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Contact: Rose Marie Goupil
ISM, ROB Media Relations
Tempe, Arizona
800/888-6276, Ext. 3015
E-mail: rgoupil@ism.ws

April 2012 Manufacturing ISM Report On Business[®]

PMI at 54.8%

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 April 2012.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in April for the 33rd consecutive month, and the **overall economy** grew for the 35th 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 54.8 percent, an increase of 1.4 percentage points from March's reading of 53.4 percent, indicating expansion in the manufacturing sector for the 33rd consecutive month. Sixteen of the 18 industries reflected overall growth in April, and the New Orders, Production and Employment Indexes all increased, indicating growth at faster rates than in March. The Prices Index for raw materials remained at 61 percent in April, the same rate as reported in March. Comments from the panel generally indicate stable to strong demand, with some concerns cited over increasing oil prices and European stability."

PERFORMANCE BY INDUSTRY

Of the 18 manufacturing industries, 16 are reporting growth in April, in the following order: Furniture & Related Products; Printing & Related Support Activities; Machinery; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Primary Metals; Paper Products; Transportation Equipment; Electrical Equipment, Appliances & Components; Plastics & Rubber Products; Apparel, Leather & Allied Products; Food, Beverage & Tobacco Products; Chemical Products; Fabricated Metal Products; Computer & Electronic Products; and Petroleum & Coal Products. The only industry reporting contraction in April is Wood Products.

WHAT RESPONDENTS ARE SAYING ...

- "We expect our production levels to remain at the current level or increase over the next quarter." (Chemical Products)
- "In general, demand remains strong for products, and we [are experiencing] more supply disruptions now than four to five months ago." (Machinery)
- "The economy was off to a good start through the first quarter, but the European issues keep coming up as well as the recent disappointing jobs report. It appears that some of the early gains may be temporary." (Fabricated Metal Products)
- "Warm weather in Midwest appears to have helped soft drink sales." (Food, Beverage & Tobacco Products)
- "Positive increase in volume of sales and orders, and slight uptick in inventories, indicate the overall outlook remains robust through summer at least." (Miscellaneous Manufacturing)
- "Sales are slowing." (Computer & Electronic Products)
- "Business conditions on a national scale have a very positive outlook for the commercial metals we provide. At this point, we have outperformed each quarter's goal and anticipate a strong finish." (Primary Metals)
- "Strong demand [compared to] previous year." (Plastics & Rubber Products)
- "Business indicators suggest a stronger stability in overall environment. Production and orders are stable." (Transportation Equipment)
- "Business conditions continue to improve." (Furniture & Related Products)

**MANUFACTURING AT A GLANCE
APRIL 2012**

Index	Series Index Apr	Series Index Mar	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI	54.8	53.4	+1.4	Growing	Faster	33
New Orders	58.2	54.5	+3.7	Growing	Faster	36
Production	61.0	58.3	+2.7	Growing	Faster	35
Employment	57.3	56.1	+1.2	Growing	Faster	31
Supplier Deliveries	49.2	48.0	+1.2	Faster	Slower	3
Inventories	48.5	50.0	-1.5	Contracting	From Unchanged	1
Customers' Inventories	45.5	44.5	+1.0	Too Low	Faster	5
Prices	61.0	61.0	0.0	Increasing	Same	4
Backlog of Orders	49.5	52.5	-3.0	Contracting	From Growing	1
Exports	59.0	54.0	+5.0	Growing	Faster	6
Imports	53.5	53.5	0.0	Growing	Same	5
OVERALL ECONOMY				Growing	Faster	35
Manufacturing Sector				Growing	Faster	33

*Number of months moving in current direction.

COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY

Commodities Up in Price

Alloys; Aluminum Products (3); Fabricated Metal Parts; Ferro Alloys; #2 Fuel Oil; Gasoline (2); HDPE (2); Lumber (2); Machined Metal Parts; Motors; Oil (2); Oil Related Products; Plastic Components (2); Plastic Resins (3); Polypropylene (3); Propylene; Rubber Products (2); Steel — Hot Rolled; Steel Based Products; Soybean Oil; Titanium Dioxide; and Transportation Costs.

Commodities Down in Price

Natural Gas (9); and Steel (2).

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.

APRIL 2012 MANUFACTURING INDEX SUMMARIES

PMI

Manufacturing continued its growth in April as the PMI registered 54.8 percent, an increase of 1.4 percentage points when compared to March's reading of 53.4 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 35th consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 33rd consecutive month. Holcomb stated, "The past relationship between the PMI and the overall economy indicates that the average PMI for January through April (53.7 percent) corresponds to a 3.8 percent increase in real gross domestic product (GDP). In addition, if the PMI for April (54.8 percent) is annualized, it corresponds to a 4.1 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI</i>	<i>Month</i>	<i>PMI</i>
Apr 2012	54.8	Oct 2011	51.8
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
Average for 12 months – 53.2 High – 55.8 Low – 51.4			

New Orders

ISM's New Orders Index registered 58.2 percent in April, which is an increase of 3.7 percentage points when compared to the March reading of 54.5 percent. This represents a continuation of growth for the 36th consecutive month, and at a faster rate than in March. 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 April — listed in order — are: Furniture & Related Products; Printing & Related Support Activities; Paper Products; Machinery; Primary Metals; Transportation Equipment; Food, Beverage & Tobacco Products; Apparel, Leather & Allied Products; Chemical Products; Plastics & Rubber Products; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Computer & Electronic Products; and Petroleum & Coal Products. No industries reported a decrease in new orders during April.

New Orders	% Better	% Same	% Worse	Net	Index
Apr 2012	41	48	11	+30	58.2
Mar 2012	34	53	13	+21	54.5
Feb 2012	37	45	18	+19	54.9
Jan 2012	35	45	20	+15	57.6

Production

ISM's Production Index registered 61 percent in April, which is an increase of 2.7 percentage points when compared to the 58.3 percent reported in March. This indicates growth for the 35th 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 April — listed in order — are: Nonmetallic Mineral Products; Furniture & Related Products; Apparel, Leather & Allied Products; Printing & Related Support Activities; Paper Products; Transportation Equipment; Machinery; Miscellaneous Manufacturing; Chemical Products; Food, Beverage & Tobacco Products; Primary Metals; Electrical Equipment, Appliances & Components; Petroleum & Coal Products; Fabricated Metal Products; and Computer & Electronic Products. No industries reported a decrease in production during April.

Production	% Better	% Same	% Worse	Net	Index
Apr 2012	44	47	9	+35	61.0
Mar 2012	35	51	14	+21	58.3
Feb 2012	35	50	15	+20	55.3
Jan 2012	27	53	20	+7	55.7

Employment

ISM's Employment Index registered 57.3 percent in April, which is 1.2 percentage points higher than the 56.1 percent reported in March. This is the 31st 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, 13 reported growth in employment in April in the following order: Nonmetallic Mineral Products; Primary Metals; Plastics & Rubber Products; Machinery; Furniture & Related Products; Miscellaneous Manufacturing; Transportation Equipment; Apparel, Leather & Allied Products; Paper Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; and Chemical Products. The three industries reporting a decrease in employment in April are: Computer & Electronic Products; Petroleum & Coal Products; and Printing & Related Support Activities.

Employment	% Higher	% Same	% Lower	Net	Index
Apr 2012	34	54	12	+22	57.3
Mar 2012	25	63	12	+13	56.1
Feb 2012	26	58	16	+10	53.2
Jan 2012	23	59	18	+5	54.3

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations was faster in April as the Supplier Deliveries Index registered 49.2 percent, which is 1.2 percentage points higher than the 48 percent reported in March. This is the third 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 four industries reporting slower supplier deliveries in April are: Machinery; Electrical Equipment, Appliances & Components; Furniture & Related Products; and Transportation Equipment. The five industries reporting faster deliveries in April are: Apparel, Leather & Allied Products; Chemical Products; Food, Beverage & Tobacco Products; Paper Products; and Fabricated Metal Products. Nine industries reported no change in supplier deliveries in April compared to March.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Apr 2012	9	82	9	0	49.2
Mar 2012	9	83	8	+1	48.0
Feb 2012	7	82	11	-4	49.0
Jan 2012	9	84	7	+2	53.6

Inventories*

The Inventories Index registered 48.5 percent in April, which is 1.5 percentage points lower than the 50 percent reported in March. This month's reading, at 48.5 percent, indicates that respondents are reporting inventories are contracting, which has been the case in six out of the last seven months. An Inventories Index greater than 42.8 percent, over time, is generally consistent with expansion in the Bureau of Economic Analysis' (BEA) figures on overall manufacturing inventories (in chained 2000 dollars).

The eight industries reporting higher inventories in April — listed in order — are: Printing & Related Support Activities; Miscellaneous Manufacturing; Primary Metals; Machinery; Food, Beverage & Tobacco Products; Computer & Electronic Products; Paper Products; and Petroleum & Coal Products. The six industries reporting decreases in inventories in April — listed in order — are: Nonmetallic Mineral Products; Transportation Equipment; Apparel, Leather & Allied Products; Furniture & Related Products; Chemical Products; and Fabricated Metal Products.

Inventories	% Higher	% Same	% Lower	Net	Index
Apr 2012	17	63	20	-3	48.5
Mar 2012	20	60	20	0	50.0
Feb 2012	20	59	21	-1	49.5
Jan 2012	21	57	22	-1	49.5

Customers' Inventories*

The ISM Customers' Inventories Index registered 45.5 percent in April, which is 1 percentage point higher than in March when the index registered 44.5 percent. Customers' inventories have registered at or below 50 percent for 37 consecutive months. A reading below 50 percent indicates customers' inventories are considered too low.

The four manufacturing industries reporting customers' inventories as being too high during April are: Electrical Equipment, Appliances & Components; Fabricated Metal Products; Miscellaneous Manufacturing; and Food, Beverage & Tobacco Products. The eight industries reporting customers' inventories as too low during April — listed in order — are: Paper Products; Computer & Electronic Products; Plastics & Rubber Products; Petroleum & Coal Products; Machinery; Transportation Equipment; Furniture & Related Products; and Chemical Products.

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Apr 2012	71	11	69	20	-9	45.5
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

Prices*

The ISM Prices Index registered 61 percent in April, the same rate as reported in March. This is the fourth consecutive month the index has reflected an increase in the price of raw materials since September 2011, when the index registered 56 percent. In April, 33 percent of respondents reported paying higher prices, 11 percent reported paying lower prices and 56 percent of supply executives reported paying the same prices as in March. 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, 13 industries report paying increased prices during the month of April in the following order: Furniture & Related Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Paper Products; Chemical Products; Apparel, Leather & Allied Products; Machinery; Miscellaneous Manufacturing; Computer & Electronic Products; Petroleum & Coal Products; Food, Beverage & Tobacco Products; Fabricated Metal Products; and Electrical Equipment, Appliances & Components. The only industry reporting paying lower prices on average during the month of April is Transportation Equipment.

Prices	% Higher	% Same	% Lower	Net	Index
Apr 2012	33	56	11	+22	61.0
Mar 2012	36	50	14	+22	61.0
Feb 2012	31	61	8	+23	61.5
Jan 2012	30	51	19	+11	55.5

Backlog of Orders*

ISM's Backlog of Orders Index registered 49.5 percent in April, which is 3 percentage points lower than the 52.5 percent reported in March. Of the 81 percent of respondents who reported their backlog of orders, 22 percent reported greater backlogs, 23 percent reported smaller backlogs, and 55 percent reported no change from March.

The five industries reporting increased order backlogs in April are: Furniture & Related Products; Plastics & Rubber Products; Paper Products; Primary Metals; and Transportation Equipment. The 10 industries reporting decreases in order backlogs during April — listed in order — are: Nonmetallic Mineral Products; Wood Products; Petroleum & Coal Products; Food, Beverage & Tobacco Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Machinery; Chemical Products; and Apparel, Leather & Allied Products.

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Apr 2012	81	22	55	23	-1	49.5
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

New Export Orders*

ISM's New Export Orders Index registered 59 percent in April, which is 5 percentage points higher than the 54 percent reported in March. The New Export Orders Index has registered 50 percent or above for the past 34 consecutive months.

The 12 industries reporting growth in new export orders in April — listed in order — are: Textile Mills; Furniture & Related Products; Apparel, Leather & Allied Products; Primary Metals; Chemical Products; Paper Products; Transportation Equipment; Food, Beverage & Tobacco

Products; Machinery; Miscellaneous Manufacturing; Fabricated Metal Products; and Computer & Electronic Products. The two industries reporting a decrease in new export orders during April are: Nonmetallic Mineral Products; and Electrical Equipment, Appliances & Components.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Apr 2012	79	26	66	8	+18	59.0
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

Imports*

ISM's Imports Index registered 53.5 percent in April, the same rate as reported in March. The Imports Index reflects five consecutive months of growth after only two months of contraction in the past 32 months.

The eight industries reporting growth in imports during the month of April — listed in order — are: Nonmetallic Mineral Products; Furniture & Related Products; Transportation Equipment; Paper Products; Machinery; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; and Fabricated Metal Products. The three industries reporting a decrease in imports during April are: Petroleum & Coal Products; Computer & Electronic Products; and Chemical Products. Seven industries reported no change in imports in April compared to March.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Apr 2012	79	18	71	11	+7	53.5
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

* 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 2 days to 120 days. Average lead time for Production Materials decreased 1 day to 55 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies decreased 4 days to 26 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Apr 2012	29	7	11	14	24	15	120
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
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Apr 2012	13	43	23	15	4	2	55
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
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Apr 2012	46	38	11	4	1	0	26
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

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 May 2012 data will be released at 10:00 a.m. (ET) on Friday, June 1, 2012.