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November 2014 Manufacturing ISM[®] *Report On Business*[®]

PMI[®] at 58.7%

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 2014.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in November for the 18th consecutive month, and the **overall economy** grew for the 66th 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[®] (ISM[®]) Manufacturing Business Survey Committee. "The November PMI[®] registered 58.7 percent, a decrease of 0.3 percentage point from October's reading of 59 percent, indicating continued expansion in manufacturing. The New Orders Index registered 66 percent, an increase of 0.2 percentage point from the reading of 65.8 percent in October. The Production Index registered 64.4 percent, 0.4 percentage point below the October reading of 64.8 percent. The Employment Index grew for the 17th consecutive month, registering 54.9 percent, a decrease of 0.6 percentage point below the October reading of 55.5 percent. Inventories of raw materials registered 51.5 percent, a decrease of 1 percentage point from the October reading of 52.5 percent. The Prices Index registered 44.5 percent, down 9 percentage points from the October reading of 53.5 percent, indicating lower raw materials prices in November

relative to October. Comments from the panel are upbeat about strong demand and new orders, with some expressing concerns about West Coast port slowdowns and the threat of a potential dock strike."

Of the 18 manufacturing industries, 14 are reporting growth in November in the following order: Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; Furniture & Related Products; Fabricated Metal Products; Textile Mills; Printing & Related Support Activities; Electrical Equipment, Appliances & Components; Paper Products; Plastics & Rubber Products; Machinery; Transportation Equipment; Nonmetallic Mineral Products; Petroleum & Coal Products; and Primary Metals. The only industry reporting contraction in November is Apparel, Leather & Allied Products.

WHAT RESPONDENTS ARE SAYING ...

- "The Holiday Season continues to exceed expectations. Customers are generally optimistic for future sales growth." (Food, Beverage & Tobacco Products)
- "Continued strong demand. Deliveries through the West Coast are delayed due to a number of factors." (Fabricated Metal Products)
- "We have seen continued growth in transportation equipment. Slowdowns and threats of strike of West Coast longshoremen weigh heavily on U.S. operations." (Transportation Equipment)
- "Business continues to be stronger than last year." (Furniture & Related Products)
- "Improvement in defense spending and manufacturing." (Computer & Electronic Products)
- "West Coast port longshoreman slowdown is affecting business with longer lead times." (Chemical Products)
- "We continue to hire people. People are also leaving to take other jobs indicating the job market is starting to improve for manufacturing." (Electrical Equipment, Appliances & Components)
- "Market has remained strong going into year-end." (Wood Products)
- "Order intake has been substantial, resulting in a very healthy backlog. The packaging automation requirements in the food and beverage market are robust." (Machinery)
- "Demand remains strong for new orders." (Miscellaneous Manufacturing)

**MANUFACTURING AT A GLANCE
NOVEMBER 2014**

Index	Series Index Nov	Series Index Oct	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	58.7	59.0	-0.3	Growing	Slower	18
New Orders	66.0	65.8	+0.2	Growing	Faster	18
Production	64.4	64.8	-0.4	Growing	Slower	9
Employment	54.9	55.5	-0.6	Growing	Slower	17
Supplier Deliveries	56.8	56.2	+0.6	Slowing	Faster	18
Inventories	51.5	52.5	-1.0	Growing	Slower	4
Customers' Inventories	50.0	48.0	+2.0	About Right	From Too Low	1
Prices	44.5	53.5	-9.0	Decreasing	From Increasing	1
Backlog of Orders	55.0	53.0	+2.0	Growing	Faster	2
Exports	55.0	51.5	+3.5	Growing	Faster	24
Imports	56.0	54.5	+1.5	Growing	Faster	22
OVERALL ECONOMY				Growing	Slower	66
Manufacturing Sector				Growing	Slower	18

Manufacturing ISM® Report On Business® data is seasonally adjusted for New Orders, Production, Employment and Supplier Deliveries indexes.

*Number of months moving in current direction.

COMMODITIES REPORTED UP/DOWN IN PRICE AND IN SHORT SUPPLY

Commodities Up in Price

Aluminum (10); Propylene Glycol; and Stainless Steel* (9).

Commodities Down in Price

Copper (4); Crude Oil; Diesel (2); Ethylene; Gasoline (2); Nickel; Oil Based Products; PET Resin; Stainless Steel*; and Steel — Hot Rolled.

Commodities in Short Supply

No commodities were 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 2014 MANUFACTURING INDEX SUMMARIES

PMI[®]

Manufacturing expanded in November as the PMI[®] registered 58.7 percent, a decrease of 0.3 percentage point when compared to October's reading of 59 percent, indicating growth in manufacturing for the 18th consecutive month. 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 43.2 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the November PMI[®] indicates growth for the 66th consecutive month in the overall economy, and

indicates expansion in the manufacturing sector for the 18th consecutive month. Holcomb stated, "The past relationship between the PMI[®] and the overall economy indicates that the average PMI[®] for January through November (55.8 percent) corresponds to a 4.2 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI[®] for November (58.7 percent) is annualized, it corresponds to a 5.1 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI[®]</i>	<i>Month</i>	<i>PMI[®]</i>
Nov 2014	58.7	May 2014	55.4
Oct 2014	59.0	Apr 2014	54.9
Sep 2014	56.6	Mar 2014	53.7
Aug 2014	59.0	Feb 2014	53.2
Jul 2014	57.1	Jan 2014	51.3
Jun 2014	55.3	Dec 2013	56.5
Average for 12 months – 55.9 High – 59.0 Low – 51.3			

New Orders

ISM[®]'s New Orders Index registered 66 percent in November, an increase of 0.2 percentage point when compared to the 65.8 percent reported in October, indicating growth in new orders for the 18th consecutive month. A New Orders Index above 52.1 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 November — listed in order — are: Plastics & Rubber Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; Fabricated Metal Products; Paper Products; Furniture & Related Products; Machinery; Petroleum & Coal Products; Transportation Equipment; Chemical Products; and Electrical Equipment, Appliances & Components. The only industry reporting a decrease in new orders during November is Apparel, Leather & Allied Products. Six industries reported no change in new orders in November compared to October.

New Orders	% Better	% Same	% Worse	Net	Index
Nov 2014	38	47	15	+23	66.0
Oct 2014	34	52	14	+20	65.8
Sep 2014	30	55	15	+15	60.0
Aug 2014	38	48	14	+24	66.7

Production

ISM®'s Production Index registered 64.4 percent in November, which is a decrease of 0.4 percentage point when compared to the 64.8 percent reported in October, indicating growth in production for the ninth consecutive month. An index above 51.1 percent, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures.

The 14 industries reporting growth in production during the month of November — listed in order — are: Fabricated Metal Products; Textile Mills; Petroleum & Coal Products; Machinery; Food, Beverage & Tobacco Products; Furniture & Related Products; Miscellaneous Manufacturing; Plastics & Rubber Products; Nonmetallic Mineral Products; Transportation Equipment; Primary Metals; Electrical Equipment, Appliances & Components; Computer & Electronic Products; and Paper Products. The only industry reporting a decrease in production during November is Chemical Products.

Production	% Better	% Same	% Worse	Net	Index
Nov 2014	34	55	11	+23	64.4
Oct 2014	34	53	13	+21	64.8
Sep 2014	32	57	11	+21	64.6
Aug 2014	35	53	12	+23	64.5

Employment

ISM®'s Employment Index registered 54.9 percent in November, which is a decrease of 0.6 percentage point when compared to the 55.5 percent reported in October. This is the 17th consecutive month of growth in employment. An Employment Index above 50.6 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, 11 reported growth in employment in November in the following order: Printing & Related Support Activities; Textile Mills; Furniture & Related Products; Plastics & Rubber Products; Miscellaneous Manufacturing; Petroleum & Coal Products; Food, Beverage & Tobacco Products; Machinery; Paper Products; Primary Metals; and Electrical Equipment, Appliances & Components. The three industries reporting a decrease in employment in November are: Apparel, Leather & Allied Products; Computer & Electronic Products; and Transportation Equipment.

Employment	% Higher	% Same	% Lower	Net	Index
Nov 2014	21	63	16	+5	54.9
Oct 2014	19	69	12	+7	55.5
Sep 2014	21	64	15	+6	54.6
Aug 2014	25	63	12	+13	58.1

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations slowed in November at a faster rate as the Supplier Deliveries Index registered 56.8 percent. This month's reading is 0.6 percentage point higher than the 56.2 percent reported in October. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The eight industries reporting slower supplier deliveries in November — listed in order — are: Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Computer & Electronic Products; Primary Metals; Paper Products; Transportation Equipment; Miscellaneous Manufacturing; and Fabricated Metal Products. The two industries reporting faster supplier deliveries during November are: Petroleum & Coal Products; and Chemical Products. Eight industries reported no change in supplier deliveries in November compared to October.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Nov 2014	14	80	6	+8	56.8
Oct 2014	15	79	6	+9	56.2
Sep 2014	12	81	7	+5	52.2
Aug 2014	13	82	5	+8	53.9

Inventories*

The Inventories Index registered 51.5 percent in November, which is 1 percentage point lower than the 52.5 percent registered in October, indicating raw materials inventories are growing for the fourth consecutive month. 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 eight industries reporting higher inventories in November — listed in order — are: Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Nonmetallic Mineral Products; Furniture & Related Products; Transportation Equipment; Food, Beverage & Tobacco Products; Paper Products; and Primary Metals. The six industries reporting lower inventories in November — listed in order — are: Apparel, Leather & Allied Products; Plastics & Rubber Products; Petroleum & Coal Products; Computer & Electronic Products; Machinery; and Chemical Products.

Inventories	% Higher	% Same	% Lower	Net	Index
Nov 2014	21	61	18	+3	51.5
Oct 2014	21	63	16	+5	52.5
Sep 2014	18	67	15	+3	51.5
Aug 2014	19	66	15	+4	52.0

Customers' Inventories*

ISM®'s Customers' Inventories Index registered 50 percent in November, an increase of 2 percentage points from October when customers' inventories registered 48 percent. This indicates that customers' inventories are considered to be about right. This is the first time that customer inventories have registered at or above 50 percent since November 2011 when the index also registered exactly 50 percent.

The five manufacturing industries reporting customers' inventories as being too high during the month of November are: Computer & Electronic Products; Furniture & Related Products; Primary Metals; Chemical Products; and Food, Beverage & Tobacco Products. The five industries reporting customers' inventories as too low during November are: Apparel, Leather & Allied Products; Paper Products; Machinery; Fabricated Metal Products; and Transportation Equipment. Seven industries reported no change in customers' inventories in November compared to October.

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Nov 2014	61	13	74	13	0	50.0
Oct 2014	59	10	76	14	-4	48.0
Sep 2014	59	9	71	20	-11	44.5
Aug 2014	63	13	72	15	-2	49.0

Prices*

The ISM® Prices Index registered 44.5 percent in November, which is a decrease of 9 percentage points compared to the October reading of 53.5 percent. In November, 14 percent of respondents reported paying higher prices, 25 percent reported paying lower prices, and 61 percent of supply executives reported paying the same prices as in October. This is the first time that raw materials prices have registered a decrease since July 2013 when the Prices Index registered 49 percent. A Prices Index above 49.7 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) Producer Price Index for Intermediate Materials.

Of the 18 manufacturing industries, the two that reported paying increased prices during the month of November are: Furniture & Related Products; and Paper Products. The 12 industries reporting paying lower prices during the month of November — listed in order — are: Apparel, Leather & Allied Products; Textile Mills; Petroleum & Coal Products; Food, Beverage & Tobacco Products; Transportation Equipment; Primary Metals; Electrical Equipment, Appliances & Components; Machinery; Fabricated Metal Products; Miscellaneous Manufacturing; Computer & Electronic Products; and Chemical Products.

Prices	% Higher	% Same	% Lower	Net	Index
Nov 2014	14	61	25	-11	44.5
Oct 2014	21	65	14	+7	53.5
Sep 2014	28	63	9	+19	59.5
Aug 2014	24	68	8	+16	58.0

Backlog of Orders*

ISM®'s Backlog of Orders Index registered 55 percent in November, which is 2 percentage points higher than the 53 percent reported in October, indicating growth in order backlogs for the second consecutive month. Of the 87

percent of respondents who reported their backlog of orders, 27 percent reported greater backlogs, 17 percent reported smaller backlogs, and 56 percent reported no change from October.

The 12 industries reporting increased order backlogs in November — listed in order — are: Textile Mills; Petroleum & Coal Products; Furniture & Related Products; Fabricated Metal Products; Paper Products; Primary Metals; Electrical Equipment, Appliances & Components; Machinery; Transportation Equipment; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; and Computer & Electronic Products. The three industries reporting a decrease in order backlogs during November are: Wood Products; Apparel, Leather & Allied Products; and Chemical Products.

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Nov 2014	87	27	56	17	+10	55.0
Oct 2014	88	24	58	18	+6	53.0
Sep 2014	85	18	58	24	-6	47.0
Aug 2014	87	25	55	20	+5	52.5

New Export Orders*

ISM[®]'s New Export Orders Index registered 55 percent in November, which is 3.5 percentage points higher than the 51.5 percent reported in October. November's reading reflects growth in the level of exports for the 24th consecutive month.

The 11 industries reporting growth in new export orders in November — listed in order — are: Textile Mills; Wood Products; Nonmetallic Mineral Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Machinery; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Computer & Electronic Products; Transportation Equipment; and Paper Products. The two industries reporting a decrease in new export orders during November are: Apparel, Leather & Allied Products; and Chemical Products.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Nov 2014	75	15	80	5	+10	55.0
Oct 2014	76	14	75	11	+3	51.5
Sep 2014	76	14	79	7	+7	53.5
Aug 2014	76	18	74	8	+10	55.0

Imports*

ISM®'s Imports Index registered 56 percent in November, which is 1.5 percentage points higher than the 54.5 percent reported in October. This month's reading represents 22 consecutive months of growth in imports.

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

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Nov 2014	78	16	80	4	+12	56.0
Oct 2014	77	16	77	7	+9	54.5
Sep 2014	79	15	76	9	+6	53.0
Aug 2014	76	18	76	6	+12	56.0

* The Inventories, Customers' Inventories, Prices, Backlog of Orders, New Export Orders and Imports Indexes do not meet the accepted criteria for seasonal adjustments.

Buying Policy

Average commitment lead time for Capital Expenditures increased 5 days to 123 days. Average lead time for Production Materials decreased 3 day to 58 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies remained unchanged at 27 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Nov 2014	28	7	8	19	22	16	123
Oct 2014	29	6	11	18	21	15	118
Sep 2014	27	7	12	19	19	16	120
Aug 2014	27	7	12	18	21	15	119
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Nov 2014	18	36	23	14	7	2	58
Oct 2014	16	34	24	19	4	3	61
Sep 2014	16	37	21	16	7	3	62
Aug 2014	13	41	23	13	7	3	62
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Nov 2014	45	39	10	4	2	0	27
Oct 2014	45	39	9	6	1	0	27
Sep 2014	46	36	13	4	1	0	26
Aug 2014	42	38	13	6	1	0	29

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. The data 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 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 43.2 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 43.2 percent, it is generally declining. The distance from 50 percent or 43.2 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 Institute for Supply Management®, the first supply institute in the world. Founded in 1915, ISM®'s mission is to enhance the value and performance of procurement and supply chain management practitioners and their organizations worldwide. By executing and extending its mission through education, research, standards of excellence and information dissemination — including the renowned monthly ISM® *Report On Business®* — ISM® maintains a strong global influence among individuals and organizations. ISM® is a not-for-profit educational association that serves professionals with an interest in supply management who live and work in more than 80 countries. 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 2014 data will be released at 10:00 a.m. (ET) on Friday, January 2, 2015.