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September 2019 Manufacturing ISM® Report On Business®

PMI® at 47.8%

New Orders, Production, and Employment Contracting

Supplier Deliveries Slowing at a Slower Rate; Backlog Contracting

Raw Materials Inventories Contracting; Customers' Inventories Too Low

Prices Decreasing; Exports and Imports Contracting

(Tempe, Arizona) — Economic activity in the manufacturing sector contracted in September, and the overall economy grew for the 125th consecutive month, say the nation's supply executives in the latest Manufacturing ISM® Report On Business®.

The report was issued today by Timothy R. Fiore, CPSM, C.P.M., Chair of the Institute for Supply Management® (ISM®) Manufacturing Business Survey Committee: "The September PMI® registered 47.8 percent, a decrease of 1.3 percentage points from the August reading of 49.1 percent. The New Orders Index registered 47.3 percent, an increase of 0.1 percentage point from the August reading of 47.2 percent. The Production Index registered 47.3 percent, a 2.2-percentage point decrease compared to the August reading of 49.5 percent. The Employment Index registered 46.3 percent, a decrease of 1.1 percentage points from the August reading of 47.4 percent. The Supplier Deliveries Index registered 51.1 percent, a 0.3-percentage point decrease from the August reading of 51.4 percent. The Inventories Index registered 46.9 percent, a decrease of 3 percentage points from the August reading of 49.9 percent. The Prices Index registered 49.7 percent, a 3.7-percentage point increase from the August reading of 46 percent. The New Export Orders Index registered 41 percent, a 2.3-percentage point

decrease from the August reading of 43.3 percent. The Imports Index registered 48.1 percent, a 2.1-percentage point increase from the August reading of 46 percent.

“Comments from the panel reflect a continuing decrease in business confidence. September was the second consecutive month of PMI® contraction, at a faster rate compared to August. Demand contracted, with the New Orders Index contracting at August levels, the Customers’ Inventories Index moving toward ‘about right’ territory and the Backlog of Orders Index contracting for the fifth straight month (and at a faster rate). The New Export Orders Index continued to contract strongly, a negative impact on the New Orders Index. Consumption (measured by the Production and Employment indexes) contracted at faster rates, again primarily driven by a lack of demand, contributing negative numbers (a combined 3.3-percentage point decrease) to the PMI® calculation. Inputs — expressed as supplier deliveries, inventories and imports — were again lower in September, due to inventory tightening for the fourth straight month. This resulted in a combined 3.3-percentage point decline in the Supplier Deliveries and Inventories indexes. Imports contraction slowed. Overall, inputs indicate (1) supply chains are meeting demand and (2) companies are continuing to closely match inventories to new orders. Prices decreased for the fourth consecutive month, but at a slower rate.

“Global trade remains the most significant issue, as demonstrated by the contraction in new export orders that began in July 2019. Overall, sentiment this month remains cautious regarding near-term growth,” says Fiore.

Of the 18 manufacturing industries, three reported growth in September: Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; and Chemical Products. The 15 industries reporting contraction in September — in the following order — are: Apparel, Leather & Allied Products; Printing & Related Support Activities; Wood Products; Electrical Equipment, Appliances & Components; Textile Mills; Paper Products; Fabricated Metal Products; Plastics & Rubber Products; Petroleum & Coal Products; Primary Metals; Transportation Equipment; Nonmetallic Mineral Products; Machinery; Furniture & Related Products; and Computer & Electronic Products.

What respondents are saying...

“Second month in a row in which shipments have outpaced new orders.” (Computer & Electronic Products)

“Continued softening in the global automotive market. Trade-war impacts also have localized effects, particularly in select export markets. Seeing warehouses filling again after what appeared to be a short reduction of demand.” (Chemical Products)

“Business outlook remains cautious. Orders seem to be decreasing, but luckily not as sharp of a decrease as we were expecting.” (Transportation Equipment)

“Chinese tariffs going up are hurting our business. Most of the materials are not made in the U.S. and made only in China.” (Food, Beverage & Tobacco Products)

“General market is slowing even more than a normal fourth-quarter slowdown.” (Fabricated Metal Products)

“Demand softening on some product lines, backlogs have reduced, and dealer inventories are growing.” (Machinery)

“Business has been flat for us. Year-over-year growth has slowed dramatically.” (Miscellaneous Manufacturing)

“We have seen a reduction in sales orders and, therefore, a lower demand for products we order. We have also reduced our workforce by 10 percent.” (Plastics & Rubber Products)

“Incoming sales are sluggish for this time of year.” (Furniture & Related Products)

“Economy seems to be softening. The tariffs have caused much confusion in the industry.” (Electrical Equipment, Appliances & Components)

Manufacturing at a Glance September 2019

Index	Series Index Sep	Series Index Aug	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	47.8	49.1	-1.3	Contracting	Faster	2
New Orders	47.3	47.2	+0.1	Contracting	Slower	2
Production	47.3	49.5	-2.2	Contracting	Faster	2
Employment	46.3	47.4	-1.1	Contracting	Faster	2
Supplier Deliveries	51.1	51.4	-0.3	Slowing	Slower	43
Inventories	46.9	49.9	-3.0	Contracting	Faster	4
Customers' Inventories	45.5	44.9	+0.6	Too Low	Slower	36
Prices	49.7	46.0	+3.7	Decreasing	Slower	4
Backlog of Orders	45.1	46.3	-1.2	Contracting	Faster	5
New Export Orders	41.0	43.3	-2.3	Contracting	Faster	3
Imports	48.1	46.0	+2.1	Contracting	Slower	3

Index	Series Index Sep	Series Index Aug	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
OVERALL ECONOMY				Growing	Slower	125
Manufacturing Sector				Contracting	Faster	2

Manufacturing ISM® Report On Business® data is seasonally adjusted for the 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

Natural Gas; Precious Metals.

Commodities Down in Price

Aluminum (6); Base Oil; Corrugated Boxes (4); High-Density Polyethylene; Nylon; Pulp (2); Scrap; Steel (3); Steel – Hot Rolled (2); and Steel Products (9).

Commodities in Short Supply

Castings; Electronic Components (2); and Helium (3).

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

SEPTEMBER 2019 MANUFACTURING INDEX SUMMARIES

PMI®

Manufacturing contracted in September, as the PMI® registered 47.8 percent, a decrease of 1.3 percentage points from the August reading of 49.1 percent. This is the lowest reading since June 2009, the last month of the Great Recession, when the index registered 46.3 percent. “The PMI® contracted for the second straight month. The contraction continues six straight months of softening in manufacturing. Only one of the PMI® subindexes (Supplier Deliveries) registered at a level associated with expansion. Two of the six big industries expanded, and four contracted,” says Fiore. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.

A PMI® above 42.9 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the September PMI® indicates growth for the 125th consecutive month in the overall economy, and the second month of contraction following 35 straight months of growth in the manufacturing sector. “The past relationship between the PMI® and the overall economy indicates that the PMI® for September (47.8 percent) corresponds to a 1.5-percent increase in real gross domestic product (GDP) on an annualized basis,” says Fiore.

The Last 12 Months

Month	PMI®
Sep 2019	47.8
Aug 2019	49.1
Jul 2019	51.2
Jun 2019	51.7
May 2019	52.1
Apr 2019	52.8
Month	PMI®
Mar 2019	55.3
Feb 2019	54.2
Jan 2019	56.6
Dec 2018	54.3
Nov 2018	58.8
Oct 2018	57.5
Average for 12 months - 53.5	
High - 58.8	
Low - 47.8	

New Orders

ISM®'s New Orders Index registered 47.3 percent in September, an increase of 0.1 percentage point when compared to the 47.2 percent reported for August. This indicates that new orders contracted for

the second month in a row. “Aside from last month, this is the lowest reading since June 2012, when the New Orders Index registered 47.2 percent. The previous low point was 46 percent in April 2009. Two of the top six industry sectors expanded, and four contracted in September,” says Fiore. A New Orders Index above 52.5 percent, over time, is generally consistent with an increase in the Census Bureau’s series on manufacturing orders (in constant 2000 dollars).

Of 18 manufacturing industries, three reported growth in new orders in September: Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; and Chemical Products. The 11 industries reporting a decline in new orders in September — in the following order — are: Apparel, Leather & Allied Products; Textile Mills; Wood Products; Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Petroleum & Coal Products; Transportation Equipment; Paper Products; Computer & Electronic Products; Fabricated Metal Products; and Plastics & Rubber Products.

New Orders	% Higher	% Same	% Lower	Net	Index
Sep 2019	18.8	55.2	26.0	-7.2	47.3
Aug 2019	17.5	56.6	25.9	-8.4	47.2
Jul 2019	23.0	52.1	24.9	-1.9	50.8
Jun 2019	24.6	55.9	19.5	+5.1	50.0

Production

ISM®’s Production Index registered 47.3 percent in September, which is a decrease of 2.2 percentage points when compared to the 49.5 percent reported for August, indicating the second consecutive month of contraction. “Prior to this month’s reading, the previous low point was in April 2009, when the index registered 36.7 percent. Two of the big six industry sectors expanded, and two contracted. There was a 4-percentage point shift to the ‘lower’ category. Production output was able to improve customer-inventory positions, but backlog-orders contraction rates accelerated compared to the prior month,” says Fiore. An index above 51.7 percent, over time, is generally consistent with an increase in the Federal Reserve Board’s Industrial Production figures.

The three industries reporting growth in production during the month of September are: Chemical Products; Computer & Electronic Products; and Miscellaneous Manufacturing. The 11 industries reporting a decrease in production in September — listed in order — are: Apparel, Leather & Allied Products; Wood Products; Textile Mills; Petroleum & Coal Products; Nonmetallic Mineral Products; Primary Metals; Paper Products; Machinery; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; and Fabricated Metal Products.

Production	% Higher	% Same	% Lower	Net	Index
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Production	% Higher	% Same	% Lower	Net	Index
Sep 2019	20.3	52.5	27.2	-6.9	47.3
Aug 2019	22.0	54.7	23.2	-1.2	49.5
Jul 2019	19.7	59.4	20.8	-1.1	50.8
Jun 2019	31.7	48.7	19.6	+12.1	54.1

Employment

ISM®'s Employment Index registered 46.3 percent in September, a decrease of 1.1 percentage points when compared to the August reading of 47.4 percent. This indicates contraction in September for the second consecutive month. "A reading of 46.3 percent is the lowest since January 2016, when the Employment Index registered 44.6 percent. Two of the six big industry sectors expanded, and three contracted during the period. There was a 4-percentage point shift to the 'lower' category. Comments were generally neutral concerning hiring for attrition. Force reduction comments were minimal, but 29 percent of employment comments were cautious regarding employment expansion," says Fiore. An Employment Index above 50.8 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) data on manufacturing employment.

Of 18 manufacturing industries, four reported employment growth in September: Miscellaneous Manufacturing; Textile Mills; Food, Beverage & Tobacco Products; and Chemical Products. The 11 industries reporting a decrease in employment in September, in the following order, are: Printing & Related Support Activities; Apparel, Leather & Allied Products; Primary Metals; Paper Products; Wood Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Plastics & Rubber Products; Computer & Electronic Products; and Machinery.

Employment	% Higher	% Same	% Lower	Net	Index
Sep 2019	14.6	62.3	23.0	-8.4	46.3
Aug 2019	15.0	66.0	19.0	-4.0	47.4
Jul 2019	19.2	66.3	14.5	+4.7	51.7
Jun 2019	26.2	61.2	12.6	+13.6	54.5

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations slowed in September, as the Supplier Deliveries Index registered 51.1 percent. This is 0.3 percentage point lower than the 51.4 percent reported for August. “This is the 43rd straight month of slowing supplier deliveries, but at marginal rates. This indicates that supply chain constraints continue to have minimal impact on production performance. Thirty-four percent of supplier delivery comments indicate improvement in deliveries. Respondents noted increased difficulty in transporting products from China and more difficulty (compared to August) in planning for road freight transit times,” says Fiore. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The nine industries reporting slower supplier deliveries in September — listed in order — are: Textile Mills; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; Primary Metals; Paper Products; Computer & Electronic Products; Plastics & Rubber Products; Machinery; and Chemical Products. The five industries reporting faster supplier deliveries in September are: Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Furniture & Related Products; Fabricated Metal Products; and Transportation Equipment.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Sep 2019	10.8	81.0	8.2	+2.6	51.1
Aug 2019	12.7	77.8	9.5	+3.2	51.4
Jul 2019	13.1	80.8	6.1	+7.0	53.3
Jun 2019	9.7	83.0	7.3	+2.4	50.7

Inventories*

The Inventories Index registered 46.9 percent in September, a decrease of 3 percentage points from the 49.9 percent reported for August. This is the lowest reading since December 2016, when the index registered 46 percent. “The index contracted for the fourth straight month. Inventories were again depleted relative to production, due primarily to the close attention being paid to input material receipts relative to new orders received,” says Fiore. An Inventories Index greater than 44.3 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 four industries reporting higher inventories in September are: Nonmetallic Mineral Products; Wood Products; Primary Metals; and Chemical Products. The 10 industries reporting a decrease in inventories in September — in the following order — are: Apparel, Leather & Allied Products; Printing & Related Support Activities; Plastics & Rubber Products; Textile Mills; Fabricated Metal Products; Computer &

Electronic Products; Paper Products; Machinery; Miscellaneous Manufacturing; and Electrical Equipment, Appliances & Components.

Inventories	% Higher	% Same	% Lower	Net	Index
Sep 2019	16.3	61.3	22.5	-6.2	46.9
Aug 2019	19.4	61.0	19.7	-0.3	49.9
Jul 2019	17.4	64.1	18.4	-1.0	49.5
Jun 2019	16.5	65.1	18.4	-1.9	49.1

Customers' Inventories*

ISM®'s Customers' Inventories Index registered 45.5 percent in September, which is 0.6 percentage point higher than the 44.9 percent reported for August, indicating that customers' inventory levels were considered too low. "Customers' inventories are too low for the 36th consecutive month," says Fiore.

The five industries reporting customers' inventories as too high during the month of September are: Nonmetallic Mineral Products; Textile Mills; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; and Fabricated Metal Products. The nine industries reporting customers' inventories as too low during September — listed in order — are: Wood Products; Petroleum & Coal Products; Plastics & Rubber Products; Primary Metals; Chemical Products; Transportation Equipment; Machinery; Computer & Electronic Products; and Food, Beverage & Tobacco Products.

Customers' Inventories	% Reporting	% Too High	% About Right	% Too Low	Net	Index
Sep 2019	77	12.8	65.4	21.9	-9.1	45.5
Aug 2019	79	11.9	66.0	22.0	-10.1	44.9
Jul 2019	74	10.5	70.5	19.1	-8.6	45.7
Jun 2019	77	11.1	66.9	22.0	-10.9	44.6

Prices*

The ISM® Prices Index registered 49.7 percent in September, an increase of 3.7 percentage points from the August reading of 46 percent, indicating raw materials prices decreased for the fourth consecutive month. "Prices contracted in September, but at a slower rate compared to August. Respondents reported decreases in prices for aluminum, corrugate, oil, plastics, wood pulp and steel products. The panel also reported price growth in natural gas and electronic components," says Fiore. A Prices Index

above 52.5 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) Producer Price Index for Intermediate Materials.

Five of the 18 industries reported paying increased prices for raw materials in September: Petroleum & Coal Products; Textile Mills; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; and Computer & Electronic Products. The 12 industries reporting a decrease in prices for raw materials in September — listed in the following order — are: Apparel, Leather & Allied Products; Furniture & Related Products; Paper Products; Wood Products; Fabricated Metal Products; Nonmetallic Mineral Products; Plastics & Rubber Products; Primary Metals; Chemical Products; Machinery; Electrical Equipment, Appliances & Components; and Transportation Equipment.

Prices	% Higher	% Same	% Lower	Net	Index
Sep 2019	16.4	66.5	17.1	-0.7	49.7
Aug 2019	14.9	62.2	22.9	-8.0	46.0
Jul 2019	15.9	58.4	25.7	-9.8	45.1
Jun 2019	19.7	56.4	23.9	-4.2	47.9

Backlog of Orders*

ISM®'s Backlog of Orders Index registered 45.1 percent in September, which is 1.2 percentage points lower than the 46.3 percent reported in August, indicating order backlogs contracted for a fifth consecutive month, at a faster rate in September. "Backlogs continued to contract, and demand remained weak. Four of the six big industry sectors' backlog contracted during the period," says Fiore.

None of the 18 industries reported growth in order backlogs in September. The 11 industries reporting a decrease in order backlogs during September — listed in order — are: Apparel, Leather & Allied Products; Textile Mills; Electrical Equipment, Appliances & Components; Wood Products; Furniture & Related Products; Transportation Equipment; Computer & Electronic Products; Primary Metals; Chemical Products; Machinery; and Fabricated Metal Products. Seven industries reported no change in order backlogs in September as compared to August.

Backlog of Orders*	% Reporting	% Higher	% Same	% Lower	Net	Index
Sep 2019	89	15.0	60.2	24.8	-9.8	45.1
Aug 2019	87	17.9	56.8	25.3	-7.4	46.3
Jul 2019	88	13.6	59.0	27.5	-13.9	43.1

Backlog of Orders*	% Reporting	% Higher	% Same	% Lower	Net	Index
Jun 2019	88	17.8	59.2	23.0	-5.2	47.4

New Export Orders*

ISM®'s New Export Orders Index registered 41 percent in September, 2.3 percentage points lower compared to the August reading of 43.3 percent, indicating that new export orders contracted for the third month in a row. "The index had its lowest reading since March 2009 (39.4 percent). One of the six big industry sectors expanded, and five contracted during the period. Many respondents continued to note global trade softness as a reason for sluggish activity," says Fiore.

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

New Export Orders*	% Reporting	% Higher	% Same	% Lower	Net	Index
Sep 2019	77	6.3	69.6	24.2	-17.9	41.0
Aug 2019	75	10.4	65.8	23.8	-13.4	43.3
Jul 2019	75	8.5	79.3	12.2	-3.7	48.1
Jun 2019	77	13.2	74.5	12.3	+0.9	50.5

Imports*

ISM®'s Imports Index registered 48.1 percent in September, an increase of 2.1 percentage points when compared to the 46 percent reported for August, indicating that imports contracted in September for the third consecutive month. "Five of the six big industry sectors contracted, with one expanding during the period. Imports Index contraction slowed during September," says Fiore.

The two industries reporting growth in imports during the month of September are: Petroleum & Coal Products; and Nonmetallic Mineral Products. The 11 industries reporting a decrease in imports in September — in the following order — are: Apparel, Leather & Allied Products; Paper Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Computer & Electronic Products; Miscellaneous Manufacturing; Machinery; Transportation Equipment; Chemical Products; and Food, Beverage & Tobacco Products.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Sep 2019	81	14.0	68.3	17.8	-3.8	48.1
Aug 2019	81	8.5	74.9	16.5	-8.0	46.0
Jul 2019	83	8.6	76.7	14.7	-6.1	47.0
Jun 2019	83	11.1	77.8	11.1	0.0	50.0

*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 by four days in September to 148 days. Average lead time for Production Materials decreased by two days in September to 63 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies decreased by five days in September to 32 days.

Percent Reporting

Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year +	Average Days
Sep 2019	22	5	9	16	26	22	148
Aug 2019	21	4	11	18	26	20	144
Jul 2019	20	6	8	18	27	21	148
Jun 2019	19	4	11	16	29	21	151

Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year +	Average Days
Sep 2019	11	33	30	18	6	2	63
Aug 2019	10	35	29	15	9	2	65
Jul 2019	11	36	26	18	6	3	65
Jun 2019	12	32	26	17	9	4	72

MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year +	Average Days
Sep 2019	40	35	17	6	2	0	32
Aug 2019	40	34	15	7	3	1	37
Jul 2019	40	36	16	6	2	0	31
Jun 2019	37	37	17	6	2	1	36

About This Report

DO NOT CONFUSE THIS NATIONAL REPORT with the various regional purchasing reports released across the country. The national report's information reflects the entire U.S., 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 September 2019.

The data presented herein is obtained from a survey of manufacturing supply executives 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. The composition of the Manufacturing Business Survey Committee is stratified according to the North American Industry Classification System (NAICS) and each of the following NAICS-based industry's contribution to gross domestic product (GDP): 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). The data are weighted based on each industry's contribution to GDP. Beginning in January 2018, computation of the indexes is accomplished utilizing unrounded numbers.

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[®] above 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 Capital Expenditures; Production Materials; 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.

ISM ROB Content

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