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February 2013 Manufacturing ISM Report On Business®

PMI™ at 54.2%

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 February 2013.

New Orders, Production and Employment Growing
Inventories Growing
Supplier Deliveries Slowing

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in February for the third consecutive month, and the **overall economy** grew for the 45th 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 54.2 percent, an increase of 1.1 percentage points from January's reading of 53.1 percent, indicating expansion in manufacturing for the third consecutive month. This month's reading reflects the highest PMI™ since June 2011, when the index registered 55.8 percent. The New Orders Index registered 57.8 percent, an increase of 4.5 percent over January's reading of 53.3 percent, indicating growth in new orders for the second consecutive month. As was the case in January, all five of the PMI™'s component indexes — new orders, production, employment, supplier deliveries and inventories — registered in positive territory in February. In addition, the Backlog of Orders, Exports and Imports Indexes all grew in February relative to January."

Of the 18 manufacturing industries, 15 are reporting growth in February in the following order: Apparel, Leather & Allied Products; Miscellaneous Manufacturing; Paper Products; Electrical Equipment, Appliances & Components;

Plastics & Rubber Products; Fabricated Metal Products; Furniture & Related Products; Petroleum & Coal Products; Wood Products; Printing & Related Support Activities; Transportation Equipment; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Machinery; and Primary Metals. The three industries reporting contraction in February are: Textile Mills; Computer & Electronic Products; and Chemical Products.

WHAT RESPONDENTS ARE SAYING ...

- "Automotive is still going strong, which allows budgeting for capital equipment." (Machinery)
- "Overall business is good." (Food, Beverage & Tobacco Products)
- "Starting to pick up after a slower than normal year-end." (Miscellaneous Manufacturing)
- "Continuing slowdown in defense spending." (Computer & Electronic Products)
- "More RFQs coming in than the past three months." (Nonmetallic Mineral Products)
- "Workload is growing; need qualified machinists." (Fabricated Metal Products)
- "Europe is still a concern in the auto sector." (Transportation Equipment)
- "Business seems to be on an uptick. The normal seasonal downturn for us has been much shorter and not as severe as in the past four years." (Furniture & Related Products)
- "Demand indicators are robust. Supply is constrained. Pricing is escalating." (Wood Products)
- "Customer demand has softened. At first, that decline was consistent with seasonal patterns but has persisted beyond historical periods." (Chemical Products)

**MANUFACTURING AT A GLANCE
FEBRUARY 2013**

Index	Series Index Feb	Series Index Jan	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI™	54.2	53.1	+1.1	Growing	Faster	3
New Orders	57.8	53.3	+4.5	Growing	Faster	2
Production	57.6	53.6	+4.0	Growing	Faster	6
Employment	52.6	54.0	-1.4	Growing	Slower	41
Supplier Deliveries	51.4	53.6	-2.2	Slowing	Slower	4
Inventories	51.5	51.0	+0.5	Growing	Faster	2
Customers' Inventories	46.5	48.5	-2.0	Too Low	Faster	15
Prices	61.5	56.5	+5.0	Increasing	Faster	7
Backlog of Orders	55.0	47.5	+7.5	Growing	From Contracting	1
Exports	53.5	50.5	+3.0	Growing	Faster	3
Imports	54.0	50.0	+4.0	Growing	From Unchanged	1
OVERALL ECONOMY				Growing	Faster	45
Manufacturing Sector				Growing	Faster	3

*Number of months moving in current direction.

COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY

Commodities Up in Price

Aluminum; Aluminum Products (5); Caustic Soda (7); Copper Based Products (2); Corrugated Boxes (7); Diesel Fuel; Gasoline; HDPE (2); Lumber (2); Natural Gas; Oil (2); Packaging Materials; Plastic Components; Plastic Resins; Polypropylene (4); Steel; Steel Alloy; and Steel Bars.

Commodities Down in Price

Corn; Steel — Hot Rolled; and Wheat (2).

Commodities in Short Supply

Steel Bars is the only commodity reported in short supply.

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

FEBRUARY 2013 MANUFACTURING INDEX SUMMARIES

PMI™

Manufacturing expanded in February as the PMI™ registered 54.2 percent, an increase of 1.1 percentage points when compared to January's reading of 53.1 percent. This month's reading reflects the highest PMI™ since June 2011, when the index registered 55.8 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 42.2 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the February PMI™ indicates growth for the 45th consecutive month in the overall economy, and indicates expansion in the manufacturing sector for the third consecutive month. Holcomb stated, "The past relationship between the PMI™ and the overall economy indicates that the average PMI™ for January and February (53.7 percent) corresponds to a 3.6 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI™ for February (54.2 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>
Feb 2013	54.2	Aug 2012	50.7
Jan 2013	53.1	Jul 2012	50.5
Dec 2012	50.2	Jun 2012	50.2
Nov 2012	49.9	May 2012	52.5
Oct 2012	51.7	Apr 2012	54.1
Sep 2012	51.6	Mar 2012	53.3
Average for 12 months – 51.8 High – 54.2 Low – 49.9			

New Orders

ISM's New Orders Index registered 57.8 percent in February, an increase of 4.5 percentage points when compared to the January reading of 53.3 percent. This represents growth in new orders for the second consecutive month. A New Orders Index above 52.2 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 February — listed in order — are: Apparel, Leather & Allied Products; Furniture & Related Products; Miscellaneous Manufacturing; Paper Products; Machinery; Nonmetallic Mineral Products; Fabricated Metal Products; Transportation Equipment; Plastics & Rubber Products; Primary Metals; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Computer & Electronic Products; Chemical Products; and Petroleum & Coal Products. The only industry reporting a decrease in new orders during February is Wood Products.

New Orders	% Better	% Same	% Worse	Net	Index
Feb 2013	37	47	16	+21	57.8
Jan 2013	28	51	21	+7	53.3
Dec 2012	24	45	31	-7	49.7
Nov 2012	26	43	31	-5	51.1

Production

ISM's Production Index registered 57.6 percent in February, which is an increase of 4 percentage points when compared to the 53.6 percent reported in January. This indicates growth in production for the sixth 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 13 industries reporting growth in production during the month of February — listed in order — are: Wood Products; Paper Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Primary Metals; Apparel, Leather & Allied Products; Printing & Related Support Activities; Fabricated Metal Products; Transportation Equipment; Plastics & Rubber Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; and Machinery. The four industries reporting a decrease in production in February are: Textile Mills; Petroleum & Coal Products; Chemical Products; and Furniture & Related Products.

Production	% Better	% Same	% Worse	Net	Index
Feb 2013	36	49	15	+21	57.6
Jan 2013	25	56	19	+6	53.6
Dec 2012	21	54	25	-4	52.6
Nov 2012	23	53	24	-1	53.1

Employment

ISM's Employment Index registered 52.6 percent in February, which is 1.4 percentage points lower than the 54 percent reported in January. This month's reading indicates growth in employment for the 41st consecutive month. 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, 10 reported growth in employment in February in the following order: Petroleum & Coal Products; Apparel, Leather & Allied Products; Paper Products; Printing & Related Support Activities; Furniture & Related Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Plastics & Rubber Products; Fabricated Metal Products; and Primary Metals. The five industries reporting a decrease in employment in February are: Chemical Products; Transportation Equipment; Computer & Electronic Products; Machinery; and Wood Products.

Employment	% Higher	% Same	% Lower	Net	Index
Feb 2013	21	65	14	+7	52.6
Jan 2013	17	71	12	+5	54.0
Dec 2012	19	62	19	0	51.9
Nov 2012	15	63	22	-7	50.1

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations was slower in February as the Supplier Deliveries Index registered 51.4 percent, which is 2.2 percentage points lower than the 53.6 percent reported in January. This indicates the fourth consecutive month of slower supplier deliveries. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The five industries reporting slower supplier deliveries in February are: Plastics & Rubber Products; Petroleum & Coal Products; Primary Metals; Fabricated Metal Products; and Electrical Equipment, Appliances & Components. The four industries reporting faster supplier deliveries in February are: Machinery; Computer & Electronic Products; Chemical Products; and Miscellaneous Manufacturing. Nine industries reported no change in supplier deliveries in February compared to January.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Feb 2013	9	84	7	+2	51.4
Jan 2013	10	85	5	+5	53.6
Dec 2012	9	83	8	+1	53.7
Nov 2012	7	81	12	-5	50.1

Inventories*

The Inventories Index registered 51.5 percent in February, which is 0.5 percentage point higher than the 51 percent reported in January. This month's reading indicates that respondents are reporting inventories are growing in February for the second consecutive month. 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 nine industries reporting higher inventories in February — listed in order — are: Apparel, Leather & Allied Products; Wood Products; Plastics & Rubber Products; Petroleum & Coal Products; Transportation Equipment; Miscellaneous Manufacturing; Chemical Products; Fabricated Metal Products; and Food, Beverage & Tobacco Products. The six industries reporting decreases in inventories in February — listed in order — are: Textile Mills; Primary Metals; Furniture & Related Products; Paper Products; Computer & Electronic Products; and Nonmetallic Mineral Products.

Inventories	% Higher	% Same	% Lower	Net	Index
Feb 2013	22	59	19	+3	51.5
Jan 2013	20	62	18	+2	51.0
Dec 2012	14	58	28	-14	43.0
Nov 2012	18	54	28	-10	45.0

Customers' Inventories*

The ISM Customers' Inventories Index registered 46.5 percent in February, which is 2 percentage points lower than in January when the index registered 48.5 percent. This month's reading indicates that customers' inventories are considered too low, and lower than reported in January. Customers' inventories have registered at or below 50 percent for 47 consecutive months. A reading below 50 percent indicates customers' inventories are considered too low.

The three manufacturing industries reporting customers' inventories as being too high during the month of February are: Primary Metals; Chemical Products; and Food, Beverage & Tobacco Products. The 11 industries reporting customers' inventories as too low during February — listed in order — are: Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Paper Products; Nonmetallic Mineral Products; Printing & Related Support Activities; Transportation Equipment; Machinery; Computer & Electronic Products; Fabricated Metal Products; Miscellaneous Manufacturing; and Apparel, Leather & Allied Products.

Customers' Inventories	% Reporting	% Too High	% About Right	% Too Low	Net	Index
Feb 2013	69	11	71	18	-7	46.5
Jan 2013	71	14	69	17	-3	48.5
Dec 2012	64	19	56	25	-6	47.0
Nov 2012	66	14	57	29	-15	42.5

Prices*

The ISM Prices Index registered 61.5 percent in February, which is an increase of 5 percentage points compared to the January reading of 56.5 percent. In February, 31 percent of respondents reported paying higher prices, 8 percent reported paying lower prices, and 61 percent of supply executives reported paying the same prices as in January. A Prices Index above 49.7 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, 14 reported paying increased prices during the month of February in the following order: Textile Mills; Wood Products; Plastics & Rubber Products; Miscellaneous Manufacturing; Chemical Products; Printing & Related Support Activities; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Furniture & Related Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Petroleum & Coal Products; Transportation Equipment; and Computer & Electronic Products. The only industry reporting paying lower prices during February is Apparel, Leather & Allied Products.

Prices	% Higher	% Same	% Lower	Net	Index
Feb 2013	31	61	8	+23	61.5
Jan 2013	23	67	10	+13	56.5
Dec 2012	18	75	7	+11	55.5
Nov 2012	18	69	13	+5	52.5

Backlog of Orders*

ISM's Backlog of Orders Index registered 55 percent in February, which is 7.5 percentage points higher than the 47.5 percent reported in January. This is the first month of growth in order backlogs since March 2012, when the index registered 52.5 percent. Of the 83 percent of respondents who reported their backlog of orders, 26 percent reported greater backlogs, 16 percent reported smaller backlogs, and 58 percent reported no change from January.

The 14 industries reporting increased order backlogs in February — listed in order — are: Furniture & Related Products; Printing & Related Support Activities; Nonmetallic Mineral Products; Primary Metals; Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Paper Products; Petroleum & Coal Products; Plastics & Rubber Products; Fabricated Metal Products; Miscellaneous Manufacturing; Transportation Equipment; Chemical Products; and Machinery. The two industries reporting decreases in order backlogs during February are: Computer & Electronic Products; and Wood Products.

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Feb 2013	83	26	58	16	+10	55.0
Jan 2013	85	20	55	25	-5	47.5
Dec 2012	86	22	53	25	-3	48.5
Nov 2012	86	14	54	32	-18	41.0

New Export Orders*

ISM's New Export Orders Index registered 53.5 percent in February, which is 3 percentage points higher than the 50.5 percent reported in January. This month's reading represents only the third month of growth in the index since May 2012, when the index registered 53.5 percent.

The seven industries reporting growth in new export orders in February — listed in order — are: Apparel, Leather & Allied Products; Miscellaneous Manufacturing; Furniture & Related Products; Fabricated Metal Products; Transportation Equipment; Computer & Electronic Products; and Machinery. The three industries reporting a decrease in new export orders during February are: Wood Products; Primary Metals; and Chemical Products. Eight industries reported no change in new export orders for the month of February when compared to January.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Feb 2013	73	16	75	9	+7	53.5
Jan 2013	72	12	77	11	+1	50.5
Dec 2012	74	16	71	13	+3	51.5
Nov 2012	77	11	72	17	-6	47.0

Imports*

ISM's Imports Index registered 54 percent in February, which is 4 percentage points higher than the 50 percent reported in January. This month's reading indicates that import levels are growing for the second time in the past three months.

The nine industries reporting growth in imports during the month of February — listed in order — are: Apparel, Leather & Allied Products; Miscellaneous Manufacturing; Fabricated Metal Products; Transportation Equipment; Computer & Electronic Products; Food, Beverage & Tobacco Products; Furniture & Related Products; Electrical

Equipment, Appliances & Components; and Machinery. The three industries reporting a decrease in imports during February are: Plastics & Rubber Products; Primary Metals; and Chemical Products.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Feb 2013	75	20	68	12	+8	54.0
Jan 2013	75	13	74	13	0	50.0
Dec 2012	77	16	71	13	+3	51.5
Nov 2012	79	10	76	14	-4	48.0

* 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 8 days to 112 days. Average lead time for Production Materials decreased 3 days to 56 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies decreased 3 days to 25 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Feb 2013	28	10	9	18	22	13	112
Jan 2013	27	7	12	14	26	14	120
Dec 2012	25	9	13	16	24	13	116
Nov 2012	25	6	14	17	26	12	117
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Feb 2013	17	35	27	14	5	2	56
Jan 2013	16	35	26	16	4	3	59
Dec 2012	16	40	22	17	3	2	54
Nov 2012	16	36	26	17	3	2	55
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Feb 2013	47	38	10	4	1	0	25
Jan 2013	44	39	12	4	0	1	28
Dec 2012	46	39	10	4	1	0	25
Nov 2012	46	40	10	3	1	0	25

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 42.2 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 42.2 percent, it is generally declining. The distance from 50 percent or 42.2 percent is indicative of the strength of the expansion or decline. With some of the indicators within this report, ISM has

indicated the departure point between expansion and decline of comparable government series, as determined by regression analysis.

The **Manufacturing ISM Report On Business**[®] 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 first supply institute in the world. Founded in 1915, ISM exists to lead and serve the supply management profession and is a highly influential and respected association in the global marketplace. ISM's mission is to enhance the value and performance of procurement and supply chain management practitioners and their organizations worldwide. 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 website 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 March 2013 data will be released at 10:00 a.m. (ET) on Monday, April 1, 2013.