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## **July 2013 Manufacturing ISM *Report On Business*<sup>®</sup>**

**PMI<sup>™</sup> at 55.4%**

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 July 2013.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in July for the second consecutive month, and the **overall economy** grew for the 50th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM *Report On Business*<sup>®</sup>**.

The report was issued today by Bradley J. Holcomb, CPSM, CPSD, chair of the Institute for Supply Management<sup>™</sup> Manufacturing Business Survey Committee. "The PMI<sup>™</sup> registered 55.4 percent, an increase of 4.5 percentage points from June's reading of 50.9 percent. June's PMI<sup>™</sup> reading, the highest of the year, indicates expansion in the manufacturing sector for the second consecutive month. The New Orders Index increased in July by 6.4 percentage points to 58.3 percent, and the Production Index increased by 11.6 percentage points to 65 percent. The Employment Index registered 54.4 percent, an increase of 5.7 percentage points compared to June's reading of 48.7 percent. The Prices Index registered 49 percent, decreasing 3.5 percentage points from June, indicating that overall

raw materials prices decreased from last month. Comments from the panel generally indicate stable demand and slowly improving business conditions."

Of the 18 manufacturing industries, 13 are reporting growth in July in the following order: Furniture & Related Products; Textile Mills; Printing & Related Support Activities; Paper Products; Wood Products; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Food, Beverage & Tobacco Products; Primary Metals; Transportation Equipment; Chemical Products; and Fabricated Metal Products. The four industries reporting contraction in July are: Plastics & Rubber Products; Apparel, Leather & Allied Products; Machinery; and Miscellaneous Manufacturing.

### **WHAT RESPONDENTS ARE SAYING ...**

- "Business conditions remain stable, possibly improving somewhat in future months." (Miscellaneous Manufacturing)
- "Housing market continues to improve, leading to increased demand in product." (Electrical Equipment, Appliances & Components)
- "Overall conditions remain steady and slightly above prior year." (Paper Products)
- "Sales are holding steady. Business is good." (Furniture & Related Products)
- "Business is slow compared to previous years." (Computer & Electronic Products)
- "First half [of 2013] is better than last year — steady, slow improvement." (Printing & Related Support Activities)
- "Leading indicators continue to show stagnant-to-gradual improvement, and sales across the board continue to be flat." (Machinery)
- "Economy continues to be relatively flat. Growth in China is holding. Europe staying at a low level, and U.S. just flat." (Transportation Equipment)
- "We see gluten-free industry to be strong and it continues to grow. We also see the need for capacity in blending operations." (Food, Beverage & Tobacco Products)
- "Business remains flat. Looking for some seasonal bump as we come to the beginning of our 'busy' time." (Chemical Products)

| <b>MANUFACTURING AT A GLANCE<br/>JULY 2013</b> |                         |                         |                                |                  |                       |                        |
|--|-------------------------|-------------------------|--------------------------------|------------------|-----------------------|------------------------|
| <b>Index</b>                                   | <b>Series Index Jul</b> | <b>Series Index Jun</b> | <b>Percentage Point Change</b> | <b>Direction</b> | <b>Rate of Change</b> | <b>Trend* (Months)</b> |
| <b>PMI™</b>                                    | 55.4                    | 50.9                    | +4.5                           | Growing          | Faster                | 2                      |
| <b>New Orders</b>                              | 58.3                    | 51.9                    | +6.4                           | Growing          | Faster                | 2                      |
| <b>Production</b>                              | 65.0                    | 53.4                    | +11.6                          | Growing          | Faster                | 2                      |
| <b>Employment</b>                              | 54.4                    | 48.7                    | +5.7                           | Growing          | From Contracting      | 1                      |
| <b>Supplier Deliveries</b>                     | 52.1                    | 50.0                    | +2.1                           | Slowing          | From Unchanged        | 1                      |
| <b>Inventories</b>                             | 47.0                    | 50.5                    | -3.5                           | Contracting      | From Growing          | 1                      |
| <b>Customers' Inventories</b>                  | 47.5                    | 45.0                    | +2.5                           | Too Low          | Slower                | 20                     |
| <b>Prices</b>                                  | 49.0                    | 52.5                    | -3.5                           | Decreasing       | From Increasing       | 1                      |
| <b>Backlog of Orders</b>                       | 45.0                    | 46.5                    | -1.5                           | Contracting      | Faster                | 3                      |
| <b>Exports</b>                                 | 53.5                    | 54.5                    | -1.0                           | Growing          | Slower                | 8                      |
| <b>Imports</b>                                 | 57.5                    | 56.0                    | +1.5                           | Growing          | Faster                | 6                      |
| <b>OVERALL ECONOMY</b>                         |                         |                         |                                | Growing          | Faster                | 50                     |
| <b>Manufacturing Sector</b>                    |                         |                         |                                | Growing          | Faster                | 2                      |

\*Number of months moving in current direction.

## **COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY**

### **Commodities Up in Price**

Caustic Soda (4); Corrugated Boxes (12); Corrugated Packaging (3); Oil; Oil Based Products; Plastic Resin; Polypropylene (2)\*; Stainless Steel; Steel\*; and Steel — Hot Rolled.

### **Commodities Down in Price**

Aluminum; Copper; Natural Gas; Polypropylene (3)\*; Steel (4)\*; and Sugar (3).

## **Commodities in Short Supply**

Fabricated Parts is the only commodity listed 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.

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## **JULY 2013 MANUFACTURING INDEX SUMMARIES**

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### **PMI™**

Manufacturing expanded in July as the PMI™ registered 55.4 percent, an increase of 4.5 percentage points when compared to June's reading of 50.9 percent. July's reading of 55.4 percent reflects the sixth month of growth, and the highest overall PMI™ reading, in the first seven months of 2013. 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 July PMI™ indicates growth for the 50th consecutive month in the overall economy, and indicates expansion in the manufacturing sector for the second consecutive month. Holcomb stated, "The past relationship between the PMI™ and the overall economy indicates that the average PMI™ for January through July (52.1 percent) corresponds to a 3.1 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI™ for July (55.4 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> |
|---|-------------|--------------|-------------|
| Jul 2013  | 55.4        | Jan 2013     | 53.1        |
| Jun 2013  | 50.9        | Dec 2012     | 50.2        |
| May 2013  | 49.0        | Nov 2012     | 49.9        |
| Apr 2013  | 50.7        | Oct 2012     | 51.7        |
| Mar 2013  | 51.3        | Sep 2012     | 51.6        |
| Feb 2013  | 54.2        | Aug 2012     | 50.7        |
| Average for 12 months – 51.6<br>High – 55.4<br>Low – 49.0 |             |              |             |

## New Orders

ISM's New Orders Index registered 58.3 percent in July, an increase of 6.4 percentage points when compared to the June reading of 51.9 percent. This represents growth in new orders for the second consecutive month, and is also the highest reading for the index since April 2011, when the index registered 63.8 percent. 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 nine industries reporting growth in new orders in July — listed in order — are: Textile Mills; Printing & Related Support Activities; Nonmetallic Mineral Products; Furniture & Related Products; Paper Products; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Computer & Electronic Products; and Fabricated Metal Products. The five industries reporting a decrease in new orders during July are: Machinery; Plastics & Rubber Products; Primary Metals; Petroleum & Coal Products; and Miscellaneous Manufacturing.

| <b>New Orders</b> | <b>% Better</b> | <b>% Same</b> | <b>% Worse</b> | <b>Net</b> | <b>Index</b> |
|-------------------|-----------------|---------------|----------------|------------|--------------|
| Jul 2013          | 29              | 49            | 22             | +7         | 58.3         |
| Jun 2013          | 30              | 49            | 21             | +9         | 51.9         |
| May 2013          | 28              | 50            | 22             | +6         | 48.8         |
| Apr 2013          | 34              | 46            | 20             | +14        | 52.3         |

## Production

ISM's Production Index registered 65 percent in July, which is an increase of 11.6 percentage points when compared to the 53.4 percent reported in June. This month's reading indicates growth in production for the second consecutive month, and is the highest reading since May 2004, when the index registered 65.3 percent. 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 July — listed in order — are: Textile Mills; Paper Products; Wood Products; Printing & Related Support Activities; Nonmetallic Mineral Products; Furniture & Related Products; Petroleum & Coal Products; Computer & Electronic Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Primary Metals; Electrical Equipment, Appliances & Components; and Fabricated Metal Products. The two industries reporting a decrease in production in July are: Chemical Products; and Machinery.

| Production | % Better | % Same | % Worse | Net | Index |
|------------|----------|--------|---------|-----|-------|
| Jul 2013   | 30       | 55     | 15      | +15 | 65.0  |
| Jun 2013   | 28       | 55     | 17      | +11 | 53.4  |
| May 2013   | 26       | 57     | 17      | +9  | 48.6  |
| Apr 2013   | 33       | 53     | 14      | +19 | 53.5  |

## Employment

ISM's Employment Index registered 54.4 percent in July, which is 5.7 percentage points higher than the 48.7 percent reported in June. This month's reading indicates a return to expansion in employment, following only two months of contraction in the past 47 months. 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, nine reported growth in employment in July in the following order: Furniture & Related Products; Wood Products; Printing & Related Support Activities; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Primary Metals; Fabricated Metal Products; Paper Products; and Machinery. The four industries reporting a decrease in employment in July are: Apparel, Leather & Allied Products; Chemical Products; Transportation Equipment; and Computer & Electronic Products.

| <b>Employment</b> | <b>% Higher</b> | <b>% Same</b> | <b>% Lower</b> | <b>Net</b> | <b>Index</b> |
|-------------------|-----------------|---------------|----------------|------------|--------------|
| Jul 2013          | 21              | 67            | 12             | +9         | 54.4         |
| Jun 2013          | 19              | 65            | 16             | +3         | 48.7         |
| May 2013          | 22              | 60            | 18             | +4         | 50.1         |
| Apr 2013          | 26              | 57            | 17             | +9         | 50.2         |

### **Supplier Deliveries**

The delivery performance of suppliers to manufacturing organizations was slower in July relative to June as the Supplier Deliveries Index registered 52.1 percent. This month's reading is 2.1 percentage points higher than the 50 percent reported in June. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The six industries reporting slower supplier deliveries in July — listed in order — are: Electrical Equipment, Appliances & Components; Furniture & Related Products; Computer & Electronic Products; Chemical Products; Machinery; and Fabricated Metal Products. The only industry reporting faster supplier deliveries in July is Food, Beverage & Tobacco Products. Eleven industries reported no change in supplier deliveries in July compared to June.

| <b>Supplier Deliveries</b> | <b>% Slower</b> | <b>% Same</b> | <b>% Faster</b> | <b>Net</b> | <b>Index</b> |
|----------------------------|-----------------|---------------|-----------------|------------|--------------|
| Jul 2013                   | 11              | 85            | 4               | +7         | 52.1         |
| Jun 2013                   | 9               | 84            | 7               | +2         | 50.0         |
| May 2013                   | 8               | 85            | 7               | +1         | 48.7         |
| Apr 2013                   | 12              | 81            | 7               | +5         | 50.9         |

### **Inventories\***

The Inventories Index registered 47 percent in July, which is 3.5 percentage points lower than the 50.5 percent reported in June. This month's reading indicates that respondents are reporting inventories contracted in July, following one month of growth. For the first seven months of 2013, inventories of raw materials have registered in a well-managed range from a high of 51.5 percent in February to a low of 46.5 percent in April. 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 five industries reporting higher inventories in July are: Transportation Equipment; Paper Products; Furniture & Related Products; Chemical Products; and Computer & Electronic Products. The seven industries reporting decreases in inventories in July — listed in order — are: Plastics & Rubber Products; Miscellaneous Manufacturing; Machinery; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Petroleum & Coal Products; and Food, Beverage & Tobacco Products. Six industries reported no change in inventories in July compared to June.

| <b>Inventories</b> | <b>% Higher</b> | <b>% Same</b> | <b>% Lower</b> | <b>Net</b> | <b>Index</b> |
|--------------------|-----------------|---------------|----------------|------------|--------------|
| Jul 2013           | 15              | 64            | 21             | -6         | 47.0         |
| Jun 2013           | 19              | 63            | 18             | +1         | 50.5         |
| May 2013           | 20              | 58            | 22             | -2         | 49.0         |
| Apr 2013           | 18              | 57            | 25             | -7         | 46.5         |

### **Customers' Inventories\***

The ISM Customers' Inventories Index registered 47.5 percent in July, which is 2.5 percentage points higher than in June when the index registered 45 percent. This month's reading indicates that customers' inventories are considered too low, but higher than reported in June. Customers' inventories have registered at or below 50 percent for 52 consecutive months. A reading below 50 percent indicates customers' inventories are considered too low.

The five manufacturing industries reporting customers' inventories as being too high during the month of July are: Apparel, Leather & Allied Products; Petroleum & Coal Products; Miscellaneous Manufacturing; Chemical Products; and Fabricated Metal Products. The nine industries reporting customers' inventories as too low during July — listed in order — are: Plastics & Rubber Products; Textile Mills; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Furniture & Related Products; Paper Products; Food, Beverage & Tobacco Products; and Computer & Electronic Products.

| <b>Customers' Inventories</b> | <b>% Reporting</b> | <b>%Too High</b> | <b>%About Right</b> | <b>%Too Low</b> | <b>Net</b> | <b>Index</b> |
|-------------------------------|--------------------|------------------|---------------------|-----------------|------------|--------------|
| Jul 2013                      | 67                 | 12               | 71                  | 17              | -5         | 47.5         |
| Jun 2013                      | 66                 | 10               | 70                  | 20              | -10        | 45.0         |
| May 2013                      | 70                 | 14               | 64                  | 22              | -8         | 46.0         |
| Apr 2013                      | 71                 | 11               | 67                  | 22              | -11        | 44.5         |



## Prices\*

The ISM Prices Index registered 49 percent in July, which is a decrease of 3.5 percentage points compared to the June reading of 52.5 percent. This indicates that raw materials prices decreased in July, as they did in May, while the other five months of 2013 registered price readings at or above 50 percent. In July, 20 percent of respondents reported paying higher prices, 22 percent reported paying lower prices, and 58 percent of supply executives reported paying the same prices as in June. 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, six reported paying increased prices during the month of July in the following order: Textile Mills; Furniture & Related Products; Plastics & Rubber Products; Miscellaneous Manufacturing; Chemical Products; and Machinery. The eight industries reporting paying lower prices during July — listed in order — are: Printing & Related Support Activities; Electrical Equipment, Appliances & Components; Primary Metals; Computer & Electronic Products; Food, Beverage & Tobacco Products; Paper Products; Fabricated Metal Products; and Transportation Equipment.

| Prices   | % Higher | % Same | % Lower | Net | Index |
|----------|----------|--------|---------|-----|-------|
| Jul 2013 | 20       | 58     | 22      | -2  | 49.0  |
| Jun 2013 | 20       | 65     | 15      | +5  | 52.5  |
| May 2013 | 19       | 61     | 20      | -1  | 49.5  |
| Apr 2013 | 15       | 70     | 15      | 0   | 50.0  |

## Backlog of Orders\*

ISM's Backlog of Orders Index registered 45 percent in July, which is 1.5 percentage points lower than the 46.5 percent reported in June. This is the third consecutive month of contracting order backlogs. Of the 86 percent of respondents who reported their backlog of orders, 15 percent reported greater backlogs, 25 percent reported smaller backlogs, and 60 percent reported no change from June.

The four industries reporting increased order backlogs in July are: Textile Mills; Furniture & Related Products; Plastics & Rubber Products; and Computer & Electronic Products. The 10 industries reporting decreases in order backlogs during July — listed in order — are: Apparel, Leather & Allied Products; Miscellaneous Manufacturing; Primary Metals; Fabricated Metal Products; Machinery; Electrical Equipment, Appliances & Components; Petroleum & Coal Products; Transportation Equipment; Food, Beverage & Tobacco Products; and Chemical Products.

| <b>Backlog of Orders</b> | <b>% Reporting</b> | <b>% Greater</b> | <b>% Same</b> | <b>% Less</b> | <b>Net</b> | <b>Index</b> |
|--------------------------|--------------------|------------------|---------------|---------------|------------|--------------|
| Jul 2013                 | 86                 | 15               | 60            | 25            | -10        | 45.0         |
| Jun 2013                 | 84                 | 17               | 59            | 24            | -7         | 46.5         |
| May 2013                 | 82                 | 23               | 50            | 27            | -4         | 48.0         |
| Apr 2013                 | 85                 | 25               | 56            | 19            | +6         | 53.0         |

### **New Export Orders\***

ISM's New Export Orders Index registered 53.5 percent in July, which is 1 percentage point lower than the 54.5 percent reported in June. This month's reading represents the eighth consecutive month of growth in new export orders, and follows six consecutive months of contraction dating back to June 2012.

The nine industries reporting growth in new export orders in July — listed in order — are: Miscellaneous Manufacturing; Furniture & Related Products; Food, Beverage & Tobacco Products; Petroleum & Coal Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Chemical Products; and Machinery. The four industries reporting a decrease in new export orders during July are: Wood Products; Apparel, Leather & Allied Products; Transportation Equipment; and Paper Products.

| <b>New Export Orders</b> | <b>% Reporting</b> | <b>% Higher</b> | <b>% Same</b> | <b>% Lower</b> | <b>Net</b> | <b>Index</b> |
|--------------------------|--------------------|-----------------|---------------|----------------|------------|--------------|
| Jul 2013                 | 75                 | 15              | 77            | 8              | +7         | 53.5         |
| Jun 2013                 | 74                 | 15              | 79            | 6              | +9         | 54.5         |
| May 2013                 | 76                 | 16              | 70            | 14             | +2         | 51.0         |
| Apr 2013                 | 75                 | 18              | 72            | 10             | +8         | 54.0         |

### **Imports\***

ISM's Imports Index registered 57.5 percent in July, which is 1.5 percentage points higher than the 56 percent reported in June. This month's reading represents the eighth consecutive month that the Imports Index has registered at or above 50 percent.

The 11 industries reporting growth in imports during the month of July — listed in order — are: Fabricated Metal Products; Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Computer & Electronic

Products; Paper Products; Machinery; Transportation Equipment; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Chemical Products; and Furniture & Related Products. The two industries reporting a decrease in imports during July are: Primary Metals; and Apparel, Leather & Allied Products.

| <b>Imports</b> | <b>% Reporting</b> | <b>% Higher</b> | <b>% Same</b> | <b>% Lower</b> | <b>Net</b> | <b>Index</b> |
|----------------|--------------------|-----------------|---------------|----------------|------------|--------------|
| Jul 2013       | 77                 | 22              | 71            | 7              | +15        | 57.5         |
| Jun 2013       | 76                 | 20              | 72            | 8              | +12        | 56.0         |
| May 2013       | 75                 | 16              | 77            | 7              | +9         | 54.5         |
| Apr 2013       | 76                 | 19              | 72            | 9              | +10        | 55.0         |

\* 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 4 days to 121 days. Average lead time for Production Materials increased 3 days to 63 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies increased 2 days to 27 days.

| Percent Reporting    |               |         |         |         |          |         |              |
|----------------------|---------------|---------|---------|---------|----------|---------|--------------|
| Capital Expenditures | Hand-to-Mouth | 30 Days | 60 Days | 90 Days | 6 Months | 1 Year+ | Average Days |
| Jul 2013             | 29            | 3       | 13      | 15      | 26       | 14      | 121          |
| Jun 2013             | 28            | 3       | 12      | 14      | 29       | 14      | 125          |
| May 2013             | 27            | 5       | 10      | 19      | 23       | 16      | 125          |
| Apr 2013             | 26            | 4       | 13      | 16      | 28       | 13      | 122          |
| Production Materials | Hand-to-Mouth | 30 Days | 60 Days | 90 Days | 6 Months | 1 Year+ | Average Days |
| Jul 2013             | 18            | 33      | 21      | 20      | 4        | 4       | 63           |
| Jun 2013             | 16            | 36      | 23      | 18      | 4        | 3       | 60           |
| May 2013             | 17            | 34      | 26      | 15      | 4        | 4       | 62           |
| Apr 2013             | 18            | 30      | 33      | 13      | 3        | 3       | 58           |
| MRO Supplies         | Hand-to-Mouth | 30 Days | 60 Days | 90 Days | 6 Months | 1 Year+ | Average Days |
| Jul 2013             | 44            | 37      | 13      | 5       | 1        | 0       | 27           |
| Jun 2013             | 46            | 38      | 12      | 3       | 1        | 0       | 25           |
| May 2013             | 43            | 40      | 13      | 3       | 1        | 0       | 26           |
| Apr 2013             | 43            | 40      | 13      | 4       | 0        | 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**<sup>®</sup> 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<sup>™</sup>, 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<sup>™</sup> 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<sup>™</sup> reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining. A PMI<sup>™</sup> 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**<sup>®</sup> survey is 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 report for release on the first business day of the following month.

The industries reporting growth, as indicated in the **Manufacturing ISM Report On Business**<sup>®</sup> monthly report, 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**<sup>®</sup> is published monthly by the Institute for Supply Management<sup>™</sup>, 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**<sup>®</sup> is posted on ISM's website at [www.ism.ws](http://www.ism.ws) on the first business day of every month after 10:10 a.m. (ET).

The next **Manufacturing ISM Report On Business**<sup>®</sup> featuring the August 2013 data will be released at 10:00 a.m. (ET) on Tuesday, September 3, 2013.