

Manufacturing PMI® at 59.9%

August 2021 Manufacturing ISM® *Report On Business*®

**New Orders and Production Growing; Employment Contracting
Supplier Deliveries Slowing at Slower Rate; Backlog Growing
Raw Materials Inventories Growing; Customers' Inventories Too Low
Prices Increasing; Exports and Imports Growing**

(Tempe, Arizona) — Economic activity in the **manufacturing sector grew** in August, with the **overall economy notching a 15th consecutive month of growth**, 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 August Manufacturing PMI® registered 59.9 percent, an increase of 0.4 percentage point from the July reading of 59.5 percent. This figure indicates expansion in the overall economy for the 15th month in a row after contraction in April 2020. The New Orders Index registered 66.7 percent, increasing 1.8 percentage points from the July reading of 64.9 percent. The Production Index registered 60 percent, an increase of 1.6 percentage points compared to the July reading of 58.4 percent. The Prices Index registered 79.4 percent, down 6.3 percentage points compared to the July figure of 85.7 percent; this is its first reading below 80 percent since December 2020 (77.6 percent). The Backlog of Orders Index registered 68.2 percent, 3.2 percentage points higher than the July reading of 65 percent. The Employment Index indicated contraction at 49 percent, 3.9 percentage points lower compared to the July reading of 52.9 percent. The Supplier Deliveries Index registered 69.5 percent, down 3 percentage points from the July figure of 72.5 percent. The Inventories Index registered 54.2 percent, 5.3 percentage points higher than the July reading of 48.9 percent. The New Export Orders Index registered 56.6 percent, an increase of 0.9 percentage point compared to the July reading of 55.7 percent. The Imports Index registered 54.3 percent, an 0.6-percentage point increase from the July reading of 53.7 percent.”

Fiore continues, “Business Survey Committee panelists reported that their companies and suppliers continue to struggle at unprecedented levels to meet increasing demand. All segments of the manufacturing economy are impacted by record-long raw-materials lead times, continued shortages of critical basic materials, rising commodities prices and difficulties in transporting products. The new surges of COVID-19 are adding to pandemic-related issues — worker absenteeism, short-term shutdowns due to parts shortages, difficulties in filling open positions and overseas supply chain problems — that continue to limit manufacturing-growth potential. However, optimistic panel sentiment remained strong, with eight positive comments for every cautious comment. **Demand** expanded, with the (1) New Orders Index growing, supported by continued expansion of the New Export Orders Index, (2) Customers' Inventories Index remaining at very low levels and (3) Backlog of Orders Index staying at a very high level. **Consumption** (measured by the Production and Employment indexes) declined in the period, with a combined 2.3-percentage point decrease to the Manufacturing PMI® calculation. The Employment Index returned to contraction after one month of expansion; hiring difficulties at panelists' companies were the most significant hurdle to further output in August, as validated by the growth in inventory accounts. **Inputs** — expressed as supplier deliveries, inventories,

and imports — continued to support input-driven constraints to production expansion, at slower rates compared to July. The Supplier Deliveries Index softened while the Inventories Index made a strong move into expansion territory due to improvements in raw material deliveries as well as work in progress inventory being held longer due to key part shortages. The Prices Index expanded for the 15th consecutive month, indicating continued supplier pricing power and scarcity of supply chain goods.

“All of the six biggest manufacturing industries — Computer & Electronic Products; Fabricated Metal Products; Chemical Products; Food, Beverage & Tobacco Products; Transportation Equipment; and Petroleum & Coal Products, in that order — registered moderate to strong growth in August.

“Manufacturing performed well for the 15th straight month, with demand, consumption and inputs registering month-over-month growth, in spite of unprecedented obstacles. Panelists’ companies and their supply chains continue to struggle to respond to strong demand due to difficulties in hiring and a clear cycle of labor turnover as workers opt for more attractive job conditions. Disruptions from COVID-19, primarily in Southeast Asia, are having dramatic impacts on many industry sectors. Ports congestion in China continues to be a headwind as transportation networks remain stressed. Demand remains at strong levels, despite increased prices for nearly everything,” says Fiore. The 15 manufacturing industries reporting growth in August — in the following order — are: Furniture & Related Products; Computer & Electronic Products; Machinery; Primary Metals; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Plastics & Rubber Products; Chemical Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Transportation Equipment; Wood Products; Printing & Related Support Activities; Paper Products; and Petroleum & Coal Products. The two industries reporting a decrease in August compared to July are Textile Mills; and Nonmetallic Mineral Products.

WHAT RESPONDENTS ARE SAYING

- “The chip shortage is impacting supply lines. So far, we’ve been able to manage it without impacting clients.” [Computer & Electronic Products]
- “Some factories have been impacted by COVID-19 cases. Malaysian government says factories can operate at only 60 percent of capacity.” [Computer & Electronic Products]
- “We continue to see extended lead times due to port delays and sea container tightness. Manufacturing capacities are impacted by a lack of workers reducing output. Several chemical facilities have experienced fires, explosions and spills, further challenging suppliers’ ability to deliver on time and in full.” [Chemical Products]
- “Strong sales continue, but production is limited due to supply issues with chips.” [Transportation Equipment]
- “Supply chain functions have been relentlessly challenging. All things from freight (both over the road and ocean), already constrained labor forces are further exacerbated by COVID-19 absenteeism. Also, high prices everywhere are wearing our employee base down.” [Food, Beverage & Tobacco Products]
- “Oil prices have remained higher than planned and is helping to secure capital funds and project sanctions for 2021-22 projects.” [Petroleum & Coal Products]

- “Bookings/sales continue to be strong. Persistent supply issues — including availability of materials, freight/logistics/containers, and allocation of key commodities — continue to hamper production ramp to meet demand. Also struggling with lack of labor in several factories. Commodities are still inflationary, but price increases have leveled.” [Furniture & Related Products]
- “Business is strong. Part shortages are our largest business constraint. We cannot fulfill orders to customers in reasonable lead times. Now booking out into 2022, and it will get worse as we hit our cyclical high demand in the fourth quarter.” [Electrical Equipment, Appliances & Components]
- “Business is going strong, but raw material prices still under increasing price pressure. Labor is still an issue.” [Plastics & Rubber Products]
- “Continue to be unable to hire hourly personnel or machine operators due to few applicants. Steel and aluminum remain in short supply. New business continues to grow and come in. Unable to handle influx of orders without staff, both hourly and salaried.” [Fabricated Metal Products]
- “Customer order backlog continues to climb because we are unable to raise production rates due to supplier parts and manpower challenges. Continue to see price increases with key commodities, and logistics is an ongoing challenge that has no end in sight.” [Machinery]

Manufacturing at a Glance August 2021

Index	Series Index Aug	Series Index Jul	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
Manufacturing PMI®	59.9	59.5	+0.4	Growing	Faster	15
New Orders	66.7	64.9	+1.8	Growing	Faster	15
Production	60.0	58.4	+1.6	Growing	Faster	15
Employment	49.0	52.9	-3.9	Contracting	From Growing	1
Supplier Deliveries	69.5	72.5	-3.0	Slowing	Slower	66
Inventories	54.2	48.9	+5.3	Growing	From Contracting	1
Customers' Inventories	30.2	25.0	+5.2	Too Low	Slower	59
Prices	79.4	85.7	-6.3	Increasing	Slower	15

Index	Series Index Aug	Series Index Jul	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
Backlog of Orders	68.2	65.0	+3.2	Growing	Faster	14
New Export Orders	56.6	55.7	+0.9	Growing	Faster	14
Imports	54.3	53.7	+0.6	Growing	Faster	14
OVERALL ECONOMY				Growing	Faster	15
Manufacturing Sector				Growing	Faster	15

Manufacturing ISM® *Report On Business*® data is seasonally adjusted for the New Orders, Production, Employment and Inventories indexes.

*Number of months moving in current direction.

COMMODITIES REPORTED UP/DOWN IN PRICE AND IN SHORT SUPPLY

Commodities Up in Price

Adhesives (2); Aluminum (15); Aluminum Extrusions; Aluminum Products (5); Capacitors (2); Caustic Soda (3); Cement; Copper-Based Products; Corrugate (11); Corrugated Packaging (10); Crude Oil (3); Diesel Fuel (8); Electrical Components (9); Electrical Motors (2); Electronic Components (9); Freight (10); High-Density Polyethylene (HDPE) (8); Hydraulic Components (2); Labor — Temporary (4); Linear Low-Density Polyethylene (LLDPE); Lumber* (14); Natural Gas (2); Ocean Freight (9); Packaging Supplies (9); Pallets (2); Plastic Resins (12); Polyethylene (7); Polypropylene (14); Resin-Based Products (7); Resistors (2); Rubber-Based Products; Semiconductors (7); Soybean Oil; Steel (13); Steel — Carbon (9); Steel — Cold Rolled; Steel — Hot Rolled (12); Steel Products (12); Steel — Scrap (4); and Steel — Stainless (10).

Commodities Down in Price

Lumber* (2); and Wood.

Commodities in Short Supply

Adhesives & Paint (2); Aluminum (5); Aluminum Products (4); Cable Assemblies; Capacitors (2); Corrugated Packaging (2); Electrical Components (11); Electronic Components (9); Foam; Hydraulic

Components (2); Labor — Temporary (4); Lumber (2); Metal Components; Ocean Freight (5); Plastic Products (7); Plastic Resins — Other (6); Polypropylene; Printed Circuit Board Assemblies; Resin-Based Products; Resistors (2); Rubber-Based Products; Semiconductors (9); Steel (9); Steel — Hot Rolled (10); Steel — Stainless (6); Steel Castings; and Steel Products (7).

Note: The number of consecutive months the commodity is listed is indicated after each item. *Indicates those commodities reported both up and down in price.

AUGUST 2021 MANUFACTURING INDEX SUMMARIES

Manufacturing PMI[®]

Manufacturing grew in August, as the Manufacturing PMI[®] registered 59.9 percent, 0.4 percentage point higher than the July reading of 59.5 percent. “The Manufacturing PMI[®] continued to indicate strong sector expansion and U.S. economic growth in August. Four out of five subindexes that directly factor into the Manufacturing PMI[®] were in growth territory. All of the six biggest manufacturing industries expanded, in the following order: Computer & Electronic Products; Fabricated Metal Products; Chemical Products; Food, Beverage & Tobacco Products; Transportation Equipment; and Petroleum & Coal Products. The New Orders and Production indexes continued to expand at strong levels. The Supplier Deliveries Index continued to reflect suppliers’ difficulties in maintaining delivery rates, due to a lack of direct labor, transportation challenges and sustained levels of increasing demand. Nine out of 10 subindexes were positive for the period; a reading of ‘too low’ for Customers’ Inventories Index is considered a positive for future production,” 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 Manufacturing PMI[®] above 43.1 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the August Manufacturing PMI[®] indicates the overall economy grew in August for the 15th consecutive month following contraction in April 2020. “The past relationship between the Manufacturing PMI[®] and the overall economy indicates that the Manufacturing PMI[®] for August (59.9 percent) corresponds to a 4.8-percent increase in real gross domestic product (GDP) on an annualized basis,” says Fiore.

THE LAST 12 MONTHS

Month	Manufacturing PMI[®]
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Aug 2021	59.9
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Jul 2021	59.5
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Month Manufacturing PMI[®]

Jun 2021 60.6

May 2021 61.2

Apr 2021 60.7

Mar 2021 64.7

**Month Manufacturing
PMI[®]**

Feb 2021 60.8

Jan 2021 58.7

Dec 2020 60.5

Nov 2020 57.7

Oct 2020 58.8

Sep 2020 55.7

Average for 12 months - 59.9

High - 64.7

Low - 55.7

New Orders

ISM[®]'s New Orders Index registered 66.7 percent in August, up 1.8 percentage points compared to the 64.9 percent reported in July. This indicates that new orders grew for the 15th consecutive month. "All of the six largest manufacturing sectors — Computer & Electronic Products; Food, Beverage & Tobacco Products; Petroleum & Coal Products; Chemical Products; Transportation Equipment; and Fabricated Metal Products, in that order — expanded at strong levels. This is the 14th consecutive month of index readings of above 60, matching a 14-month streak during the last manufacturing expansion, which began in February 2016," says Fiore. A New Orders Index above 52.8 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders (in constant 2000 dollars).

Of the 18 manufacturing industries, the 14 that reported growth in new orders in August — in the following order — are: Furniture & Related Products; Computer & Electronic Products; Printing & Related Support Activities; Machinery; Paper Products; Food, Beverage & Tobacco Products; Primary Metals; Plastics & Rubber Products; Petroleum & Coal Products; Chemical Products; Miscellaneous Manufacturing; Transportation Equipment; Fabricated Metal Products; and Electrical Equipment, Appliances & Components. The only industry reporting a decline in new orders in August is Nonmetallic Mineral Products.

New Orders % Higher % Same % Lower Net Index

Aug 2021	38.0	52.8	9.2	+28.8	66.7
Jul 2021	34.7	62.0	3.3	+31.4	64.9
Jun 2021	42.1	49.7	8.2	+33.9	66.0
May 2021	46.9	43.1	10.0	+36.9	67.0

Production

The Production Index registered 60 percent in August, 1.6 percentage points higher than the July reading of 58.4 percent, indicating growth for the 15th consecutive month. “All of the top six industries —Computer & Electronic Products; Chemical Products; Petroleum & Coal Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; and Transportation Equipment, in that order — expanded at strong to moderate levels. Raw materials continued to be a constraint to production growth, but less so compared to July, as raw-materials inventories reached their highest levels in this cycle. Persistent hiring issues continue,” says Fiore. An index above 52.1 percent, over time, is generally consistent with an increase in the Federal Reserve Board’s Industrial Production figures.

The 13 industries reporting growth in production during the month of August — listed in order — are: Furniture & Related Products; Wood Products; Printing & Related Support Activities; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Chemical Products; Petroleum & Coal Products; Machinery; Fabricated Metal Products; Primary Metals; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; and Transportation Equipment. The four industries reporting a decrease in August compared to July are: Textile Mills; Nonmetallic Mineral Products; Paper Products; and Plastics & Rubber Products.

Production % Higher % Same % Lower Net Index

Aug 2021	31.9	54.5	13.5	+18.4	60.0
Jul 2021	31.1	59.9	9.1	+22.0	58.4
Jun 2021	39.1	49.3	11.6	+27.5	60.8
May 2021	39.2	43.6	17.2	+22.0	58.5

Employment

ISM®’s Employment Index registered 49 percent in August, 3.9 percentage points below the July reading of 52.9 percent. “The Employment Index returned to contraction territory after one month above 50 percent. Of the six big manufacturing sectors, three (Computer & Electronic Products; Fabricated Metal Products; and Transportation Equipment) expanded. Strong new-order levels, low customers’ inventories and expanding backlogs belied the reduction in employment strength. Survey panelists’ companies are still struggling to meet labor-management plans, but despite a contracting index, there were positive signs compared to recent months: An overwhelming majority of panelists indicate their

companies are hiring or attempting to hire, with about 35 percent of comments — a decrease from previous months — expressing difficulty in filling positions. A significant number of panelists note increasing employee-turnover rates, continuing a trend evident in the comments in July,” says Fiore. 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, the seven reporting employment growth in August — in the following order — are: Electrical Equipment, Appliances & Components; Furniture & Related Products; Primary Metals; Computer & Electronic Products; Machinery; Fabricated Metal Products; and Transportation Equipment. The seven industries reporting a decrease in employment in August — listed in order — are: Textile Mills; Paper Products; Printing & Related Support Activities; Nonmetallic Mineral Products; Petroleum & Coal Products; Food, Beverage & Tobacco Products; and Chemical Products.

	Employment % Higher	% Same	% Lower	Net	Index
Aug 2021	20.3	58.2	21.5	-1.2	49.0
Jul 2021	26.1	57.8	16.0	+10.1	52.9
Jun 2021	26.6	54.1	19.3	+7.3	49.9
May 2021	20.8	61.1	18.0	+2.8	50.9

Supplier Deliveries*

The delivery performance of suppliers to manufacturing organizations was slower in August, as the Supplier Deliveries Index registered 69.5 percent, 3 percentage points lower than the 72.5 percent reported in July and the third straight month of slowing expansion. Of the six top manufacturing industries, five (Fabricated Metal Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; Chemical Products; and Transportation Equipment) reported slowing deliveries. “Deliveries slowed at a slower rate compared to the previous month, but the index continues to reflect suppliers’ difficulties in meeting customer demand, including (1) ongoing hiring challenges, (2) extended raw-materials lead times at lower tiers and stubbornly high prices, and (3) inconsistent transportation availability,” says Fiore. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The 16 industries that reported slower supplier deliveries in August — in the following order — are: Apparel, Leather & Allied Products; Textile Mills; Furniture & Related Products; Paper Products; Machinery; Fabricated Metal Products; Miscellaneous Manufacturing; Printing & Related Support Activities; Food, Beverage & Tobacco Products; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Plastics & Rubber Products; Chemical Products; Primary Metals; Nonmetallic Mineral Products; and Transportation Equipment.

	Supplier Deliveries % Slower	% Same	% Faster	Net	Index
Aug 2021	42.7	53.7	3.6	+39.1	69.5

Supplier Deliveries % Slower % Same % Faster Net Index

Jul 2021	48.1	48.8	3.1	+45.0	72.5
Jun 2021	53.5	43.2	3.3	+50.2	75.1
May 2021	58.9	39.7	1.4	+57.5	78.8

Inventories

The Inventories Index registered 54.2 percent in August, 5.3 percentage points higher than the 48.9 percent reported for July, returning to expansion territory after one month of contraction. “Inventories remain unstable due to ongoing supplier constraints, as demonstrated by the index returning to expansion. In August, supplier delivery rates exceeded production levels, causing inventory levels to increase. This is a positive indication that the supply chain is finally making headway. There may also be an effect of work in progress inventory (WIP) becoming a larger percentage of total inventory due to slower WIP cycle times. Computer & Electronic Products and Transportation Equipment are notable contributors to significant gains in Inventory levels in part due to part shortage issues. This is the highest level of inventories expansion since November 2018, when the index registered 54.4 percent,” says Fiore. An Inventories Index greater than 44.5 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 10 industries reporting higher inventories in August — in the following order — are: Plastics & Rubber Products; Furniture & Related Products; Primary Metals; Fabricated Metal Products; Computer & Electronic Products; Chemical Products; Transportation Equipment; Machinery; Food, Beverage & Tobacco Products; and Miscellaneous Manufacturing. The two industries reporting a decrease in inventories in August are Apparel, Leather & Allied Products; and Printing & Related Support Activities. Six industries reported no change in inventories in August compared to July.

Inventories % Higher % Same % Lower Net Index

Aug 2021	25.4	60.5	14.2	+11.2	54.2
Jul 2021	21.6	53.7	24.7	-3.1	48.9
Jun 2021	20.7	59.9	19.4	+1.3	51.1
May 2021	23.8	54.1	22.2	+1.6	50.8

Customers' Inventories*

ISM®’s Customers’ Inventories Index registered 30.2 percent in August, 5.2 percentage points above the 25 percent reported for July, indicating that customers’ inventory levels were considered too low. “Customers’ inventories are too low for the 59th consecutive month, a positive for future production growth. For 13 straight months, the Customers’ Inventories Index has been at historically low levels,” says Fiore.

No industries reported higher customers' inventories in August. The 15 industries reporting customers' inventories as too low during August — listed in order — are: Nonmetallic Mineral Products; Textile Mills; Primary Metals; Furniture & Related Products; Machinery; Miscellaneous Manufacturing; Chemical Products; Paper Products; Wood Products; Food, Beverage & Tobacco Products; Fabricated Metal Products; Computer & Electronic Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; and Transportation Equipment.

Customers' Inventories % Reporting % Too High % About Right % Too Low Net Index

Aug 2021	75	5.6	49.0	45.3	-39.7	30.2
Jul 2021	74	6.3	37.4	56.3	-50.0	25.0
Jun 2021	79	6.5	48.7	44.8	-38.3	30.8
May 2021	79	4.6	46.8	48.6	-44.0	28.0

Prices*

The ISM® Prices Index registered 79.4 percent, a decrease of 6.3 percentage points compared to the July reading of 85.7 percent, indicating raw-materials prices increased for the 15th consecutive month, but at slower levels. “Aluminum, electrical and electronic components, energy, some plastics and plastic products, freight, and steels continue to remain at elevated prices due to product scarcity, but supply and demand dynamics appear to be moving closer to equilibrium, as stated in recent months,” says Fiore. A Prices Index above 52.7 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) Producer Price Index for Intermediate Materials.

In August, 16 of 18 industries reported paying increased prices for raw materials, in the following order: Apparel, Leather & Allied Products; Plastics & Rubber Products; Printing & Related Support Activities; Nonmetallic Mineral Products; Fabricated Metal Products; Furniture & Related Products; Paper Products; Machinery; Transportation Equipment; Electrical Equipment, Appliances & Components; Primary Metals; Computer & Electronic Products; Miscellaneous Manufacturing; Chemical Products; Wood Products; and Food, Beverage & Tobacco Products. The only industry reporting a decline in prices in August is Petroleum & Coal Products.

Prices % Higher % Same % Lower Net Index

Aug 2021	62.8	33.3	3.9	+58.9	79.4
Jul 2021	73.8	23.8	2.4	+71.4	85.7
Jun 2021	84.8	14.5	0.7	+84.1	92.1
May 2021	77.1	21.6	1.2	+75.9	88.0

Backlog of Orders*

ISM®'s Backlog of Orders Index registered 68.2 percent in August, a 3.2-percentage point increase compared to the 65 percent reported in July, indicating order backlogs expanded for the 14th straight

month. “Backlogs expanded at a higher rate in August compared to July, indicating production was unable to keep up with continuing strong new order levels. Of the six big industry sectors, five (Food, Beverage & Tobacco Products; Computer & Electronic Products; Transportation Equipment; Chemical Products; and Fabricated Metal Products) reported that backlogs expanded strongly,” says Fiore.

The 15 industries reporting growth in order backlogs in August, in the following order, are: Apparel, Leather & Allied Products; Textile Mills; Furniture & Related Products; Printing & Related Support Activities; Machinery; Food, Beverage & Tobacco Products; Computer & Electronic Products; Miscellaneous Manufacturing; Plastics & Rubber Products; Paper Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Chemical Products; Fabricated Metal Products; and Primary Metals. No industry reported lower backlogs in August compared to July.

Backlog of Orders % Reporting % Higher % Same % Lower Net Index

Aug 2021	91	44.5	47.5	8.0	+36.5	68.2
Jul 2021	92	36.2	57.5	6.2	+30.0	65.0
Jun 2021	92	39.5	50.1	10.4	+29.1	64.5
May 2021	91	49.1	42.9	8.0	+41.1	70.6

New Export Orders*

ISM[®]'s New Export Orders Index registered 56.6 percent in August, up 0.9 percentage point compared to the July reading of 55.7 percent. “The New Export Orders Index grew for the 14th consecutive month, at a slightly faster rate compared to July. Of the six big industry sectors, five (Computer & Electronic Products; Food, Beverage & Tobacco Products; Chemical Products; Transportation Equipment; and Fabricated Metal Products) expanded. New export orders were again a positive factor to the growth in the New Orders Index,” says Fiore.

The eight industries reporting growth in new export orders in August — in the following order — are: Furniture & Related Products; Computer & Electronic Products; Paper Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; Chemical Products; Transportation Equipment; and Fabricated Metal Products. The two industries reporting a decrease in new export orders in August are Plastics & Rubber Products; and Machinery. Seven industries reported no change in exports in August compared to July.

New Export Orders % Reporting % Higher % Same % Lower Net Index

Aug 2021	75	17.9	77.5	4.6	+13.3	56.6
Jul 2021	74	16.9	77.5	5.6	+11.3	55.7
Jun 2021	76	17.7	77.1	5.2	+12.5	56.2
May 2021	74	16.8	77.2	6.0	+10.8	55.4

Imports*

ISM®'s Imports Index registered 54.3 percent in August, an increase of 0.6 percentage point compared to July's figure of 53.7 percent. "Imports expanded for the 14th consecutive month, at a somewhat faster rate compared to July, reflecting continuing challenges with throughput at U.S. ports of entry. Overland-transport challenges and container shortages continue to persist across the global supply chain, causing major stability issues with respect to predictable import levels. Imports will continue to be challenged through the end of 2021," says Fiore.

The eight industries reporting growth in imports in August — in the following order — are: Chemical Products; Primary Metals; Computer & Electronic Products; Furniture & Related Products; Transportation Equipment; Food, Beverage & Tobacco Products; Plastics & Rubber Products; and Machinery. The three industries reporting a decrease in imports in August are Wood Products; Paper Products; and Miscellaneous Manufacturing. Seven industries reported no change in imports in August compared to July.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Aug 2021	86	17.5	73.6	8.8	+8.7	54.3
Jul 2021	87	17.8	71.8	10.4	+7.4	53.7
Jun 2021	86	30.7	60.6	8.7	+22.0	61.0
May 2021	85	20.6	66.8	12.7	+7.9	54.0

***The Supplier Deliveries, 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 in August by two days to 146 days. Average lead time for production materials in August increased by five days to 91 days, the highest figure since ISM® began collecting this data in 1987. Average lead time for Maintenance, Repair and Operating (MRO) Supplies increased in August by three days to 45 days.

Percent Reporting

Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year +	Average Days
Aug 2021	23	4	9	14	30	20	146
Jul 2021	23	5	6	14	32	20	148
Jun 2021	23	5	8	16	28	20	144
May 2021	21	5	11	12	31	20	148

Percent Reporting

Production Materials Hand-to-Mouth 30 Days 60 Days 90 Days 6 Months 1 Year + Average Days

Aug 2021	12	19	27	22	13	7	91
Jul 2021	12	21	28	19	15	5	86
Jun 2021	11	23	27	19	14	6	88
May 2021	11	23	25	23	13	5	85

Percent Reporting**MRO Supplies Hand-to-Mouth 30 Days 60 Days 90 Days 6 Months 1 Year + Average Days**

Aug 2021	28	38	16	13	4	1	45
Jul 2021	26	38	21	11	4	0	42
Jun 2021	30	33	20	12	4	1	45
May 2021	28	39	18	10	5	0	42

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 August 2021.

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. According to the BEA estimates for 2018 GDP (released October 29, 2019), the six largest manufacturing subsectors are: Computer & Electronic Products; Chemical Products; Transportation Equipment Manufacturing; Food, Beverage & Tobacco Products; Petroleum & Coal Products; and Fabricated Metal Products. Beginning in February 2018 with January 2018 data, 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 (Manufacturing PMI[®], New Orders, Production, Employment and Inventories) 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 Manufacturing 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 Manufacturing PMI[®] reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining. A Manufacturing PMI[®] above 43.1 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 43.1 percent, it is generally declining. The distance from 50 percent or 43.1 percent is indicative of the extent 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 report on information for the current month for U.S. operations only. 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 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.

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