

**FOR RELEASE: January 2, 2014**

**Contact:** John Yuva  
ISM, ROB Media Relations  
Tempe, Arizona  
800/888-6276, Ext. 3021  
E-mail: [jyuva@ism.ws](mailto:jyuva@ism.ws)

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

**PMI<sup>™</sup> at 57%**

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 December 2013.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in December for the seventh consecutive month, and the **overall economy** grew for the 55th 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 57 percent, the second highest reading for the year, just 0.3 percentage point below November's reading of 57.3 percent. The New Orders Index increased in December by 0.6 percentage point to 64.2 percent, which is its highest reading since April 2010 when it registered 65.1 percent. The Employment Index registered 56.9 percent, an increase of 0.4 percentage point compared to November's reading of 56.5 percent. December's employment reading is the highest since June 2011 when the Employment Index registered 59 percent. Comments from the panel generally reflect a solid final month of the year,

capping off the second half of 2013, which was characterized by continuous growth and momentum in manufacturing."

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

### **WHAT RESPONDENTS ARE SAYING ...**

- "Amazingly enough, we are seeing meaningful increases in our sales in nearly all segments and regions."  
(Apparel, Leather & Allied Products)
- "Largest backlog ever. Most orders waiting on customer approvals." (Fabricated Metal Products)
- "Orders and price continue to be strong." (Paper Products)
- "Continued government spending constraints keeping production volumes low." (Transportation Equipment)
- "Good overall business conditions nationally and internationally." (Computer & Electronic Products)
- "Markets are sound. We typically see a seasonal 4th quarter slowdown. However, this year ... not so."  
(Wood Products)
- "Very, very busy." (Furniture & Related Products)
- "Sales are strong going into the holiday season." (Food, Beverage & Tobacco Products)
- "Construction equipment market continues to be flat with some signs of improvement on the horizon."  
(Machinery)
- "Business conditions remain stable to slightly improving." (Miscellaneous Manufacturing)

<b>MANUFACTURING AT A GLANCE DECEMBER 2013</b>						
<b>Index</b>	<b>Series Index Dec</b>	<b>Series Index Nov</b>	<b>Percentage Point Change</b>	<b>Direction</b>	<b>Rate of Change</b>	<b>Trend* (Months)</b>
<b>PMI™</b>	57.0	57.3	-0.3	Growing	Slower	7
<b>New Orders</b>	64.2	63.6	+0.6	Growing	Faster	7
<b>Production</b>	62.2	62.8	-0.6	Growing	Slower	7
<b>Employment</b>	56.9	56.5	+0.4	Growing	Faster	6
<b>Supplier Deliveries</b>	54.7	53.2	+1.5	Slowing	Faster	6
<b>Inventories</b>	47.0	50.5	-3.5	Contracting	From Growing	1
<b>Customers' Inventories</b>	47.5	45.0	+2.5	Too Low	Slower	25
<b>Prices</b>	53.5	52.5	+1.0	Increasing	Faster	5
<b>Backlog of Orders</b>	51.5	54.0	-2.5	Growing	Slower	3
<b>Exports</b>	55.0	59.5	-4.5	Growing	Slower	13
<b>Imports</b>	55.0	55.0	0.0	Growing	Same	11
<b>OVERALL ECONOMY</b>				Growing	Slower	55
<b>Manufacturing Sector</b>				Growing	Slower	7

\*Number of months moving in current direction.

## **COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY**

### **Commodities Up in Price**

#1 Busheling Scrap; Corrugated Packaging; Galvanized Steel; Methanol; Plastic Resins; Stainless Steel; Steel; Steel — HRPO; Steel — Hot Rolled (2); and Wood (2).

### **Commodities Down in Price**

Aluminum (2); Brass; Corn Based Products (2); Fuel (2); Hydraulic Components; MRO Supplies; and Office Supplies.

## **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.

---

## DECEMBER 2013 MANUFACTURING INDEX SUMMARIES

---

### PMI™

Manufacturing expanded in December as the PMI™ registered 57 percent, a decrease of 0.3 percentage point when compared to November's reading of 57.3 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 December PMI™ indicates growth for the 55th consecutive month in the overall economy, and indicates expansion in the manufacturing sector for the seventh consecutive month. Holcomb stated, "The past relationship between the PMI™ and the overall economy indicates that the average PMI™ for January through December (53.9 percent) corresponds to a 3.7 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI™ for December (57 percent) is annualized, it corresponds to a 4.6 percent increase in real GDP annually."

### THE LAST 12 MONTHS

<i>Month</i>	<i>PMI™</i>	<i>Month</i>	<i>PMI™</i>
Dec 2013	57.0	Jun 2013	50.9
Nov 2013	57.3	May 2013	49.0
Oct 2013	56.4	Apr 2013	50.7
Sep 2013	56.2	Mar 2013	51.3
Aug 2013	55.7	Feb 2013	54.2
Jul 2013	55.4	Jan 2013	53.1
Average for 12 months – 53.9 High – 57.3 Low – 49.0			

### New Orders

ISM's New Orders Index registered 64.2 percent in December, an increase of 0.6 percentage point when compared to the November reading of 63.6 percent. This represents growth in new orders for the seventh consecutive month,

at a faster rate than in November. 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 December — listed in order — are: Apparel, Leather & Allied Products; Plastics & Rubber Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Furniture & Related Products; Computer & Electronic Products; Primary Metals; Machinery; Transportation Equipment; Miscellaneous Manufacturing; and Chemical Products. The only industry reporting a decrease in new orders during December is Nonmetallic Mineral Products. Six industries reported no change in new orders in December compared to November.

<b>New Orders</b>	<b>% Better</b>	<b>% Same</b>	<b>% Worse</b>	<b>Net</b>	<b>Index</b>
Dec 2013	34	52	14	+20	64.2
Nov 2013	36	46	18	+18	63.6
Oct 2013	29	54	17	+12	60.6
Sep 2013	32	53	15	+17	60.5

## **Production**

ISM's Production Index registered 62.2 percent in December, which is a decrease of 0.6 percentage point when compared to the 62.8 percent reported in November. This month's reading indicates growth in production for the seventh consecutive month, at a slightly slower rate than in November. 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 December — listed in order — are: Plastics & Rubber Products; Furniture & Related Products; Computer & Electronic Products; Paper Products; Primary Metals; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Fabricated Metal Products; and Transportation Equipment. The four industries reporting a decrease in production in December are: Electrical Equipment, Appliances & Components; Chemical Products; Machinery; and Nonmetallic Mineral Products.

<b>Production</b>	<b>% Better</b>	<b>% Same</b>	<b>% Worse</b>	<b>Net</b>	<b>Index</b>
Dec 2013	28	56	16	+12	62.2
Nov 2013	32	55	13	+19	62.8
Oct 2013	30	54	16	+14	60.8
Sep 2013	29	57	14	+15	62.6

## Employment

ISM's Employment Index registered 56.9 percent in December, which is 0.4 percentage point higher than the 56.5 percent reported in November, and is the highest reading since June 2011 when the Employment Index registered 59 percent. This month's reading indicates expansion in employment for the sixth consecutive month, at a slightly faster rate than in November. 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 December in the following order: Textile Mills; Furniture & Related Products; Apparel, Leather & Allied Products; Printing & Related Support Activities; Primary Metals; Paper Products; Transportation Equipment; Computer & Electronic Products; and Fabricated Metal Products. The five industries reporting a decrease in employment in December are: Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Chemical Products; Machinery; and Nonmetallic Mineral Products.

Employment	% Higher	% Same	% Lower	Net	Index
Dec 2013	19	68	13	+6	56.9
Nov 2013	18	70	12	+6	56.5
Oct 2013	21	63	16	+5	53.2
Sep 2013	20	66	14	+6	55.4

## Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations slowed in December at a faster rate relative to November as the Supplier Deliveries Index registered 54.7 percent. This month's reading is 1.5 percentage points higher than the 53.2 percent reported in November. 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 December — listed in order — are: Plastics & Rubber Products; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Paper Products; Computer & Electronic Products; and Transportation Equipment. The three industries reporting faster supplier deliveries in December are: Primary Metals; Machinery; and Chemical Products. Nine industries reported no change in supplier deliveries in December compared to November.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Dec 2013	12	79	9	+3	54.7
Nov 2013	6	89	5	+1	53.2
Oct 2013	11	83	6	+5	54.7
Sep 2013	10	86	4	+6	52.6

### Inventories\*

The Inventories Index registered 47 percent in December, which is 3.5 percentage points lower than the 50.5 percent reported in November. This month's reading indicates that respondents are reporting inventories are contracting, following two consecutive months of growth in raw materials 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 eight industries reporting higher inventories in December — listed in order — are: Wood Products; Petroleum & Coal Products; Nonmetallic Mineral Products; Furniture & Related Products; Paper Products; Computer & Electronic Products; Transportation Equipment; and Electrical Equipment, Appliances & Components. The six industries reporting decreases in inventories in December — listed in order — are: Apparel, Leather & Allied Products; Machinery; Plastics & Rubber Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; and Chemical Products.

Inventories	% Higher	% Same	% Lower	Net	Index
Dec 2013	16	62	22	-6	47.0
Nov 2013	21	59	20	+1	50.5
Oct 2013	25	55	20	+5	52.5
Sep 2013	19	62	19	0	50.0

### Customers' Inventories\*

The ISM Customers' Inventories Index registered 47.5 percent in December, which is 2.5 percentage points higher than in November when the index registered 45 percent. This month's reading indicates that customers' inventories are considered too low, but higher than reported in November. Customers' inventories have registered at or below 50



percent for 57 consecutive months. A reading below 50 percent indicates customers' inventories are considered too low.

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

<b>Customers' Inventories</b>	<b>% Reporting</b>	<b>%Too High</b>	<b>%About Right</b>	<b>%Too Low</b>	<b>Net</b>	<b>Index</b>
Dec 2013	67	16	63	21	-5	47.5
Nov 2013	65	12	66	22	-10	45.0
Oct 2013	60	12	70	18	-6	47.0
Sep 2013	71	10	66	24	-14	43.0

## **Prices\***

The ISM Prices Index registered 53.5 percent in December, which is an increase of 1 percentage point compared to the November reading of 52.5 percent. This month's reading indicates an increase in raw materials prices for the fifth consecutive month. In December, 20 percent of respondents reported paying higher prices, 13 percent reported paying lower prices, and 67 percent of supply executives reported paying the same prices as in November. 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, seven reported paying increased prices during the month of December in the following order: Printing & Related Support Activities; Plastics & Rubber Products; Primary Metals; Furniture & Related Products; Fabricated Metal Products; Machinery; and Transportation Equipment. The six industries reporting paying lower prices during December — listed in order — are: Petroleum & Coal Products; Apparel, Leather & Allied Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Chemical Products; and Computer & Electronic Products.

Prices	% Higher	% Same	% Lower	Net	Index
Dec 2013	20	67	13	+7	53.5
Nov 2013	18	69	13	+5	52.5
Oct 2013	22	67	11	+11	55.5
Sep 2013	22	69	9	+13	56.5

### Backlog of Orders\*

ISM's Backlog of Orders Index registered 51.5 percent in December, which is 2.5 percentage points lower than the 54 percent reported in November. This is the third consecutive month of expanding order backlogs. Of the 87 percent of respondents who reported their backlog of orders, 23 percent reported greater backlogs, 20 percent reported smaller backlogs, and 57 percent reported no change from November.

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

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Dec 2013	87	23	57	20	+3	51.5
Nov 2013	85	24	60	16	+8	54.0
Oct 2013	86	24	55	21	+3	51.5
Sep 2013	86	19	61	20	-1	49.5

### New Export Orders\*

ISM's New Export Orders Index registered 55 percent in December, which is 4.5 percentage points lower than the 59.5 percent reported in November. December's reading reflects growth in the level of exports for the 13th consecutive month.

The nine industries reporting growth in new export orders in December — listed in order — are: Apparel, Leather & Allied Products; Food, Beverage & Tobacco Products; Furniture & Related Products; Computer & Electronic Products; Fabricated Metal Products; Transportation Equipment; Miscellaneous Manufacturing; Machinery; and Chemical Products. No industries reported a decrease in new export orders during December. Eight industries reported no change in new export orders in December compared to November.

<b>New Export Orders</b>	<b>% Reporting</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
Dec 2013	76	17	76	7	+10	55.0
Nov 2013	75	22	75	3	+19	59.5
Oct 2013	78	19	76	5	+14	57.0
Sep 2013	76	14	76	10	+4	52.0

### **Imports\***

ISM's Imports Index registered 55 percent in December, which is the same percentage that was reported in November. This month's reading represents the 13th consecutive month that the Imports Index has registered at or above 50 percent.

The eight industries reporting growth in imports during the month of December — listed in order — are: Textile Mills; Nonmetallic Mineral Products; Computer & Electronic Products; Transportation Equipment; Furniture & Related Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; and Chemical Products. The two industries reporting a decrease in imports during December are: Apparel, Leather & Allied Products; and Primary Metals. Eight industries reported no change in import orders in December compared to November.

<b>Imports</b>	<b>% Reporting</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
Dec 2013	79	19	72	9	+10	55.0
Nov 2013	78	19	72	9	+10	55.0
Oct 2013	77	18	75	7	+11	55.5
Sep 2013	77	19	72	9	+10	55.0

\* 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 13 days to 109 days. Average lead time for Production Materials increased 7 days to 60 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies increased 2 days to 29 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Dec 2013	31	6	13	15	23	12	109
Nov 2013	25	7	13	17	23	15	122
Oct 2013	25	7	13	14	25	16	126
Sep 2013	26	7	14	17	25	11	112
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Dec 2013	15	35	27	16	4	3	60
Nov 2013	17	37	30	10	4	2	53
Oct 2013	15	36	25	16	4	4	63
Sep 2013	17	37	23	16	4	3	58
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Dec 2013	43	38	13	4	2	0	29
Nov 2013	45	37	13	4	1	0	27
Oct 2013	41	41	11	4	2	1	32
Sep 2013	45	40	11	3	1	0	25

## About This Report

The data presented herein is obtained from a survey of manufacturing supply managers based on information they have collected within their respective organizations. ISM makes no representation, other than that stated within this

release, regarding the individual company data collection procedures. Use of the data is in the public domain and should be compared to all other economic data sources when used in decision-making.

## **Data and Method of Presentation**

The **Manufacturing ISM Report On Business**<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> 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**<sup>®</sup> 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**<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 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**<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 January 2014 data will be released at 10:00 a.m. (ET) on Monday, February 3, 2014.