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March 2012 Manufacturing ISM Report On Business®

PMI at 53.4%

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 March 2012.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in March for the 32nd consecutive month, and the **overall economy** grew for the 34th 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 53.4 percent, an increase of 1 percentage point from February's reading of 52.4 percent, indicating expansion in the manufacturing sector for the 32nd consecutive month. The Production Index increased 3 percentage points from February's reading of 55.3 percent to 58.3 percent, and the Employment Index increased 2.9 percentage points to 56.1 percent. Of the 18 industries included in the survey, 15 are experiencing overall growth. Comments from the panel remain positive, with several respondents citing increased sales and demand for the next few months."

PERFORMANCE BY INDUSTRY

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

WHAT RESPONDENTS ARE SAYING ...

- "Business is robust, driven by a healthy demand for exports and relatively stable raw materials [pricing]." (Chemical Products)
- "Our customers are reporting a potential 10 percent to 13 percent increase in purchases for 2012. Actual orders continue to be slow to appear, but expectations continue to be high." (Machinery)
- "Business conditions [are] very strong and so is outlook." (Fabricated Metal Products)
- "We have been experiencing 6 percent annual growth and expect that to continue in the near term." (Food, Beverage & Tobacco Products)
- "Business continues to be brisk — if not robust — [this] month and looking forward." (Miscellaneous Manufacturing)
- "Business remains essentially stable, with some concerns regarding continued slowdown in China." (Computer & Electronic Products)
- "Business remains strong." (Primary Metals)
- "Business improved year over year for the first quarter." (Plastics & Rubber Products)
- "Generally increasing sales/demand [is] driving higher capacity utilization." (Transportation Equipment)
- "Sales appear to be picking up over last year at this time, but still have a ways to go." (Wood Products)

**MANUFACTURING AT A GLANCE
MARCH 2012**

Index	Series Index Mar	Series Index Feb	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI	53.4	52.4	+1.0	Growing	Faster	32
New Orders	54.5	54.9	-0.4	Growing	Slower	35
Production	58.3	55.3	+3.0	Growing	Faster	34
Employment	56.1	53.2	+2.9	Growing	Faster	30
Supplier Deliveries	48.0	49.0	-1.0	Faster	Faster	2
Inventories	50.0	49.5	+0.5	Unchanged	From Contracting	1
Customers' Inventories	44.5	46.0	-1.5	Too Low	Faster	4
Prices	61.0	61.5	-0.5	Increasing	Slower	3
Backlog of Orders	52.5	52.0	+0.5	Growing	Faster	3
Exports	54.0	59.5	-5.5	Growing	Slower	5
Imports	53.5	54.0	-0.5	Growing	Slower	4
OVERALL ECONOMY				Growing	Faster	34
Manufacturing Sector				Growing	Faster	32

*Number of months moving in current direction.

COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY

Commodities Up in Price

Aluminum Products (2); Copper; Crude Oil; Fuel; Gasoline; HDPE; Lumber; Oil; Plastic Components; Plastic Resins (2); Polypropylene (2); Rubber; Rubber Products; Steel* (4); and Whey Protein.

Commodities Down in Price

Natural Gas (8); and Steel*.

Commodities in Short Supply

No commodities are reported in short supply.

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

*Reported as both up and down in price.

MARCH 2012 MANUFACTURING INDEX SUMMARIES

PMI

Manufacturing continued its growth in March as the PMI registered 53.4 percent, an increase of 1 percentage point when compared to February's reading of 52.4 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 42.6 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the PMI indicates growth for the 34th consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 32nd consecutive month. Holcomb stated, "The past relationship between the PMI and the overall economy indicates that the average PMI for January through March (53.3 percent) corresponds to a 3.6 percent increase in real gross domestic product (GDP). In addition, if the PMI for March (53.4 percent) is annualized, it corresponds to a 3.7 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI</i>	<i>Month</i>	<i>PMI</i>
Mar 2012	53.4	Sep 2011	52.5
Feb 2012	52.4	Aug 2011	52.5
Jan 2012	54.1	Jul 2011	51.4
Dec 2011	53.1	Jun 2011	55.8
Nov 2011	52.2	May 2011	54.2
Oct 2011	51.8	Apr 2011	59.7
Average for 12 months – 53.6 High – 59.7 Low – 51.4			

New Orders

ISM's New Orders Index registered 54.5 percent in March, which is a decrease of 0.4 percentage point when compared to the February reading of 54.9 percent. This represents a continuation of growth for the 35th consecutive month, but at a slightly slower rate. A New Orders Index above 52.3 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders (in constant 2000 dollars).

The 15 industries reporting growth in new orders in March — listed in order — are: Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Plastics & Rubber Products; Primary Metals; Wood Products; Printing & Related Support Activities; Transportation Equipment; Furniture & Related Products; Paper Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Machinery; Petroleum & Coal Products; Fabricated Metal Products; and Chemical Products. The two industries reporting decreases in new orders in March are: Computer & Electronic Products; and Electrical Equipment, Appliances & Components.

New Orders	% Better	% Same	% Worse	Net	Index
Mar 2012	34	53	13	+21	54.5
Feb 2012	37	45	18	+19	54.9
Jan 2012	35	45	20	+15	57.6
Dec 2011	29	44	27	+2	54.8

Production

ISM's Production Index registered 58.3 percent in March, which is an increase of 3 percentage points when compared to the 55.3 percent reported in February. This indicates growth for the 34th consecutive month. An index above 51.2 percent, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures.

The 15 industries reporting growth in production during the month of March — listed in order — are: Apparel, Leather & Allied Products; Primary Metals; Petroleum & Coal Products; Nonmetallic Mineral Products; Furniture & Related Products; Miscellaneous Manufacturing; Paper Products; Plastics & Rubber Products; Machinery; Printing & Related Support Activities; Food, Beverage & Tobacco Products; Transportation Equipment; Fabricated Metal Products; Chemical Products; and Electrical Equipment, Appliances & Components. The only industry reporting a decrease in production in March is Computer & Electronic Products.

Production	% Better	% Same	% Worse	Net	Index
Mar 2012	35	51	14	+21	58.3
Feb 2012	35	50	15	+20	55.3
Jan 2012	27	53	20	+7	55.7
Dec 2011	27	54	19	+8	58.9

Employment

ISM's Employment Index registered 56.1 percent in March, which is 2.9 percentage points higher than the 53.2 percent reported in February. This is the 30th consecutive month of growth in the Employment Index. An Employment Index above 50.5 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) data on manufacturing employment.

Of the 18 manufacturing industries, 12 reported growth in employment in March in the following order: Apparel, Leather & Allied Products; Paper Products; Wood Products; Petroleum & Coal Products; Nonmetallic Mineral Products; Primary Metals; Machinery; Miscellaneous Manufacturing; Transportation Equipment; Fabricated Metal Products; Electrical Equipment, Appliances & Components; and Food, Beverage & Tobacco Products. The three industries reporting a decrease in employment in March are: Computer & Electronic Products; Chemical Products; and Plastics & Rubber Products.

Employment	% Higher	% Same	% Lower	Net	Index
Mar 2012	25	63	12	+13	56.1
Feb 2012	26	58	16	+10	53.2
Jan 2012	23	59	18	+5	54.3
Dec 2011	23	58	19	+4	54.8

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations was faster in March as the Supplier Deliveries Index registered 48 percent, which is 1 percentage point lower than the 49 percent reported in February. This is the second consecutive month supplier deliveries have been faster than the previous month, following 31 consecutive months in which supplier deliveries slowed. A reading above 50 percent indicates slower deliveries.

The six industries reporting slower supplier deliveries in March — listed in order — are: Petroleum & Coal Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Machinery; and Computer & Electronic Products. The four industries reporting faster deliveries in March are: Plastics & Rubber Products; Printing & Related Support Activities; Miscellaneous Manufacturing; and Chemical Products. Eight industries reported no change in supplier deliveries in March compared to February.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Mar 2012	9	83	8	+1	48.0
Feb 2012	7	82	11	-4	49.0
Jan 2012	9	84	7	+2	53.6
Dec 2011	8	79	13	-5	51.5

Inventories*

The Inventories Index registered 50 percent in March, which is 0.5 percentage point higher than the 49.5 percent reported in February. This month's reading, at 50 percent, indicates that respondents are reporting inventories are unchanged from last 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 seven industries reporting higher inventories in March — listed in order — are: Machinery; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Computer & Electronic Products; and Petroleum & Coal Products. The six industries reporting decreases in inventories in March — listed in order — are: Primary Metals; Chemical Products; Paper Products; Transportation Equipment; Plastics & Rubber Products; and Apparel, Leather & Allied Products.

Inventories	% Higher	% Same	% Lower	Net	Index
Mar 2012	20	60	20	0	50.0
Feb 2012	20	59	21	-1	49.5
Jan 2012	21	57	22	-1	49.5
Dec 2011	21	49	30	-9	45.5

Customers' Inventories*

The ISM Customers' Inventories Index registered 44.5 percent in March, which is 1.5 percentage points lower than in February when the index registered 46 percent. Customers' inventories have registered at or below 50 percent for 36 consecutive months. A reading below 50 percent indicates customers' inventories are considered too low.

The two manufacturing industries reporting customers' inventories as being too high during March are: Fabricated Metal Products; and Electrical Equipment, Appliances & Components. The nine industries reporting customers' inventories as too low during March — listed in order — are: Plastics & Rubber Products; Paper Products; Transportation Equipment; Apparel, Leather & Allied Products; Computer & Electronic Products; Machinery; Food, Beverage & Tobacco Products; Chemical Products; and Nonmetallic Mineral Products. Seven industries reported no change in customer inventories in March compared to February.

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Mar 2012	72	14	61	25	-11	44.5
Feb 2012	65	15	62	23	-8	46.0
Jan 2012	64	17	61	22	-5	47.5
Dec 2011	73	10	65	25	-15	42.5

Prices*

The ISM Prices Index registered 61 percent in March, 0.5 percentage point lower than the 61.5 percent reported in February. This is the third consecutive month the index has reflected an increase in the price of raw materials since September 2011, when the index registered 56 percent. In March, 36 percent of respondents reported paying higher prices, 14 percent reported paying lower prices and 50 percent of supply executives reported paying the same prices as in February. 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, 15 industries report paying increased prices during the month of March in the following order: Textile Mills; Furniture & Related Products; Nonmetallic Mineral Products; Wood Products; Printing & Related Support Activities; Chemical Products; Primary Metals; Food, Beverage & Tobacco Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Computer & Electronic Products; Miscellaneous Manufacturing; Paper Products; and Machinery. The two industries reporting paying lower prices on average during the month of March are: Petroleum & Coal Products; and Fabricated Metal Products.

Prices	% Higher	% Same	% Lower	Net	Index
Mar 2012	36	50	14	+22	61.0
Feb 2012	31	61	8	+23	61.5
Jan 2012	30	51	19	+11	55.5
Dec 2011	21	53	26	-5	47.5

Backlog of Orders*

ISM's Backlog of Orders Index registered 52.5 percent in March, which is 0.5 percentage point higher than the 52 percent reported in February. Of the 84 percent of respondents who reported their backlog of orders, 26 percent reported greater backlogs, 21 percent reported smaller backlogs, and 53 percent reported no change from February.

The nine industries reporting increased order backlogs in March — listed in order — are: Plastics & Rubber Products; Apparel, Leather & Allied Products; Petroleum & Coal Products; Nonmetallic Mineral Products; Transportation Equipment; Electrical Equipment, Appliances & Components; Furniture & Related Products; Paper Products; and Fabricated Metal Products. The five industries reporting decreases in order backlogs during March are: Computer & Electronic Products; Printing & Related Support Activities; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; and Machinery.

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Mar 2012	84	26	53	21	+5	52.5
Feb 2012	84	25	54	21	+4	52.0
Jan 2012	80	23	59	18	+5	52.5
Dec 2011	87	20	56	24	-4	48.0

New Export Orders*

ISM's New Export Orders Index registered 54 percent in March, which is 5.5 percentage points lower than the 59.5 percent reported in February. The New Export Orders Index has registered 50 percent or above for the past 33 consecutive months.

The eight industries reporting growth in new export orders in March — listed in order — are: Textile Mills; Furniture & Related Products; Transportation Equipment; Fabricated Metal Products; Paper Products; Food, Beverage & Tobacco Products; Chemical Products; and

Machinery. The four industries reporting a decrease in new export orders during March are: Nonmetallic Mineral Products; Computer & Electronic Products; Electrical Equipment, Appliances & Components; and Apparel, Leather & Allied Products.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Mar 2012	80	18	72	10	+8	54.0
Feb 2012	79	26	67	7	+19	59.5
Jan 2012	74	20	70	10	+10	55.0
Dec 2011	76	18	70	12	+6	53.0

Imports*

ISM's Imports Index registered 53.5 percent in March, which is 0.5 percentage point lower than the 54 percent reported in February. The Imports Index reflects four consecutive months of growth after only two months of contraction in the past 31 months.

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

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Mar 2012	81	15	77	8	+7	53.5
Feb 2012	80	19	70	11	+8	54.0
Jan 2012	80	14	77	9	+5	52.5
Dec 2011	77	16	76	8	+8	54.0

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

Buying Policy

Average commitment lead time for Capital Expenditures decreased by 2 days to 118 days. Average lead time for Production Materials decreased by 2 days to 56 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies increased by 4 days to 30 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Mar 2012	26	7	12	17	25	13	118
Feb 2012	26	6	13	17	24	14	120
Jan 2012	25	4	15	20	24	12	116
Dec 2011	26	5	16	18	24	11	111
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Mar 2012	14	43	24	11	6	2	56
Feb 2012	14	43	21	15	4	3	58
Jan 2012	14	39	27	13	5	2	57
Dec 2011	15	41	24	12	6	2	56
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Mar 2012	44	39	11	4	1	1	30
Feb 2012	45	38	12	4	1	0	26
Jan 2012	41	41	15	2	1	0	27
Dec 2011	47	37	10	5	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 and Supplier Deliveries) is then seasonally adjusted to allow for the effects of repetitive intra-year variations resulting primarily from normal differences in weather conditions, various institutional arrangements, and differences attributable to non-moveable holidays. All seasonal adjustment factors are supplied by the U.S. Department of Commerce and are subject annually to relatively minor changes when conditions warrant them. The PMI 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 42.6 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally

expanding; below 42.6 percent, it is generally declining. The distance from 50 percent or 42.6 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 April 2012 data will be released at 10:00 a.m. (ET) on Tuesday, May 1, 2012.