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June 2013 Manufacturing ISM Report On Business[®]

PMI[™] at 50.9%

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 June 2013.

New Orders, Production and Inventories Growing Employment Contracting Supplier Deliveries Unchanged

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in June following one month of contraction, and the **overall economy** grew for the 49th 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 50.9 percent, an increase of 1.9 percentage points from May's reading of 49 percent, indicating expansion in the manufacturing sector for the fifth time in the first six months of 2013. The New Orders Index increased in June by 3.1 percentage points to 51.9 percent, and the Production Index increased by 4.8 percentage points to 53.4 percent. The Employment Index registered 48.7 percent, a decrease of 1.4 percentage points compared to May's reading of 50.1 percent. Manufacturing employment contracted for the first time since September 2009, when the index registered 47.8 percent. The Prices Index registered 52.5 percent, increasing 3 percentage points from May, indicating that overall raw materials prices increased from last month. Comments from the panel generally indicate slow growth and improving business conditions."

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

WHAT RESPONDENTS ARE SAYING ...

- "Business remains good to improving." (Miscellaneous Manufacturing)
- "Industry volumes picking up with improved housing starts." (Electrical Equipment, Appliances & Components)
- "Indications are that customers have acceptable inventory levels, and as a result, are backing down on new orders and reassessing market conditions." (Wood Products)
- "Last couple of weeks a little slower." (Furniture & Related Products)
- "Seeing signs of life through summer retail [sales] promotions — still an overall soft market." (Food, Beverage & Tobacco Products)
- "Business is steady. Qualified CNC machinists are hard to find." (Fabricated Metal Products)
- "Weather conditions are causing uncertainty in agricultural markets." (Machinery)
- "Continued slow improvements." (Transportation Equipment)
- "June sales appear to have rebounded from what was a lackluster May." (Paper Products)
- "Slow growth continues to choke the recovery. We are not out of the woods yet by any stretch of the imagination." (Chemical Products)

MANUFACTURING AT A GLANCE JUNE 2013						
Index	Series Index Jun	Series Index May	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI™	50.9	49.0	+1.9	Growing	From Contracting	1
New Orders	51.9	48.8	+3.1	Growing	From Contracting	1
Production	53.4	48.6	+4.8	Growing	From Contracting	1
Employment	48.7	50.1	-1.4	Contracting	From Growing	1
Supplier Deliveries	50.0	48.7	+1.3	Unchanged	From Faster	1
Inventories	50.5	49.0	+1.5	Growing	From Contracting	1
Customers' Inventories	45.0	46.0	-1.0	Too Low	Faster	19
Prices	52.5	49.5	+3.0	Increasing	From Decreasing	1
Backlog of Orders	46.5	48.0	-1.5	Contracting	Faster	2
Exports	54.5	51.0	+3.5	Growing	Faster	7
Imports	56.0	54.5	+1.5	Growing	Faster	5
OVERALL ECONOMY				Growing	Faster	49
Manufacturing Sector				Growing	From Contracting	1

*Number of months moving in current direction.

COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY

Commodities Up in Price

Aluminum Products; Caustic Soda (3); Corrugated Boxes (11); Corrugated Packaging (2); Lumber (6); Plastic Products; Plywood; and Polypropylene*.

Commodities Down in Price

Butter; Hydraulic Components; Polypropylene (2)*; Stainless Steel (2); Steel (3); Steel — Cold Rolled; Steel — Hot Rolled (2); and Sugar (2).

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.

JUNE 2013 MANUFACTURING INDEX SUMMARIES

PMI™

Manufacturing expanded in June as the PMI™ registered 50.9 percent, an increase of 1.9 percentage points when compared to May's reading of 49 percent. June's reading of 50.9 percent reflects the resumption of growth in the manufacturing sector for 2013, following the only month of contraction for the year in May. 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 June PMI™ indicates growth for the 49th consecutive month in the overall economy, and indicates expansion in the manufacturing sector following one month of contraction. Holcomb stated, "The past relationship between the PMI™ and the overall economy indicates that the average PMI™ for January through June (51.5 percent) corresponds to a 2.9 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI™ for June (50.9 percent) is annualized, it corresponds to a 2.7 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI™</i>	<i>Month</i>	<i>PMI™</i>
Jun 2013	50.9	Dec 2012	50.2
May 2013	49.0	Nov 2012	49.9
Apr 2013	50.7	Oct 2012	51.7
Mar 2013	51.3	Sep 2012	51.6
Feb 2013	54.2	Aug 2012	50.7
Jan 2013	53.1	Jul 2012	50.5
Average for 12 months – 51.2 High – 54.2 Low – 49.0			

New Orders

ISM's New Orders Index registered 51.9 percent in June, an increase of 3.1 percentage points when compared to the May reading of 48.8 percent. This represents growth in new orders after 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 11 industries reporting growth in new orders in June — listed in order — are: Apparel, Leather & Allied Products; Paper Products; Furniture & Related Products; Primary Metals; Food, Beverage & Tobacco Products; Petroleum & Coal Products; Plastics & Rubber Products; Machinery; Electrical Equipment, Appliances & Components; Fabricated Metal Products; and Miscellaneous Manufacturing. The five industries reporting a decrease in new orders during June are: Wood Products; Transportation Equipment; Chemical Products; Computer & Electronic Products; and Nonmetallic Mineral Products.

New Orders	% Better	% Same	% Worse	Net	Index
Jun 2013	30	49	21	+9	51.9
May 2013	28	50	22	+6	48.8
Apr 2013	34	46	20	+14	52.3
Mar 2013	31	52	17	+14	51.4

Production

ISM's Production Index registered 53.4 percent in June, which is an increase of 4.8 percentage points when compared to the 48.6 percent reported in May. This month's reading indicates growth in production and follows the only month of contraction in production for the year. An index above 51.2 percent, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures.

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

Production	% Better	% Same	% Worse	Net	Index
Jun 2013	28	55	17	+11	53.4
May 2013	26	57	17	+9	48.6
Apr 2013	33	53	14	+19	53.5
Mar 2013	33	51	16	+17	52.2

Employment

ISM's Employment Index registered 48.7 percent in June, which is 1.4 percentage points lower than the 50.1 percent reported in May. This month's reading indicates contraction in employment for the first time since September 2009, when the index registered 47.8 percent. 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 June in the following order: Wood Products; Furniture & Related Products; Paper Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Primary Metals; Machinery; and Food, Beverage & Tobacco Products. The five industries reporting a decrease in employment in June are: Textile Mills; Computer & Electronic Products; Transportation Equipment; Fabricated Metal Products; and Chemical Products.

Employment	% Higher	% Same	% Lower	Net	Index
Jun 2013	19	65	16	+3	48.7
May 2013	22	60	18	+4	50.1
Apr 2013	26	57	17	+9	50.2
Mar 2013	24	60	16	+8	54.2

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations in June was unchanged from May as the Supplier Deliveries Index registered 50 percent. This month's reading is 1.3 percentage points higher than the 48.7 percent reported in May. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The six industries reporting slower supplier deliveries in June — listed in order — are: Petroleum & Coal Products; Furniture & Related Products; Fabricated Metal Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; and Chemical Products. The four industries reporting faster supplier deliveries in June are: Primary Metals; Electrical Equipment, Appliances & Components; Transportation Equipment; and Paper Products. Eight industries reported no change in supplier deliveries in June compared to May.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Jun 2013	9	84	7	+2	50.0
May 2013	8	85	7	+1	48.7
Apr 2013	12	81	7	+5	50.9
Mar 2013	11	82	7	+4	49.4

Inventories*

The Inventories Index registered 50.5 percent in June, which is 1.5 percentage points higher than the 49 percent reported in May. This month's reading indicates that respondents are reporting inventories expanded in June, following three consecutive months of contraction. For the current year, inventories of raw materials have registered in a well-managed range from a high of 51.5 percent in February to a low of 46.5 percent in April. 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 June — listed in order — are: Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Primary Metals; Petroleum & Coal Products; Food, Beverage & Tobacco Products; Fabricated Metal Products; and Machinery. The six industries reporting decreases in inventories in June — listed in order — are: Textile Mills; Miscellaneous Manufacturing; Plastics & Rubber Products; Chemical Products; Transportation Equipment; and Wood Products.

Inventories	% Higher	% Same	% Lower	Net	Index
Jun 2013	19	63	18	+1	50.5
May 2013	20	58	22	-2	49.0
Apr 2013	18	57	25	-7	46.5
Mar 2013	20	59	21	-1	49.5

Customers' Inventories*

The ISM Customers' Inventories Index registered 45 percent in June, which is 1 percentage point lower than in May when the index registered 46 percent. This month's reading indicates that customers' inventories are considered too low, and lower than reported in May. Customers' inventories have registered at or below 50 percent for 51 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 June are: Apparel, Leather & Allied Products; Primary Metals; Chemical Products; and Food, Beverage & Tobacco Products. The nine industries reporting customers' inventories as too low during June — listed in order — are: Plastics & Rubber Products; Furniture & Related Products; Machinery; Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Fabricated Metal Products; Paper Products; and Computer & Electronic Products.

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Jun 2013	66	10	70	20	-10	45.0
May 2013	70	14	64	22	-8	46.0
Apr 2013	71	11	67	22	-11	44.5
Mar 2013	75	14	67	19	-5	47.5

Prices*

The ISM Prices Index registered 52.5 percent in June, which is an increase of 3 percentage points compared to the May reading of 49.5 percent. This indicates that raw materials prices increased in June, following only one month of price decreases for the year in May. In June, 20 percent of respondents reported paying higher prices, 15 percent reported paying lower prices, and 65 percent of supply executives reported paying the same prices as in May. 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, nine reported paying increased prices during the month of June in the following order: Textile Mills; Furniture & Related Products; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Paper Products; Plastics & Rubber Products; Primary Metals; Food, Beverage & Tobacco Products; and Computer & Electronic Products. The five industries reporting paying lower prices during June are: Petroleum & Coal Products; Wood Products; Electrical Equipment, Appliances & Components; Machinery; and Fabricated Metal Products.

Prices	% Higher	% Same	% Lower	Net	Index
Jun 2013	20	65	15	+5	52.5
May 2013	19	61	20	-1	49.5
Apr 2013	15	70	15	0	50.0
Mar 2013	21	67	12	+9	54.5

Backlog of Orders*

ISM's Backlog of Orders Index registered 46.5 percent in June, which is 1.5 percentage points lower than the 48 percent reported in May. This is the second month of contracting order backlogs since January 2013, when the index registered 47.5 percent. Of the 84 percent of respondents who reported their backlog of orders, 17 percent reported greater backlogs, 24 percent reported smaller backlogs, and 59 percent reported no change from May.

The five industries reporting increased order backlogs in June are: Apparel, Leather & Allied Products; Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Furniture & Related Products; and Machinery. The seven industries reporting decreases in order backlogs during June — listed in order — are: Primary Metals; Textile Mills; Transportation Equipment; Chemical Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; and Wood Products.

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Jun 2013	84	17	59	24	-7	46.5
May 2013	82	23	50	27	-4	48.0
Apr 2013	85	25	56	19	+6	53.0
Mar 2013	85	22	58	20	+2	51.0

New Export Orders*

ISM's New Export Orders Index registered 54.5 percent in June, which is 3.5 percentage points higher than the 51 percent reported in May. This month's reading represents the seventh consecutive month of growth in new export orders, and follows six consecutive months of contraction dating back to June 2012.

The seven industries reporting growth in new export orders in June — listed in order — are: Primary Metals; Furniture & Related Products; Paper Products; Miscellaneous Manufacturing; Fabricated Metal Products; Machinery; and Transportation Equipment. The two industries reporting a decrease in new export orders during June are: Food, Beverage & Tobacco Products; and Chemical Products. Eight industries reported no change in new export orders in June compared to May.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Jun 2013	74	15	79	6	+9	54.5
May 2013	76	16	70	14	+2	51.0
Apr 2013	75	18	72	10	+8	54.0
Mar 2013	77	22	68	10	+12	56.0

Imports*

ISM's Imports Index registered 56 percent in June, which is 1.5 percentage points higher than the 54.5 percent reported in May. This month's reading represents the seventh consecutive month that the Imports Index has registered at or above 50 percent.

The 10 industries reporting growth in imports during the month of June — listed in order — are: Wood Products; Primary Metals; Fabricated Metal Products; Miscellaneous Manufacturing; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Plastics & Rubber Products; Machinery; Food, Beverage & Tobacco Products; and Furniture & Related Products. The two industries reporting a decrease in imports during June are: Nonmetallic

Mineral Products; and Apparel, Leather & Allied Products. Six industries reported no change in imports in June compared to May.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Jun 2013	76	20	72	8	+12	56.0
May 2013	75	16	77	7	+9	54.5
Apr 2013	76	19	72	9	+10	55.0
Mar 2013	77	18	72	10	+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 remained unchanged at 125 days. Average lead time for Production Materials decreased 2 days to 60 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies decreased 1 day to 25 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Jun 2013	28	3	12	14	29	14	125
May 2013	27	5	10	19	23	16	125
Apr 2013	26	4	13	16	28	13	122
Mar 2013	28	7	9	19	25	12	114
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Jun 2013	16	36	23	18	4	3	60
May 2013	17	34	26	15	4	4	62
Apr 2013	18	30	33	13	3	3	58
Mar 2013	17	37	26	13	4	3	57
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Jun 2013	46	38	12	3	1	0	25
May 2013	43	40	13	3	1	0	26
Apr 2013	43	40	13	4	0	0	26
Mar 2013	44	39	13	3	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 42.2 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**[®] survey is 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 report 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 report, 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 enhance the value and performance of procurement and supply chain management practitioners and their organizations worldwide. 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 July 2013 data will be released at 10:00 a.m. (ET) on Thursday, August 1, 2013.