

FOR RELEASE: December 3, 2012

Contact: Rose Marie Goupil
ISM, ROB Media Relations
Tempe, Arizona
800/888-6276, Ext. 3015
E-mail: rgoupil@ism.ws

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

PMI at 49.5%

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 November 2012.

New Orders and Production Growing Employment and Inventories Contracting Supplier Deliveries Slowing

(Tempe, Arizona) — Economic activity in the **manufacturing sector** contracted in November following two months of modest expansion, while the **overall economy** grew for the 42nd consecutive month, say the nation's supply executives in the latest **Manufacturing ISM *Report On Business*[®]**.

The report was issued today by Bradley J. Holcomb, CPSM, CPSD, chair of the Institute for Supply Management™ Manufacturing Business Survey Committee. "The PMI™ registered 49.5 percent, a decrease of 2.2 percentage points from October's reading of 51.7 percent, indicating contraction in manufacturing for the fourth time in the last six months. This month's PMI™ reading reflects the lowest level since July 2009 when the PMI™ registered 49.2 percent. The New Orders Index registered 50.3 percent, a decrease of 3.9 percentage points from October, indicating growth in new orders for the third consecutive month. The Production Index registered 53.7 percent, an increase of 1.3 percentage points, indicating growth in production for the second consecutive month. The Employment Index registered 48.4 percent, a decrease of 3.7 percentage points, which is the index's lowest reading since September 2009 when the Employment Index registered 47.8 percent. The Prices Index registered 52.5 percent, reflecting a decrease of 2.5 percentage points. Comments from the panel this month generally indicate that the second half of the year continues to show a slowdown in demand; respondents also express concern over how and when the fiscal cliff issue will be resolved."

PERFORMANCE BY INDUSTRY

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

WHAT RESPONDENTS ARE SAYING ...

- "Conditions still appear to be positive for continued growth in sales." (Machinery)
- "Business is steady, but not much more than that. We are in a lull." (Food, Beverage & Tobacco Products)
- "The principle business conditions that will affect the company over the next three or four quarters will be the U.S. federal government tax and budgetary policies; the impact of those policies is not yet clear." (Petroleum & Coal Products)
- "Differences between first half of year and remaining half are very dramatic, growing to a peak in the middle of the year with a gradual decline since." (Plastics & Rubber Products)
- "Seeing a slowdown in request for quote activity." (Computer & Electronic Products)
- "The fiscal cliff is the big worry right now. We will not look toward any type of expansion until this is addressed; if the program that is put in place is more taxes and big spending cuts — which will push us toward recession — forget it." (Fabricated Metal Products)
- "Seeing a slowdown in demand across markets." (Electrical Equipment, Appliances & Components)
- "Economy is very sluggish. Production is down and orders have slowed considerably from Q1." (Transportation Equipment)
- "East Coast storms delayed some shipments." (Primary Metals)
- "Global economic uncertainty still seems to be sticking around which is not necessarily making things worse, but it is also not making things better from a demand standpoint." (Chemical Products)

**MANUFACTURING AT A GLANCE
NOVEMBER 2012**

Index	Series Index Nov	Series Index Oct	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI™	49.5	51.7	-2.2	Contracting	From Growing	1
New Orders	50.3	54.2	-3.9	Growing	Slower	3
Production	53.7	52.4	+1.3	Growing	Faster	2
Employment	48.4	52.1	-3.7	Contracting	From Growing	1
Supplier Deliveries	50.3	49.6	+0.7	Slowing	From Faster	1
Inventories	45.0	50.0	-5.0	Contracting	From Unchanged	1
Customers' Inventories	42.5	49.0	-6.5	Too Low	Faster	12
Prices	52.5	55.0	-2.5	Increasing	Slower	4
Backlog of Orders	41.0	41.5	-0.5	Contracting	Faster	8
Exports	47.0	48.0	-1.0	Contracting	Faster	6
Imports	48.0	47.5	+0.5	Contracting	Slower	4
OVERALL ECONOMY				Growing	Slower	42
Manufacturing Sector				Contracting	From Growing	1

*Number of months moving in current direction.

COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY

Commodities Up in Price

Aluminum Products (2); Caustic Soda (4); Corrugated Boxes/Packaging (4); Polypropylene; Propylene; Steel*; and Steel — Hot Rolled.

Commodities Down in Price

Fuel; Oil; and Steel* (9).

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.

*Reported as both up and down in price.

NOVEMBER 2012 MANUFACTURING INDEX SUMMARIES

PMI™

Manufacturing contracted in November as the PMI™ registered 49.5 percent, a decrease of 2.2 percentage points when compared to October's reading of 51.7 percent. This is the fourth month in the last six months that the PMI™ has contracted, and the index is at its lowest level since July 2009 when the PMI™ registered 49.2 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 November PMI™ indicates growth for the 42nd consecutive month in the overall economy, and indicates contraction in the manufacturing sector for the first month following two consecutive months of expansion. Holcomb stated, "The past relationship between the PMI™ and the overall economy indicates that the average PMI™ for January through November (51.8 percent) corresponds to a 3.1 percent increase in real gross domestic product

(GDP). In addition, if the PMI™ for November (49.5 percent) is annualized, it corresponds to a 2.3 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI™</i>	<i>Month</i>	<i>PMI™</i>
Nov 2012	49.5	May 2012	53.5
Oct 2012	51.7	Apr 2012	54.8
Sep 2012	51.5	Mar 2012	53.4
Aug 2012	49.6	Feb 2012	52.4
Jul 2012	49.8	Jan 2012	54.1
Jun 2012	49.7	Dec 2011	53.1
Average for 12 months – 51.9 High – 54.8 Low – 49.5			

New Orders

ISM's New Orders Index registered 50.3 percent in November, which is a decrease of 3.9 percentage points when compared to the October reading of 54.2 percent. This represents the third consecutive month of growth in new orders following three consecutive months of contraction. 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 seven industries reporting growth in new orders in November — listed in order — are: Petroleum & Coal Products; Paper Products; Plastics & Rubber Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliances & Components; and Furniture & Related Products. The nine industries reporting a decrease in new orders during November — listed in order — are: Nonmetallic Mineral Products; Apparel, Leather & Allied Products; Primary Metals; Chemical Products; Transportation Equipment; Fabricated Metal Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; and Printing & Related Support Activities.

New Orders	% Better	% Same	% Worse	Net	Index
Nov 2012	26	43	31	-5	50.3
Oct 2012	24	47	29	-5	54.2
Sep 2012	27	48	25	+2	52.3
Aug 2012	21	50	29	-8	47.1

Production

ISM's Production Index registered 53.7 percent in November, which is an increase of 1.3 percentage points when compared to the 52.4 percent reported in October. This indicates growth in production for the second month following two consecutive months of contraction. An index above 51.2 percent, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures.

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

Production	% Better	% Same	% Worse	Net	Index
Nov 2012	23	53	24	-1	53.7
Oct 2012	23	52	25	-2	52.4
Sep 2012	24	50	26	-2	49.5
Aug 2012	19	57	24	-5	47.2

Employment

ISM's Employment Index registered 48.4 percent in November, which is 3.7 percentage points lower than the 52.1 percent reported in October, and is the lowest reading since September 2009 when the Employment Index registered 47.8 percent. This is the first month of contraction in employment following 37 consecutive months 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, seven reported growth in employment in November in the following order: Textile Mills; Paper Products; Petroleum & Coal Products; Primary Metals; Furniture & Related Products; Food, Beverage & Tobacco Products; and Machinery. The 10 industries reporting a decrease in employment in November — listed in order — are: Wood Products; Plastics & Rubber Products; Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Computer & Electronic Products; Fabricated Metal Products; Transportation Equipment; Chemical Products; and Printing & Related Support Activities.

Employment	% Higher	% Same	% Lower	Net	Index
Nov 2012	15	63	22	-7	48.4
Oct 2012	24	55	21	+3	52.1
Sep 2012	23	59	18	+5	54.7
Aug 2012	19	65	16	+3	51.6

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations was slower in November as the Supplier Deliveries Index registered 50.3 percent, which is 0.7 percentage point higher than the 49.6 percent reported in October. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The five industries reporting slower supplier deliveries in November are: Electrical Equipment, Appliances & Components; Computer & Electronic Products; Transportation Equipment; Chemical Products; and Miscellaneous Manufacturing. The seven industries reporting faster supplier deliveries in November — listed in order — are: Textile Mills; Petroleum & Coal Products; Apparel, Leather & Allied Products; Machinery; Plastics & Rubber Products; Fabricated Metal Products; and Food, Beverage & Tobacco Products. Six industries reported no change in supplier deliveries in November compared to October.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Nov 2012	7	81	12	-5	50.3
Oct 2012	6	84	10	-4	49.6
Sep 2012	8	86	6	+2	50.3
Aug 2012	9	83	8	+1	49.3

Inventories*

The Inventories Index registered 45 percent in November, which is 5 percentage points lower than the 50 percent reported in October. This month's reading indicates that respondents are reporting inventories are contracting from October. 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 November are: Petroleum & Coal Products; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; and Furniture & Related Products. The 10 industries reporting decreases in inventories in November — listed in order — are: Wood Products; Miscellaneous Manufacturing; Primary Metals; Apparel, Leather & Allied Products; Transportation Equipment; Paper Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Chemical Products; and Machinery.

Inventories	% Higher	% Same	% Lower	Net	Index
Nov 2012	18	54	28	-10	45.0
Oct 2012	21	58	21	0	50.0
Sep 2012	20	61	19	+1	50.5
Aug 2012	24	58	18	+6	53.0

Customers' Inventories*

The ISM Customers' Inventories Index registered 42.5 percent in November, which is 6.5 percentage points lower than in October when the index registered 49 percent. This month's reading reflects the lowest level since December 2011 when customers' inventories also registered 42.5 percent. Customers' inventories have registered at or below 50 percent for 44 consecutive months. A reading below 50 percent indicates customers' inventories are considered too low.

The only manufacturing industry reporting customers' inventories as being too high during the month of November is Petroleum & Coal Products. The 11 industries reporting customers' inventories as too low during November — listed in order — are: Plastics & Rubber Products; Primary Metals; Nonmetallic Mineral Products; Transportation Equipment; Paper Products; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Chemical Products; Computer & Electronic Products; and Apparel, Leather & Allied Products. Six industries reported no change in customers' inventories in November compared to October.

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Nov 2012	66	14	57	29	-15	42.5
Oct 2012	68	18	62	20	-2	49.0
Sep 2012	68	21	57	22	-1	49.5
Aug 2012	70	16	66	18	-2	49.0

Prices*

The ISM Prices Index registered 52.5 percent in November, which is a decrease of 2.5 percentage points compared to the October reading of 55 percent. In November, 18 percent of respondents reported paying higher prices, 13 percent reported paying lower prices, and 69 percent of supply executives reported paying the same prices as in October. 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, seven reported paying increased prices during the month of November in the following order: Primary Metals; Chemical Products; Plastics & Rubber Products; Food, Beverage & Tobacco Products; Machinery; Fabricated Metal Products; and Furniture & Related Products. The five industries reporting paying lower prices during November are: Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Printing & Related Support Activities; Computer & Electronic Products; and Paper Products. Six industries reported no change in prices paid for the month of November when compared to October.

Prices	% Higher	% Same	% Lower	Net	Index
Nov 2012	18	69	13	+5	52.5
Oct 2012	23	64	13	+10	55.0
Sep 2012	27	62	11	+16	58.0
Aug 2012	23	62	15	+8	54.0

Backlog of Orders*

ISM's Backlog of Orders Index registered 41 percent in November, which is 0.5 percentage point lower than the 41.5 percent reported in October. This is the eighth consecutive month of contraction in order backlogs. Of the 86 percent of respondents who reported their backlog of orders, 14 percent reported greater backlogs, 32 percent reported smaller backlogs, and 54 percent reported no change from October.

The three industries reporting increased order backlogs in November are: Electrical Equipment, Appliances & Components; Machinery; and Paper Products. The 11 industries reporting decreases in order backlogs during November — listed in order — are: Apparel, Leather & Allied Products; Primary Metals; Wood Products; Miscellaneous Manufacturing; Chemical Products; Transportation Equipment; Fabricated Metal Products; Plastics & Rubber Products; Furniture & Related Products; Food, Beverage & Tobacco Products; and Computer & Electronic Products.

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Nov 2012	86	14	54	32	-18	41.0
Oct 2012	86	14	55	31	-17	41.5
Sep 2012	83	14	60	26	-12	44.0
Aug 2012	84	16	53	31	-15	42.5

New Export Orders*

ISM's New Export Orders Index registered 47 percent in November, which is 1 percentage point lower than the 48 percent reported in October. This month's reading represents the sixth month of contraction in the index since June 2009, when the index registered 49.5 percent. Prior to this current six-month period of contraction, the New Export Orders Index had registered 50 percent or above for the previous 35 consecutive months.

The five industries reporting growth in new export orders in November are: Petroleum & Coal Products; Food, Beverage & Tobacco Products; Fabricated Metal Products; Paper Products; and Miscellaneous Manufacturing. The six industries reporting a decrease in new export orders during November — listed in order — are: Primary Metals; Transportation Equipment; Computer & Electronic Products; Machinery; Chemical Products; and Apparel, Leather & Allied Products. Seven industries reported no change in new export orders for the month of November when compared to October.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Nov 2012	77	11	72	17	-6	47.0
Oct 2012	73	14	68	18	-4	48.0
Sep 2012	77	15	67	18	-3	48.5
Aug 2012	77	13	68	19	-6	47.0

Imports*

ISM's Imports Index registered 48 percent in November, which is 0.5 percentage point higher than the 47.5 percent reported in October. This month's reading reflects the fourth consecutive month of contraction in imports since November 2011, when the Imports Index registered 49 percent.

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

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Nov 2012	79	10	76	14	-4	48.0
Oct 2012	78	11	73	16	-5	47.5
Sep 2012	77	11	77	12	-1	49.5
Aug 2012	77	13	72	15	-2	49.0

* 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 5 days to 117 days. Average lead time for Production Materials decreased 1 day to 55 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies decreased 2 days to 25 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Nov 2012	25	6	14	17	26	12	117
Oct 2012	23	9	13	17	23	15	122
Sep 2012	25	5	14	18	23	15	123
Aug 2012	23	7	13	19	23	15	124
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Nov 2012	16	36	26	17	3	2	55
Oct 2012	16	36	25	17	4	2	56
Sep 2012	18	38	22	16	4	2	54
Aug 2012	16	37	26	15	4	2	55
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Nov 2012	46	40	10	3	1	0	25
Oct 2012	43	38	15	3	1	0	27
Sep 2012	44	36	16	3	1	0	27
Aug 2012	46	38	11	3	2	0	27

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 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 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 December 2012 data will be released at 10:00 a.m. (ET) on Wednesday, January 2, 2013.