (Computer & Electronic Products)
- "We are seeing overall steady improvements, month over month and year over year." (Apparel, Leather & Allied Products)
- "Business is steady." (Food, Beverage & Tobacco Products)
- "While not quite as busy as last month, production is steady and year over year still much better." (Transportation Equipment)
- "Business continues to be up in general." (Furniture & Related Products)

MANUFACTURING AT A GLANCE MAY 2012						
Index	Series Index May	Series Index Apr	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI	53.5	54.8	-1.3	Growing	Slower	34
New Orders	60.1	58.2	+1.9	Growing	Faster	37
Production	55.6	61.0	-5.4	Growing	Slower	36
Employment	56.9	57.3	-0.4	Growing	Slower	32
Supplier Deliveries	48.7	49.2	-0.5	Faster	Faster	4
Inventories	46.0	48.5	-2.5	Contracting	Faster	2
Customers' Inventories	43.5	45.5	-2.0	Too Low	Faster	6

Prices	47.5	61.0	-13.5	Decreasing	From Increasing	1
Backlog of Orders	47.0	49.5	-2.5	Contracting	Faster	2
Exports	53.5	59.0	-5.5	Growing	Slower	7
Imports	53.5	53.5	0.0	Growing	Same	6
OVERALL ECONOMY				Growing	Slower	36
Manufacturing Sector				Growing	Slower	34

*Number of months moving in current direction.

COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY

Commodities Up in Price

Aluminum; Copper; Electrical Components; Guar; Natural Gas; Plastic Components* (3); Plastic Resins* (4); and Transportation Costs* (2).

Commodities Down in Price

Caustic Soda; Nickel; Plastic Components*; Plastic Resins*; Rubber; Stainless; Steel (3); Transportation Costs*; and Wheat.

Commodities in Short Supply

Castings is the only commodity reported in short supply.

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

*Reported as both up and down in price.

MAY 2012 MANUFACTURING INDEX SUMMARIES

PMI

Manufacturing continued its growth in May as the PMI registered 53.5 percent, a decrease of 1.3 percentage points when compared to April's reading of 54.8 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 42.6 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the PMI indicates growth for the 36th consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 34th consecutive month. Holcomb stated, "The past relationship between the PMI and the overall economy indicates that the average PMI for January through May (53.6 percent) corresponds to a 3.7 percent increase in real gross domestic product (GDP). In addition, if the PMI for May (53.5 percent) is annualized, it also corresponds to a 3.7 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI</i>	<i>Month</i>	<i>PMI</i>
May 2012	53.5	Nov 2011	52.2
Apr 2012	54.8	Oct 2011	51.8
Mar 2012	53.4	Sep 2011	52.5
Feb 2012	52.4	Aug 2011	52.5
Jan 2012	54.1	Jul 2011	51.4
Dec 2011	53.1	Jun 2011	55.8
Average for 12 months – 53.1 High – 55.8 Low – 51.4			

New Orders

ISM's New Orders Index registered 60.1 percent in May, which is an increase of 1.9 percentage points when compared to the April reading of 58.2 percent. This represents a continuation of growth for the 37th consecutive month, and at a faster rate than in April. 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 13 industries reporting growth in new orders in May — listed in order — are: Furniture & Related Products; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Fabricated Metal Products; Wood Products; Electrical Equipment, Appliances & Components; Primary Metals; Printing & Related Support Activities; Paper Products; Computer & Electronic Products; Machinery; and Chemical Products. The three industries reporting a decrease in new orders during May are: Plastics & Rubber Products; Food, Beverage & Tobacco Products; and Transportation Equipment.

New Orders	% Better	% Same	% Worse	Net	Index
May 2012	37	49	14	+23	60.1
Apr 2012	41	48	11	+30	58.2
Mar 2012	34	53	13	+21	54.5
Feb 2012	37	45	18	+19	54.9

Production

ISM's Production Index registered 55.6 percent in May, which is a decrease of 5.4 percentage points when compared to the 61 percent reported in April. This indicates growth for the 36th 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 14 industries reporting growth in production during the month of May — listed in order — are: Furniture & Related Products; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Textile Mills; Fabricated Metal Products; Printing & Related Support Activities; Paper Products; Primary Metals; Machinery; Computer & Electronic Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; and Transportation Equipment. The two industries reporting a decrease in production in May are: Food, Beverage & Tobacco Products; and Chemical Products.

Production	% Better	% Same	% Worse	Net	Index
May 2012	34	51	15	+19	55.6
Apr 2012	44	47	9	+35	61.0
Mar 2012	35	51	14	+21	58.3
Feb 2012	35	50	15	+20	55.3

Employment

ISM's Employment Index registered 56.9 percent in May, which is 0.4 percentage point lower than the 57.3 percent reported in April. This is the 32nd 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, 13 reported growth in employment in May in the following order: Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Textile Mills;

Primary Metals; Furniture & Related Products; Machinery; Fabricated Metal Products; Transportation Equipment; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Computer & Electronic Products; Paper Products; and Chemical Products. The two industries reporting a decrease in employment in May are: Wood Products; and Food, Beverage & Tobacco Products.

Employment	% Higher	% Same	% Lower	Net	Index
May 2012	30	59	11	+19	56.9
Apr 2012	34	54	12	+22	57.3
Mar 2012	25	63	12	+13	56.1
Feb 2012	26	58	16	+10	53.2

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 0.5 percentage point lower than the 49.2 percent reported in April. This is the fourth consecutive month supplier deliveries have been faster than the previous month, following 31 consecutive months in which supplier deliveries slowed. A reading above 50 percent indicates slower deliveries.

The eight industries reporting slower supplier deliveries in May — listed in order — are: Electrical Equipment, Appliances & Components; Paper Products; Miscellaneous Manufacturing; Furniture & Related Products; Primary Metals; Machinery; Chemical Products; and Transportation Equipment. The five industries reporting faster supplier deliveries in May are: Wood Products; Apparel, Leather & Allied Products; Plastics & Rubber Products; Food, Beverage & Tobacco Products; and Fabricated Metal Products.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
May 2012	10	82	8	+2	48.7
Apr 2012	9	82	9	0	49.2
Mar 2012	9	83	8	+1	48.0
Feb 2012	7	82	11	-4	49.0

Inventories*

The Inventories Index registered 46 percent in May, which is 2.5 percentage points lower than the 48.5 percent reported in April. This month's reading indicates that respondents are reporting inventories are contracting, which has been the case in seven of the last eight months. 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 five industries reporting higher inventories in May are: Wood Products; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Machinery; and Miscellaneous Manufacturing. The 10 industries reporting decreases in inventories in May — listed in order — are: Petroleum & Coal Products; Plastics & Rubber Products; Printing & Related Support Activities; Apparel, Leather & Allied Products; Transportation Equipment; Furniture & Related Products; Fabricated Metal Products; Primary Metals; Computer & Electronic Products; and Chemical Products.

Inventories	% Higher	% Same	% Lower	Net	Index
May 2012	14	64	22	-8	46.0
Apr 2012	17	63	20	-3	48.5
Mar 2012	20	60	20	0	50.0
Feb 2012	20	59	21	-1	49.5

Customers' Inventories*

The ISM Customers' Inventories Index registered 43.5 percent in May, which is 2 percentage points lower than in April when the index registered 45.5 percent. Customers' inventories have registered at or below 50 percent for 38 consecutive months. A reading below 50 percent indicates customers' inventories are considered too low.

The two manufacturing industries reporting customers' inventories as being too high during May are: Electrical Equipment, Appliances & Components; and Chemical Products. The 12 industries reporting customers' inventories as too low during May — listed in order — are: Wood Products; Machinery; Nonmetallic Mineral Products; Plastics & Rubber Products; Paper Products; Miscellaneous Manufacturing; Petroleum & Coal Products; Computer & Electronic Products; Transportation Equipment; Fabricated Metal Products; Primary Metals; and Apparel, Leather & Allied Products.

Customers' Inventories	% Reporting	% Too High	% About Right	% Too Low	Net	Index
May 2012	70	9	69	22	-13	43.5

Apr 2012	71	11	69	20	-9	45.5
Mar 2012	72	14	61	25	-11	44.5
Feb 2012	65	15	62	23	-8	46.0

Prices*

The ISM Prices Index registered 47.5 percent in May, which is a decrease of 13.5 percentage points compared to the April reading of 61 percent. This is the first month the index has reflected a decrease in the price of raw materials since December 2011, when the index also registered 47.5 percent. In May, 14 percent of respondents reported paying higher prices, 19 percent reported paying lower prices, and 67 percent of supply executives reported paying the same prices as in April. 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, six reported paying increased prices during the month of May in the following order: Nonmetallic Mineral Products; Furniture & Related Products; Printing & Related Support Activities; Apparel, Leather & Allied Products; Paper Products; and Primary Metals. The nine industries reporting paying lower prices during May — listed in order — are: Wood Products; Fabricated Metal Products; Chemical Products; Electrical Equipment, Appliances & Components; Plastics & Rubber Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Machinery; and Transportation Equipment.

Prices	% Higher	% Same	% Lower	Net	Index
May 2012	14	67	19	-5	47.5
Apr 2012	33	56	11	+22	61.0
Mar 2012	36	50	14	+22	61.0
Feb 2012	31	61	8	+23	61.5

Backlog of Orders*

ISM's Backlog of Orders Index registered 47 percent in May, which is 2.5 percentage points lower than the 49.5 percent reported in April. Of the 84 percent of respondents who reported their backlog of orders, 16 percent reported greater backlogs, 22 percent reported smaller backlogs, and 62 percent reported no change from April.

The four industries reporting increased order backlogs in May are: Furniture & Related Products; Apparel, Leather & Allied Products; Primary Metals; and Miscellaneous Manufacturing. The 10 industries reporting decreases in order backlogs during May — listed in order — are: Wood

Products; Plastics & Rubber Products; Petroleum & Coal Products; Food, Beverage & Tobacco Products; Chemical Products; Electrical Equipment, Appliances & Components; Machinery; Paper Products; Computer & Electronic Products; and Transportation Equipment.

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
May 2012	84	16	62	22	-6	47.0
Apr 2012	81	22	55	23	-1	49.5
Mar 2012	84	26	53	21	+5	52.5
Feb 2012	84	25	54	21	+4	52.0

New Export Orders*

ISM's New Export Orders Index registered 53.5 percent in May, which is 5.5 percentage points lower than the 59 percent reported in April. The New Export Orders Index has registered 50 percent or above for the past 35 consecutive months.

The 11 industries reporting growth in new export orders in May — listed in order — are: Wood Products; Apparel, Leather & Allied Products; Furniture & Related Products; Textile Mills; Primary Metals; Fabricated Metal Products; Machinery; Transportation Equipment; Paper Products; Computer & Electronic Products; and Electrical Equipment, Appliances & Components. The only industry reporting a decrease in new export orders during May is Chemical Products. Six industries reported no change in new export orders in May compared to April.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
May 2012	80	17	73	10	+7	53.5
Apr 2012	79	26	66	8	+18	59.0
Mar 2012	80	18	72	10	+8	54.0
Feb 2012	79	26	67	7	+19	59.5

Imports*

ISM's Imports Index registered 53.5 percent in May, the same percentage rate as reported in both April and March. The Imports Index reflects six consecutive months of growth after only two months of contraction in the past 33 months.

The 11 industries reporting growth in imports during the month of May — listed in order — are: Nonmetallic Mineral Products; Furniture & Related Products; Food, Beverage & Tobacco Products; Printing & Related Support Activities; Machinery; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Transportation Equipment; Chemical Products; and Fabricated Metal Products. The three industries reporting a decrease in imports during May are: Wood Products; Apparel, Leather & Allied Products; and Primary Metals.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
May 2012	81	16	75	9	+7	53.5
Apr 2012	79	18	71	11	+7	53.5
Mar 2012	81	15	77	8	+7	53.5
Feb 2012	80	19	70	11	+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 1 day to 121 days. Average lead time for Production Materials increased 1 day to 56 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies increased 4 days to 30 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
May 2012	30	8	8	17	20	17	121
Apr 2012	29	7	11	14	24	15	120
Mar 2012	26	7	12	17	25	13	118
Feb 2012	26	6	13	17	24	14	120
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days

May 2012	13	40	26	15	4	2	56
Apr 2012	13	43	23	15	4	2	55
Mar 2012	14	43	24	11	6	2	56
Feb 2012	14	43	21	15	4	3	58
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
May 2012	44	38	12	4	1	1	30
Apr 2012	46	38	11	4	1	0	26
Mar 2012	44	39	11	4	1	1	30
Feb 2012	45	38	12	4	1	0	26

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 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 2012 data will be released at 10:00 a.m. (ET) on Monday, July 2, 2012.