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November 2011 Manufacturing ISM *Report On Business*[®]

PMI at 52.7%

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 2011.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in November for the 28th consecutive month, and the **overall economy** grew for the 30th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM *Report On Business*[®]**.

The report was issued today by Bradley J. Holcomb, CPSM, CPSD, chair of the Institute for Supply Management™ Manufacturing Business Survey Committee. "The PMI registered 52.7 percent, an increase of 1.9 percentage points from October's reading of 50.8 percent, indicating expansion in the manufacturing sector for the 28th consecutive month. The New Orders Index increased 4.3 percentage points from October to 56.7 percent, reflecting the second month of growth after three months of contraction. While the Prices Index, at 45 percent, increased 4 percentage points from the October reading of 41 percent, prices of raw materials continued to decrease (registering below 50 percent) for the second consecutive month. Respondents cite continuing concerns about the general economic environment, government regulations and European financial conditions, but are cautiously more optimistic about the next few months based on lower raw materials pricing and favorable levels of new orders."

PERFORMANCE BY INDUSTRY

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

WHAT RESPONDENTS ARE SAYING ...

- "Business still holding its own. Some growth in margin now that some of the raw materials prices have abated. Oil is pushing \$100 so that has not been favorable." (Chemical Products)
- "Orders for the remaining two months have increased after an extended 'summer dip' in sales overall. We expect to finish the year approximately 10 percent above 2010." (Electrical Equipment, Appliances & Components)
- "Seeing a slight slowdown in orders; could be related to the holidays." (Primary Metals)
- "Material lead times are getting longer. Seems like no one is hiring. Trying to do twice the output with the same amount of people." (Food, Beverage & Tobacco Products)
- "Japanese auto production has returned to 100 percent, and domestic manufacturing continues to increase." (Fabricated Metal Products)
- "Oil exploration seems to be really picking up. Government is permitting again, so business is the busiest we've ever seen." (Computer & Electronic Products)
- "The EPS ruling about higher fees for coal-generated electricity can have a huge, negative impact on our business if implemented in January 2012. We are at the peak of our seasonal demand push." (Plastics & Rubber Products)
- "Thailand flood impacting our business. Honda and Toyota cut production forecasts, and we are chasing some components made in Thailand." (Transportation Equipment)

**MANUFACTURING AT A GLANCE
NOVEMBER 2011**

Index	Series Index Nov	Series Index Oct	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI	52.7	50.8	+1.9	Growing	Faster	28
New Orders	56.7	52.4	+4.3	Growing	Faster	2
Production	56.6	50.1	+6.5	Growing	Faster	3
Employment	51.8	53.5	-1.7	Growing	Slower	26
Supplier Deliveries	49.9	51.3	-1.4	Faster	From Slowing	1
Inventories	48.3	46.7	+1.6	Contracting	Slower	2
Customers' Inventories	50.0	43.5	+6.5	Unchanged	From Too Low	1
Prices	45.0	41.0	+4.0	Decreasing	Slower	2
Backlog of Orders	45.0	47.5	-2.5	Contracting	Faster	6
Exports	52.0	50.0	+2.0	Growing	From Unchanged	1
Imports	49.0	49.5	-0.5	Contracting	Faster	2
OVERALL ECONOMY				Growing	Faster	30
Manufacturing Sector				Growing	Faster	28

*Number of months moving in current direction.

COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY

Commodities Up in Price

Aluminum Products (4); Caustic Soda (2); Copper* (2); Copper Based Products; Corn Syrup; Electronic Components; Oil; Paper; and Plastic Resins*.

Commodities Down in Price

Aluminum (3); Cardboard Products; Copper* (4); Corn (2); Natural Gas (4); Plastic Resins* (4); Plastic Products; Polypropylene; Stainless Steel; and Steel (7).

Commodities in Short Supply

Castings (3); Electronic Components; and Hydraulic Equipment.

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

*Reported as both up and down in price.

NOVEMBER 2011 MANUFACTURING INDEX SUMMARIES

PMI

Manufacturing continued its growth in November as the PMI registered 52.7 percent, an increase of 1.9 percentage points when compared to October's reading of 50.8 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 42.5 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the PMI indicates growth for the 30th consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 28th consecutive month. Holcomb stated, "The past relationship between the PMI and the overall economy indicates that the average PMI for January through November (55.4 percent) corresponds to a 4.5 percent increase in real gross domestic product (GDP). In addition, if the PMI for November (52.7 percent) is annualized, it corresponds to a 3.6 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI</i>	<i>Month</i>	<i>PMI</i>
Nov 2011	52.7	May 2011	53.5
Oct 2011	50.8	Apr 2011	60.4
Sep 2011	51.6	Mar 2011	61.2
Aug 2011	50.6	Feb 2011	61.4
Jul 2011	50.9	Jan 2011	60.8
Jun 2011	55.3	Dec 2010	58.5
Average for 12 months – 55.6 High – 61.4 Low – 50.6			

New Orders

ISM's New Orders Index registered 56.7 percent in November, which is an increase of 4.3 percentage points when compared to the October reading of 52.4 percent, and represents a continuation of growth for the second 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 five industries reporting growth in new orders in November are: Wood Products; Computer & Electronic Products; Petroleum & Coal Products; Food, Beverage & Tobacco Products; and Chemical Products. The six industries reporting decreases in new orders in November — listed in order — are: Nonmetallic Mineral Products; Miscellaneous Manufacturing; Printing & Related Support Activities; Paper Products; Machinery; and Plastics & Rubber Products. Seven industries reported no change in new orders in November compared to October.

New Orders	% Better	% Same	% Worse	Net	Index
Nov 2011	23	55	22	+1	56.7
Oct 2011	22	53	25	-3	52.4
Sep 2011	23	53	24	-1	49.6
Aug 2011	22	53	25	-3	49.6

Production

ISM's Production Index registered 56.6 percent in November, which is an increase of 6.5 percentage points when compared to the October reading of 50.1 percent. This indicates growth for the third consecutive month after just one month of contraction. An index above 51 percent, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures.

The seven industries reporting growth in production during the month of November — listed in order — are: Wood Products; Petroleum & Coal Products; Primary Metals; Food, Beverage & Tobacco Products; Computer & Electronic Products; Paper Products; and Electrical Equipment, Appliances & Components. The six industries reporting a decrease in production in November — listed in order — are: Miscellaneous Manufacturing; Nonmetallic Mineral Products; Machinery; Transportation Equipment; Chemical Products; and Plastics & Rubber Products.

Production	% Better	% Same	% Worse	Net	Index
Nov 2011	24	55	21	+3	56.6
Oct 2011	21	59	20	+1	50.1
Sep 2011	23	56	21	+2	51.2
Aug 2011	19	62	19	0	48.6

Employment

ISM's Employment Index registered 51.8 percent in November, which is 1.7 percentage points lower than the 53.5 percent reported in October. This is the 26th consecutive month the Employment Index has been above 50 percent. An Employment Index above 50.1 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) data on manufacturing employment.

Of the 18 manufacturing industries, eight reported growth in employment in November in the following order: Textile Mills; Wood Products; Paper Products; Primary Metals; Food, Beverage & Tobacco Products; Machinery; Fabricated Metal Products; and Computer & Electronic Products. The eight industries reporting a decrease in employment in November — listed in order — are: Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Plastics & Rubber Products; Petroleum & Coal Products; Chemical Products; Transportation Equipment; and Printing & Related Support Activities.

Employment	% Higher	% Same	% Lower	Net	Index
Nov 2011	22	57	21	+1	51.8
Oct 2011	22	63	15	+7	53.5
Sep 2011	22	62	16	+6	53.8
Aug 2011	22	63	15	+7	51.8

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations was faster in November as the Supplier Deliveries Index registered 49.9 percent, which is 1.4 percentage points lower than the 51.3 percent registered in October. This is the first month supplier deliveries have been faster than the previous month since May 2009, when the Supplier Deliveries Index also registered 49.9 percent. A reading above 50 percent indicates slower deliveries.

The six industries reporting slower supplier deliveries in November — listed in order — are: Petroleum & Coal Products; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Transportation Equipment; and Nonmetallic Mineral Products. The six industries reporting faster deliveries in November — listed in order — are: Plastics & Rubber Products; Primary Metals; Fabricated Metal Products; Machinery; Paper Products; and Chemical Products. Six industries reported no change in supplier deliveries in November compared to October.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Nov 2011	9	79	12	-3	49.9
Oct 2011	10	81	9	+1	51.3
Sep 2011	12	81	7	+5	51.4
Aug 2011	12	81	7	+5	50.6

Inventories

The Inventories Index registered 48.3 percent in November, 1.6 percentage points higher than the 46.7 percent reported in October. 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 six industries reporting higher inventories in November — listed in order — are: Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Primary Metals; Miscellaneous Manufacturing; Machinery; and Paper Products. The eight industries reporting decreases in inventories in November — listed in order — are: Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Plastics & Rubber Products; Printing & Related Support Activities; Fabricated Metal Products; Chemical Products; Computer & Electronic Products; and Transportation Equipment.

Inventories	% Higher	% Same	% Lower	Net	Index
Nov 2011	16	61	23	-7	48.3
Oct 2011	17	59	24	-7	46.7
Sep 2011	23	58	19	+4	52.0
Aug 2011	23	63	14	+9	52.3

Customers' Inventories*

The ISM Customers' Inventories Index registered 50 percent in November, 6.5 percentage points higher than in October when the index registered 43.5 percent. This month's reading, at 50 percent, indicates that respondents believe their customers' inventories are unchanged from last month, and also represents the first month that the Customers' Inventories Index has not registered below 50 percent since March 2009, when customers' inventories was at 54 percent.

The six manufacturing industries reporting customers' inventories as being too high during November — listed in order — are: Apparel, Leather & Allied Products; Primary Metals; Chemical Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; and Machinery. The eight industries reporting customers' inventories as too low during November — listed in order — are: Miscellaneous Manufacturing; Nonmetallic Mineral Products; Petroleum & Coal Products; Printing & Related Support Activities; Transportation Equipment; Computer & Electronic Products; Paper Products; and Electrical Equipment, Appliances & Components.

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Nov 2011	65	19	62	19	0	50.0
Oct 2011	71	12	63	25	-13	43.5
Sep 2011	73	17	64	19	-2	49.0
Aug 2011	73	15	63	22	-7	46.5

Prices*

The ISM Prices Index registered 45 percent in November, 4 percentage points higher than the 41 percent reported in October. This is the second consecutive month of contraction in the Prices Index. In November, 19 percent of respondents reported paying higher prices, 29 percent reported paying lower prices and 52 percent of supply executives reported paying the same prices as in October. A Prices Index above 49.4 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, five industries report paying increased prices during the month of November: Primary Metals; Furniture & Related Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; and Transportation Equipment. The 10 industries reporting paying lower prices on average during the month of November — listed in order — are: Textile Mills; Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Fabricated Metal Products; Petroleum & Coal Products; Machinery; Paper Products; Chemical Products; Plastics & Rubber Products; and Printing & Related Support Activities.

Prices	% Higher	% Same	% Lower	Net	Index
Nov 2011	19	52	29	-10	45.0
Oct 2011	14	54	32	-18	41.0
Sep 2011	26	60	14	+12	56.0
Aug 2011	29	53	18	+11	55.5

Backlog of Orders*

ISM's Backlog of Orders Index registered 45 percent in November, which is 2.5 percentage points lower than the 47.5 percent reported in October. Of the 86 percent of respondents who reported their backlog of orders, 15 percent reported greater backlogs, 25 percent reported smaller backlogs, and 60 percent reported no change from October.

The three industries reporting increased order backlogs in November are: Textile Mills; Primary Metals; and Computer & Electronic Products. The 10 industries reporting decreases in order backlogs during November — listed in order — are: Nonmetallic Mineral Products; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Chemical Products; Transportation Equipment; Machinery; Petroleum & Coal Products; Paper Products; and Food, Beverage & Tobacco Products.

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Nov 2011	86	15	60	25	-10	45.0
Oct 2011	82	19	57	24	-5	47.5
Sep 2011	86	15	53	32	-17	41.5
Aug 2011	86	15	62	23	-8	46.0

New Export Orders*

ISM's New Export Orders Index registered 52 percent in November, which is 2 percentage points higher than the 50 percent reported in October. The New Export Orders Index has registered 50 percent or greater for the past 29 consecutive months.

The six industries reporting growth in new export orders in November — listed in order — are: Textile Mills; Apparel, Leather & Allied Products; Computer & Electronic Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; and Food, Beverage & Tobacco Products. The five industries reporting a decrease in new export orders during

November are: Paper Products; Chemical Products; Machinery; Transportation Equipment; and Primary Metals. Six industries reported no change in exports in November compared to October.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Nov 2011	75	15	74	11	+4	52.0
Oct 2011	76	14	72	14	0	50.0
Sep 2011	78	18	71	11	+7	53.5
Aug 2011	76	16	69	15	+1	50.5

Imports*

ISM's Imports Index registered 49 percent in November, which is 0.5 percentage point lower than the 49.5 percent reported in October. This is the second month of contraction in the index following 25 consecutive months of growth.

The five industries reporting growth in imports during the month of November are: Apparel, Leather & Allied Products; Petroleum & Coal Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; and Computer & Electronic Products. The five industries reporting a decrease in imports during November are: Textile Mills; Primary Metals; Paper Products; Machinery; and Chemical Products. Eight industries reported no change in imports in November compared to October.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Nov 2011	78	10	78	12	-2	49.0
Oct 2011	75	13	73	14	-1	49.5
Sep 2011	80	19	71	10	+9	54.5
Aug 2011	77	18	75	7	+11	55.5

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

Buying Policy

Average commitment lead time for Capital Expenditures remained unchanged at 113 days. Average lead time for Production Materials increased 2 days to 57 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies decreased 1 day to 24 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Nov 2011	27	8	8	22	23	12	113
Oct 2011	24	8	11	22	24	11	113
Sep 2011	22	10	14	16	26	12	117
Aug 2011	28	8	8	19	25	12	114
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Nov 2011	13	39	25	17	4	2	57
Oct 2011	16	39	25	13	5	2	55
Sep 2011	15	37	28	13	5	2	57
Aug 2011	14	46	22	13	3	2	52
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Nov 2011	43	44	10	3	0	0	24
Oct 2011	44	40	12	4	0	0	25
Sep 2011	43	37	16	4	0	0	26
Aug 2011	45	39	12	3	1	0	26

About this Report

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

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

Data and Method of Presentation

The **Manufacturing ISM Report On Business**[®] is based on data compiled from purchasing and supply executives nationwide. Membership of the Manufacturing Business Survey Committee is diversified by NAICS, based on each industry's contribution to gross domestic product (GDP). Manufacturing Business Survey Committee responses are divided into the following NAICS code categories: Food, Beverage & Tobacco Products; Textile Mills; Apparel, Leather & Allied Products; Wood Products; Paper Products; Printing & Related Support Activities; Petroleum & Coal Products; Chemical Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Furniture & Related Products; and Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies).

Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (New Orders, Backlog of Orders, New Export Orders, Imports, Production, Supplier Deliveries, Inventories, Customers' Inventories, Employment and Prices), this report shows the percentage reporting each response, the net difference between the number of responses in the positive economic direction (higher, better and slower for Supplier Deliveries) and the negative economic direction (lower, worse and faster for Supplier Deliveries), and the diffusion index. Responses are raw data and are never changed. The diffusion index includes the percent of positive responses plus one-half of those responding the same (considered positive).

The resulting single index number for those meeting the criteria for seasonal adjustments (PMI, New Orders, Production, Employment, Supplier Deliveries 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 supplied by the U.S. Department of Commerce and are subject annually to relatively minor changes when conditions warrant them. The PMI is a composite index based on the seasonally adjusted diffusion indexes for five of the indicators with equal weights: New Orders, Production, Employment, Supplier Deliveries and Inventories.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change. A PMI reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining. A PMI in excess of 42.5 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 42.5 percent, it is generally declining. The distance from 50 percent or 42.5 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**[®] surveys are 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 reports 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 reports, are listed in the order of most growth to least growth. For the industries reporting contraction or decreases, those are listed in the order of the highest level of contraction/decrease to the least level of contraction/decrease.

Responses to Buying Policy reflect the percent reporting the current month's lead time, the approximate weighted number of days ahead for which commitments are made for Production Materials; Capital Expenditures; and Maintenance, Repair and Operating (MRO) Supplies, expressed as hand-to-mouth (five days), 30 days, 60 days, 90 days, six months (180 days), a year or more (360 days), and the weighted average number of days. These responses are raw data, never revised, and not seasonally adjusted since there is no significant seasonal pattern.

The **Manufacturing ISM Report On Business**[®] is published monthly by the Institute for Supply Management[™]. The Institute for Supply Management[™], established in 1915, is the largest supply management organization in the world as well as one of the most respected. ISM's mission is to lead the supply management profession through its standards of excellence, research, promotional activities and education. 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 Web site 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 2011 data will be released at 10:00 a.m. (ET) on Tuesday, January 3, 2012.