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March 2013 Manufacturing ISM Report On Business®

PMI™ at 51.3%

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 2013.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in March for the fourth consecutive month, and the **overall economy** grew for the 46th 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 51.3 percent, a decrease of 2.9 percentage points from February's reading of 54.2 percent, indicating expansion in manufacturing for the fourth consecutive month, but at a slower rate. Both the New Orders and Production Indexes reflected growth in March compared to February, albeit at slower rates, registering 51.4 and 52.2 percent, respectively. The Employment Index registered 54.2, an increase of 1.6 percentage points compared to February's reading of 52.6 percent. The Prices Index decreased 7 percentage points to 54.5, and the list of commodities up in price reflected far fewer items than in February. In addition, the Backlog of Orders, Exports and Imports Indexes all grew in March."

Of the 18 manufacturing industries, 14 are reporting growth in March in the following order: Wood Products; Furniture & Related Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Paper Products; Apparel, Leather & Allied Products; Miscellaneous Manufacturing; Nonmetallic Mineral Products; Computer & Electronic Products; Transportation Equipment; Printing & Related Support Activities; Primary Metals; and Food, Beverage & Tobacco Products. The three industries reporting contraction in March are: Petroleum & Coal Products; Chemical Products; and Machinery.

WHAT RESPONDENTS ARE SAYING ...

- "Beginning to feel the seasonal upswing in business — energy and resin remain a concern." (Food, Beverage & Tobacco Products)
- "Medical reimbursements from insurance companies, particularly Medicare, are slowing." (Miscellaneous Manufacturing)
- "While the second half of 2013 looks promising, the first half is a mixed bag." (Computer & Electronic Products)
- "Things seem slightly better than last year, but still not great." (Printing & Related Support Activities)
- "Automotive is still very strong." (Fabricated Metal Products)
- "Post-election in the U.S. — companies within the oil and gas sector are still waiting for signs of some regulatory certainty or stability." (Petroleum & Coal Products)
- "Reduced government spending in the defense sector lowers business output." (Transportation Equipment)
- "Business is continuing to be brisk." (Furniture & Related Products)
- "Market continues to be strong, and our production is exceeding plans at this time." (Wood Products)
- "Sales are low, even adjusted for seasonal variation." (Chemical Products)

MANUFACTURING AT A GLANCE MARCH 2013						
Index	Series Index Mar	Series Index Feb	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI™	51.3	54.2	-2.9	Growing	Slower	4
New Orders	51.4	57.8	-6.4	Growing	Slower	3
Production	52.2	57.6	-5.4	Growing	Slower	7
Employment	54.2	52.6	+1.6	Growing	Faster	42
Supplier Deliveries	49.4	51.4	-2.0	Faster	From Slowing	1
Inventories	49.5	51.5	-2.0	Contracting	From Growing	1
Customers' Inventories	47.5	46.5	+1.0	Too Low	Slower	16
Prices	54.5	61.5	-7.0	Increasing	Slower	8
Backlog of Orders	51.0	55.0	-4.0	Growing	Slower	2
Exports	56.0	53.5	+2.5	Growing	Faster	4
Imports	54.0	54.0	0.0	Growing	Same	2
OVERALL ECONOMY				Growing	Slower	46
Manufacturing Sector				Growing	Slower	4

*Number of months moving in current direction.

COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY

Commodities Up in Price

Corrugated Boxes (8); HDPE (3); Lumber (3); Pallets; Plastic Resins (2); and Polypropylene (5).

Commodities Down in Price

Sugar; and Wheat (3).

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.

MARCH 2013 MANUFACTURING INDEX SUMMARIES

PMI™

Manufacturing expanded in March as the PMI™ registered 51.3 percent, a decrease of 2.9 percentage points when compared to February's reading of 54.2 percent. This month's reading reflects the fourth consecutive month of growth in the manufacturing sector. 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 March PMI™ indicates growth for the 46th consecutive month in the overall economy, and indicates expansion in the manufacturing sector for the fourth consecutive month. Holcomb stated, "The past relationship between the PMI™ and the overall economy indicates that the average PMI™ for January through March (52.9 percent) corresponds to a 3.3 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI™ for March (51.3 percent) is annualized, it corresponds to a 2.8 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI™</i>	<i>Month</i>	<i>PMI™</i>
Mar 2013	51.3	Sep 2012	51.6
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
Average for 12 months – 51.7 High – 54.2 Low – 49.9			

New Orders

ISM's New Orders Index registered 51.4 percent in March, a decrease of 6.4 percentage points when compared to the February reading of 57.8 percent. This represents growth in new orders for the third 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 12 industries reporting growth in new orders in March — listed in order — are: Wood Products; Furniture & Related Products; Nonmetallic Mineral Products; Apparel, Leather & Allied Products; Fabricated Metal Products; Miscellaneous Manufacturing; Transportation Equipment; Plastics & Rubber Products; Machinery; Paper Products; Electrical Equipment, Appliances & Components; and Food, Beverage & Tobacco Products. The two industries reporting a decrease in new orders during March are: Petroleum & Coal Products; and Primary Metals.

New Orders	% Better	% Same	% Worse	Net	Index
Mar 2013	31	52	17	+14	51.4
Feb 2013	37	47	16	+21	57.8
Jan 2013	28	51	21	+7	53.3
Dec 2012	24	45	31	-7	49.7

Production

ISM's Production Index registered 52.2 percent in March, which is a decrease of 5.4 percentage points when compared to the 57.6 percent reported in February. This indicates growth in production for the seventh 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 March — listed in order — are: Wood Products; Paper Products; Nonmetallic Mineral Products; Plastics & Rubber Products; Computer & Electronic Products; Apparel, Leather & Allied Products; Furniture & Related Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Primary Metals; Fabricated Metal Products; Miscellaneous Manufacturing; and Food, Beverage & Tobacco Products. The two industries reporting a decrease in production in March are: Machinery; and Chemical Products.

Production	% Better	% Same	% Worse	Net	Index
Mar 2013	33	51	16	+17	52.2
Feb 2013	36	49	15	+21	57.6
Jan 2013	25	56	19	+6	53.6
Dec 2012	21	54	25	-4	52.6

Employment

ISM's Employment Index registered 54.2 percent in March, which is 1.6 percentage points higher than the 52.6 percent reported in February. This month's reading indicates growth in employment for the 42nd 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 March in the following order: Plastics & Rubber Products; Furniture & Related Products; Wood Products; Printing & Related Support Activities; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Fabricated Metal Products; Computer & Electronic Products; Food, Beverage & Tobacco Products; and Machinery. The three industries reporting a decrease in employment in March are: Transportation Equipment; Chemical Products; and Apparel, Leather & Allied Products.

Employment	% Higher	% Same	% Lower	Net	Index
Mar 2013	24	60	16	+8	54.2
Feb 2013	21	65	14	+7	52.6
Jan 2013	17	71	12	+5	54.0
Dec 2012	19	62	19	0	51.9

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations was faster in March as the Supplier Deliveries Index registered 49.4 percent, which is 2 percentage points lower than the 51.4 percent reported in February. This indicates the first month of faster supplier deliveries, following four consecutive months of slower deliveries. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The seven industries reporting slower supplier deliveries in March — listed in order — are: Primary Metals; Furniture & Related Products; Computer & Electronic Products; Fabricated Metal Products; Miscellaneous Manufacturing;

Chemical Products; and Electrical Equipment, Appliances & Components. The four industries reporting faster supplier deliveries in March are: Nonmetallic Mineral Products; Petroleum & Coal Products; Paper Products; and Food, Beverage & Tobacco Products. Seven industries reported no change in supplier deliveries in March compared to February.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Mar 2013	11	82	7	+4	49.4
Feb 2013	9	84	7	+2	51.4
Jan 2013	10	85	5	+5	53.6
Dec 2012	9	83	8	+1	53.7

Inventories*

The Inventories Index registered 49.5 percent in March, which is 2 percentage points lower than the 51.5 percent reported in February. This month's reading indicates that respondents are reporting inventories are contracting in March, following two consecutive months of growth. 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 seven industries reporting higher inventories in March — listed in order — are: Plastics & Rubber Products; Wood Products; Electrical Equipment, Appliances & Components; Petroleum & Coal Products; Paper Products; Transportation Equipment; and Fabricated Metal Products. The seven industries reporting decreases in inventories in March — listed in order — are: Primary Metals; Miscellaneous Manufacturing; Computer & Electronic Products; Machinery; Food, Beverage & Tobacco Products; Chemical Products; and Apparel, Leather & Allied Products.

Inventories	% Higher	% Same	% Lower	Net	Index
Mar 2013	20	59	21	-1	49.5
Feb 2013	22	59	19	+3	51.5
Jan 2013	20	62	18	+2	51.0
Dec 2012	14	58	28	-14	43.0

Customers' Inventories*

The ISM Customers' Inventories Index registered 47.5 percent in March, which is 1 percentage point higher than in February when the index registered 46.5 percent. This month's reading indicates that customers' inventories are considered too low, but slightly higher than reported in February. Customers' inventories have registered at or below 50 percent for 48 consecutive months. A reading below 50 percent indicates customers' inventories are considered too low.

The six manufacturing industries reporting customers' inventories as being too high during the month of March — listed in order — are: Petroleum & Coal Products; Primary Metals; Food, Beverage & Tobacco Products; Chemical Products; Machinery; and Miscellaneous Manufacturing. The seven industries reporting customers' inventories as too low during March — listed in order — are: Electrical Equipment, Appliances & Components; Transportation Equipment; Computer & Electronic Products; Plastics & Rubber Products; Furniture & Related Products; Fabricated Metal Products; and Apparel, Leather & Allied Products.

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Mar 2013	75	14	67	19	-5	47.5
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

Prices*

The ISM Prices Index registered 54.5 percent in March, which is a decrease of 7 percentage points compared to the February reading of 61.5 percent. In March, 21 percent of respondents reported paying higher prices, 12 percent reported paying lower prices, and 67 percent of supply executives reported paying the same prices as in February. 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, 10 reported paying increased prices during the month of March in the following order: Textile Mills; Petroleum & Coal Products; Plastics & Rubber Products; Wood Products; Furniture & Related Products; Paper Products; Printing & Related Support Activities; Miscellaneous Manufacturing; Chemical Products; and Electrical Equipment, Appliances & Components. The six industries reporting paying lower prices during March — listed in order — are: Nonmetallic Mineral Products; Computer & Electronic Products; Machinery; Transportation Equipment; Fabricated Metal Products; and Food, Beverage & Tobacco Products.

Prices	% Higher	% Same	% Lower	Net	Index
Mar 2013	21	67	12	+9	54.5
Feb 2013	31	61	8	+23	61.5
Jan 2013	23	67	10	+13	56.5
Dec 2012	18	75	7	+11	55.5

Backlog of Orders*

ISM's Backlog of Orders Index registered 51 percent in March, which is 4 percentage points lower than the 55 percent reported in February. This is the second month of growth in order backlogs since March 2012, when the index registered 52.5 percent. Of the 85 percent of respondents who reported their backlog of orders, 22 percent reported greater backlogs, 20 percent reported smaller backlogs, and 58 percent reported no change from February.

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

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Mar 2013	85	22	58	20	+2	51.0
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

New Export Orders*

ISM's New Export Orders Index registered 56 percent in March, which is 2.5 percentage points higher than the 53.5 percent reported in February. This month's reading represents the fourth consecutive month of growth in new export orders, and follows six months of contraction dating back to June 2012.

The 12 industries reporting growth in new export orders in March — listed in order — are: Wood Products; Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Petroleum & Coal Products; Plastics &

Rubber Products; Paper Products; Transportation Equipment; Fabricated Metal Products; Miscellaneous Manufacturing; Machinery; Computer & Electronic Products; and Chemical Products. The two industries reporting a decrease in new export orders during March are: Primary Metals; and Furniture & Related Products.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Mar 2013	77	22	68	10	+12	56.0
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

Imports*

ISM's Imports Index registered 54 percent in March, which is the same reading as reported in February. This month's reading indicates that import levels are growing for the third time in the past four months.

The nine industries reporting growth in imports during the month of March — listed in order — are: Wood Products; Apparel, Leather & Allied Products; Transportation Equipment; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Computer & Electronic Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; and Furniture & Related Products. The three industries reporting a decrease in imports during March are: Primary Metals; Machinery; and Chemical Products.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Mar 2013	77	18	72	10	+8	54.0
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

* 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 114 days. Average lead time for Production Materials increased 1 day to 57 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies increased 1 day to 26 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Mar 2013	28	7	9	19	25	12	114
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
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Mar 2013	17	37	26	13	4	3	57
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
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Mar 2013	44	39	13	3	1	0	26
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

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 April 2013 data will be released at 10:00 a.m. (ET) on Wednesday, May 1, 2013.