

FOR RELEASE: February 1, 2013

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

**PMI at 53.1%**

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 2013.

**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**  
**Inventories Growing**  
**Supplier Deliveries Slowing**

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in January for the second consecutive month, and the **overall economy** grew for the 44th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM *Report On Business***<sup>®</sup>.

The report was issued today by Bradley J. Holcomb, CPSM, CPSD, chair of the Institute for Supply Management<sup>™</sup> Manufacturing Business Survey Committee. "The PMI<sup>™</sup> registered 53.1 percent, an increase of 2.9 percentage points from December's seasonally adjusted reading of 50.2 percent, indicating expansion in manufacturing for the second consecutive month. The New Orders Index registered 53.3 percent, an increase of 3.6 percent over December's seasonally adjusted reading of 49.7 percent, indicating growth in new orders. Manufacturing is starting out the year

on a positive note, with all five of the PMI™'s component indexes — new orders, production, employment, supplier deliveries and inventories — registering above 50 percent in January."

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

#### WHAT RESPONDENTS ARE SAYING ...

- "Fiscal cliff, uncertainty in general and EU economic weakness are factors causing our customers to be very tentative with commitments for product purchases in 2013." (Machinery)
- "Midwest drought impact will be felt at least through midyear, impacting protein, sweeteners, eggs, oils, emulsifiers, etc." (Food, Beverage & Tobacco Products)
- "Slowing interest in high-dollar purchases reflects continuing economic uncertainty." (Miscellaneous Manufacturing)
- "Expenditure and investment are expected to remain high in North America in Q1 and Q2, 2013." (Petroleum & Coal Products)
- "Housing sales are trending upward in light of overall market uncertainty, translating to improving optimism in appliance market." (Electrical Equipment, Appliances & Components)
- "Still waiting for reaction to consumer tax increases." (Fabricated Metal Products)
- "Government spending is very low, probably due to the fiscal cliff and the looming debt ceiling." (Transportation Equipment)
- "Business is improving." (Furniture & Related Products)
- "The general theme developing in our industry is that we can move suitable volumes. However, profit margin is elusive." (Wood Products)
- "Overall production volume decreasing. Decrease is led by decline in exports of 10 percent." (Chemical Products)

**MANUFACTURING AT A GLANCE  
JANUARY 2013**

<b>Index</b>	<b>Series Index Jan</b>	<b>Series Index Dec</b>	<b>Percentage Point Change</b>	<b>Direction</b>	<b>Rate of Change</b>	<b>Trend* (Months)</b>
<b>PMI™</b>	53.1	50.2	+2.9	Growing	Faster	2
<b>New Orders</b>	53.3	49.7	+3.6	Growing	From Contracting	1
<b>Production</b>	53.6	52.6	+1.0	Growing	Faster	5
<b>Employment</b>	54.0	51.9	+2.1	Growing	Faster	40
<b>Supplier Deliveries</b>	53.6	53.7	-0.1	Slowing	Slower	3
<b>Inventories</b>	51.0	43.0	+8.0	Growing	From Contracting	1
<b>Customers' Inventories</b>	48.5	47.0	+1.5	Too Low	Slower	14
<b>Prices</b>	56.5	55.5	+1.0	Increasing	Faster	6
<b>Backlog of Orders</b>	47.5	48.5	-1.0	Contracting	Faster	10
<b>Exports</b>	50.5	51.5	-1.0	Growing	Slower	2
<b>Imports</b>	50.0	51.5	-1.5	Unchanged	From Growing	1
<b>OVERALL ECONOMY</b>				Growing	Faster	44
<b>Manufacturing Sector</b>				Growing	Faster	2

\*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**

Aluminum Products (4); Benzene (2); Caustic Soda (6); Copper; Copper Based Products; Corrugated Boxes/Packaging (6); HDPE; Lumber; Oil; PET Bottles; Polypropylene (3); Polystyrene; Stainless Steel Sheet; Steel — Cold Rolled (2); and Vitamins.

## Commodities Down in Price

Steel (11); Sugar (2); Titanium Dioxide (2); and Wheat.

## Commodities in Short Supply

No commodities are reported in short supply.

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

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## JANUARY 2013 MANUFACTURING INDEX SUMMARIES

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### PMI™

Manufacturing expanded in January as the PMI™ registered 53.1 percent, an increase of 2.9 percentage points when compared to December's seasonally adjusted reading of 50.2 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 42.2 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the January PMI™ indicates growth for the 44th consecutive month in the overall economy, and indicates expansion in the manufacturing sector for the second consecutive month. Holcomb stated, "The past relationship between the PMI™ and the overall economy indicates that the PMI™ for January (53.1 percent) corresponds to a 3.4 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 2013	53.1	Jul 2012	50.5
Dec 2012	50.2	Jun 2012	50.2
Nov 2012	49.9	May 2012	52.5
Oct 2012	51.7	Apr 2012	54.1
Sep 2012	51.6	Mar 2012	53.3
Aug 2012	50.7	Feb 2012	51.9
Average for 12 months – 51.6 High – 54.1 Low – 49.9			

## New Orders

ISM's New Orders Index registered 53.3 percent in January, an increase of 3.6 percentage points when compared to the seasonally adjusted December reading of 49.7 percent. This represents growth in new orders, following one month of contraction. A New Orders Index above 52.2 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders (in constant 2000 dollars).

The 10 industries reporting growth in new orders in January — listed in order — are: Textile Mills; Printing & Related Support Activities; Furniture & Related Products; Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Petroleum & Coal Products; Machinery; Transportation Equipment; and Primary Metals. The five industries reporting a decrease in new orders during January are: Nonmetallic Mineral Products; Wood Products; Chemical Products; Computer & Electronic Products; and Food, Beverage & Tobacco Products.

New Orders	% Better	% Same	% Worse	Net	Index
Jan 2013	28	51	21	+7	53.3
Dec 2012	24	45	31	-7	49.7
Nov 2012	26	43	31	-5	51.1
Oct 2012	24	47	29	-5	52.8

## Production

ISM's Production Index registered 53.6 percent in January, which is an increase of 1 percentage point when compared to the seasonally adjusted 52.6 percent reported in December. This indicates growth in production for the fifth 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: Electrical Equipment, Appliances & Components; Textile Mills; Plastics & Rubber Products; Miscellaneous Manufacturing; Apparel, Leather & Allied Products; Fabricated Metal Products; Furniture & Related Products; Primary Metals; and Transportation Equipment. The six industries reporting a decrease in production in January — listed in order — are: Printing & Related Support Activities; Petroleum & Coal Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; Chemical Products; and Nonmetallic Mineral Products.

Production	% Better	% Same	% Worse	Net	Index
Jan 2013	25	56	19	+6	53.6
Dec 2012	21	54	25	-4	52.6
Nov 2012	23	53	24	-1	53.1
Oct 2012	23	52	25	-2	53.3

## Employment

ISM's Employment Index registered 54 percent in January, which is 2.1 percentage points higher than the seasonally adjusted 51.9 percent reported in December, and indicates growth in employment for the 40th consecutive month. An Employment Index above 50.5 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) data on manufacturing employment.

Of the 18 manufacturing industries, nine reported growth in employment in January in the following order: Petroleum & Coal Products; Plastics & Rubber Products; Apparel, Leather & Allied Products; Printing & Related Support Activities; Miscellaneous Manufacturing; Fabricated Metal Products; Furniture & Related Products; Electrical Equipment, Appliances & Components; and Food, Beverage & Tobacco Products. The five industries reporting a decrease in employment in January are: Nonmetallic Mineral Products; Computer & Electronic Products; Chemical Products; Machinery; and Wood Products.

Employment	% Higher	% Same	% Lower	Net	Index
Jan 2013	17	71	12	+5	54.0
Dec 2012	19	62	19	0	51.9
Nov 2012	15	63	22	-7	50.1
Oct 2012	24	55	21	+3	52.3

## 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 0.1 percentage point lower than the seasonally adjusted 53.7 percent reported in December. This indicates the third consecutive month of slower supplier deliveries. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The seven industries reporting slower supplier deliveries in January — listed in order — are: Nonmetallic Mineral Products; Plastics & Rubber Products; Chemical Products; Petroleum & Coal Products; Furniture & Related Products; Food, Beverage & Tobacco Products; and Transportation Equipment. The four industries reporting faster supplier deliveries in January are: Electrical Equipment, Appliances & Components; Fabricated Metal Products; Computer & Electronic Products; and Primary Metals. Seven industries reported no change in supplier deliveries in January compared to December.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Jan 2013	10	85	5	+5	53.6
Dec 2012	9	83	8	+1	53.7
Nov 2012	7	81	12	-5	50.1
Oct 2012	6	84	10	-4	49.9

### Inventories\*

The Inventories Index registered 51 percent in January, which is 8 percentage points higher than the 43 percent reported in December. This month's reading indicates that respondents are reporting inventories are growing in January, following two consecutive months of contraction in inventories. An Inventories Index greater than 42.7 percent, over time, is generally consistent with expansion in the Bureau of Economic Analysis' (BEA) figures on overall manufacturing inventories (in chained 2000 dollars).

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

Inventories	% Higher	% Same	% Lower	Net	Index
Jan 2013	20	62	18	+2	51.0
Dec 2012	14	58	28	-14	43.0
Nov 2012	18	54	28	-10	45.0
Oct 2012	21	58	21	0	50.0

## Customers' Inventories\*

The ISM Customers' Inventories Index registered 48.5 percent in January, which is 1.5 percentage points higher than in December when the index registered 47 percent. This month's reading indicates that customers' inventories are considered too low, but not as low as reported in December. Customers' inventories have registered at or below 50 percent for 46 consecutive months. A reading below 50 percent indicates customers' inventories are considered too low.

The four manufacturing industries reporting customers' inventories as being too high during the month of January are: Petroleum & Coal Products; Plastics & Rubber Products; Chemical Products; and Computer & Electronic Products. The nine industries reporting customers' inventories as too low during January — listed in order — are: Furniture & Related Products; Transportation Equipment; Paper Products; Primary Metals; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Fabricated Metal Products; Machinery; and Apparel, Leather & Allied Products.

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Jan 2013	71	14	69	17	-3	48.5
Dec 2012	64	19	56	25	-6	47.0
Nov 2012	66	14	57	29	-15	42.5
Oct 2012	68	18	62	20	-2	49.0

## Prices\*

The ISM Prices Index registered 56.5 percent in January, which is an increase of 1 percentage point compared to the December reading of 55.5 percent. In January, 23 percent of respondents reported paying higher prices, 10 percent reported paying lower prices, and 67 percent of supply executives reported paying the same prices as in December. A Prices Index above 49.7 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) Index of Manufacturers Prices.

Of the 18 manufacturing industries, 10 reported paying increased prices during the month of January in the following order: Plastics & Rubber Products; Wood Products; Petroleum & Coal Products; Chemical Products; Paper Products; Food, Beverage & Tobacco Products; Furniture & Related Products; Electrical Equipment, Appliances & Components; Transportation Equipment; and Fabricated Metal Products. The two industries reporting paying lower prices during January are: Machinery; and Primary Metals. Six industries reported no change in prices paid in January compared to December.



Prices	% Higher	% Same	% Lower	Net	Index
Jan 2013	23	67	10	+13	56.5
Dec 2012	18	75	7	+11	55.5
Nov 2012	18	69	13	+5	52.5
Oct 2012	23	64	13	+10	55.0

### Backlog of Orders\*

ISM's Backlog of Orders Index registered 47.5 percent in January, which is 1 percentage point lower than the 48.5 percent reported in December. This is the 10th consecutive month of contraction in order backlogs. Of the 85 percent of respondents who reported their backlog of orders, 20 percent reported greater backlogs, 25 percent reported smaller backlogs, and 55 percent reported no change from December.

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

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Jan 2013	85	20	55	25	-5	47.5
Dec 2012	86	22	53	25	-3	48.5
Nov 2012	86	14	54	32	-18	41.0
Oct 2012	86	14	55	31	-17	41.5

### New Export Orders\*

ISM's New Export Orders Index registered 50.5 percent in January, which is 1 percentage point lower than the 51.5 percent reported in December. This month's reading represents only the second month of growth in the index since May 2012, when the index registered 53.5 percent.

The four industries reporting growth in new export orders in January are: Apparel, Leather & Allied Products; Textile Mills; Fabricated Metal Products; and Furniture & Related Products. The six industries reporting a decrease in new

export orders during January — listed in order — are: Miscellaneous Manufacturing; Primary Metals; Chemical Products; Transportation Equipment; Machinery; and Computer & Electronic Products. Eight industries reported no change in new exports for the month of January when compared to December.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Jan 2013	72	12	77	11	+1	50.5
Dec 2012	74	16	71	13	+3	51.5
Nov 2012	77	11	72	17	-6	47.0
Oct 2012	73	14	68	18	-4	48.0

### Imports\*

ISM's Imports Index registered 50 percent in January, which is 1.5 percentage points lower than the 51.5 percent reported in December. This month's reading indicates that import levels are unchanged from December.

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

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Jan 2013	75	13	74	13	0	50.0
Dec 2012	77	16	71	13	+3	51.5
Nov 2012	79	10	76	14	-4	48.0
Oct 2012	78	11	73	16	-5	47.5

\* 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 4 days to 120 days. Average lead time for Production Materials increased 5 days to 59 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies increased 3 days to 28 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Jan 2013	27	7	12	14	26	14	120
Dec 2012	25	9	13	16	24	13	116
Nov 2012	25	6	14	17	26	12	117
Oct 2012	23	9	13	17	23	15	122
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Jan 2013	16	35	26	16	4	3	59
Dec 2012	16	40	22	17	3	2	54
Nov 2012	16	36	26	17	3	2	55
Oct 2012	16	36	25	17	4	2	56
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Jan 2013	44	39	12	4	0	1	28
Dec 2012	46	39	10	4	1	0	25
Nov 2012	46	40	10	3	1	0	25
Oct 2012	43	38	15	3	1	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**<sup>®</sup> is based on data compiled from purchasing and supply executives nationwide. Membership of the Manufacturing Business Survey Committee is diversified by NAICS, based on each industry's contribution to gross domestic product (GDP). Manufacturing Business Survey Committee responses are divided into the following NAICS code categories: Food, Beverage & Tobacco Products; Textile Mills; Apparel, Leather & Allied Products; Wood Products; Paper Products; Printing & Related Support Activities; Petroleum & Coal Products; Chemical Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Furniture & Related Products; and Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies).

Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (New Orders, Backlog of Orders, New Export Orders, Imports, Production, Supplier Deliveries, Inventories, Customers' Inventories, Employment and Prices), this report shows the percentage reporting each response, the net difference between the number of responses in the positive economic direction (higher, better and slower for Supplier Deliveries) and the negative economic direction (lower, worse and faster for Supplier Deliveries), and the diffusion index. Responses are raw data and are never changed. The diffusion index includes the percent of positive responses plus one-half of those responding the same (considered positive).

The resulting single index number for those meeting the criteria for seasonal adjustments (PMI<sup>™</sup>, 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<sup>™</sup> 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<sup>™</sup> reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining. A PMI<sup>™</sup> in excess of 42.2 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 42.2 percent, it is generally declining. The distance from 50 percent or 42.2 percent is indicative of the strength of the expansion or decline. With some of the indicators within this report, ISM has

indicated the departure point between expansion and decline of comparable government series, as determined by regression analysis.

The **Manufacturing ISM Report On Business**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> is published monthly by the Institute for Supply Management<sup>™</sup>, the first supply institute in the world. Founded in 1915, ISM exists to lead and serve the supply management profession and is a highly influential and respected association in the global marketplace. ISM's mission is to 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**<sup>®</sup> is posted on ISM's website at [www.ism.ws](http://www.ism.ws) on the first business day of every month after 10:10 a.m. (ET).

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