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

August 2013 Manufacturing ISM Report On Business[®] PMI[™] at 55.7%

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 August 2013.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in August for the third consecutive month, and the **overall economy** grew for the 51st 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 55.7 percent, an increase of 0.3 percentage point from July's reading of 55.4 percent. August's PMI[™] reading, the highest of the year, indicates expansion in the manufacturing sector for the third consecutive month. The New Orders Index increased in August by 4.9 percentage points to 63.2 percent, and the Production Index decreased by 2.6 percentage points to 62.4 percent. The Employment Index registered 53.3 percent, a decrease of 1.1 percentage points compared to July's reading of 54.4 percent. The Prices Index registered 54 percent, increasing 5 percentage points from July, indicating that overall raw materials prices increased when compared to last month. Comments from the panel range from slow to improving business conditions depending upon the industry."

Of the 18 manufacturing industries, 15 are reporting growth in August in the following order: Textile Mills; Wood Products; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Nonmetallic Mineral Products; Plastics & Rubber Products; Computer & Electronic Products; Printing & Related Support Activities; Furniture & Related Products; Primary Metals; Fabricated Metal Products; Transportation Equipment; Machinery;

Chemical Products; and Paper Products. The only industry reporting contraction in August is Miscellaneous Manufacturing.

WHAT RESPONDENTS ARE SAYING ...

- "Slight improvements in both domestic and international sales." (Fabricated Metal Products)
- "Business is slowing down, not sure why — but we may end up below last year's sales levels, whereas we had forecast 6.5 percent growth." (Miscellaneous Manufacturing)
- "Material prices continue to be favorable; business is steady." (Paper Products)
- "Slowing down slightly, but still stronger than last year by 20 percent." (Furniture & Related Products)
- "Military slowdown affecting business." (Computer & Electronic Products)
- "Summer seasonal businesses are doing well after a late start." (Printing & Related Support Activities)
- "Still not seeing the year we had expected. Cautious about the balance of 2013." (Machinery)
- "Tight government spending still affecting business." (Transportation Equipment)
- "With improved weather outlook in the central states, agricultural prices are relaxing year over year." (Food, Beverage & Tobacco Products)
- "We have benefitted from the Yen; seeing a 20 percent decrease in material costs from 2012 to 2013." (Chemical Products)

**MANUFACTURING AT A GLANCE
AUGUST 2013**

Index	Series Index Aug	Series Index Jul	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI™	55.7	55.4	+0.3	Growing	Faster	3
New Orders	63.2	58.3	+4.9	Growing	Faster	3
Production	62.4	65.0	-2.6	Growing	Slower	3
Employment	53.3	54.4	-1.1	Growing	Slower	2
Supplier Deliveries	52.3	52.1	+0.2	Slowing	Faster	2
Inventories	47.5	47.0	+0.5	Contracting	Slower	2
Customers' Inventories	42.5	47.5	-5.0	Too Low	Faster	21
Prices	54.0	49.0	+5.0	Increasing	From Decreasing	1
Backlog of Orders	46.5	45.0	+1.5	Contracting	Slower	4
Exports	55.5	53.5	+2.0	Growing	Faster	9
Imports	58.0	57.5	+0.5	Growing	Faster	7
OVERALL ECONOMY				Growing	Faster	51
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

Corrugated Boxes (13); Corrugated Packaging (4); Lumber; Oil (2); Oil Based Products (2); Plastic Resin (2); Polypropylene (3); Steel — Cold Rolled; and Steel — Hot Rolled (2).

Commodities Down in Price

Corn; Stainless Steel Surcharges; Steel (5); Sugar (4); and Sulfuric Acid.

Commodities in Short Supply

No commodities are listed in short supply.

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

AUGUST 2013 MANUFACTURING INDEX SUMMARIES

PMI™

Manufacturing expanded in August as the PMI™ registered 55.7 percent, an increase of 0.3 percentage point when compared to July's reading of 55.4 percent. August's reading reflects the highest overall PMI™ reading in 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 August PMI™ indicates growth for the 51st 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 through August (52.5 percent) corresponds to a 3.2 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI™ for August (55.7 percent) is annualized, it corresponds to a 4.2 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI™</i>	<i>Month</i>	<i>PMI™</i>
Aug 2013	55.7	Feb 2013	54.2
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
Average for 12 months – 52.0 High – 55.7 Low – 49.0			

New Orders

ISM's New Orders Index registered 63.2 percent in August, an increase of 4.9 percentage points when compared to the July reading of 58.3 percent. This represents growth in new orders for the third 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 12 industries reporting growth in new orders in August — listed in order — are: Textile Mills; Wood Products; Nonmetallic Mineral Products; Computer & Electronic Products; Furniture & Related Products; Food, Beverage & Tobacco Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Chemical Products; Fabricated Metal Products; Transportation Equipment; and Paper Products. The only industry reporting a decrease in new orders during August is Miscellaneous Manufacturing.

New Orders	% Better	% Same	% Worse	Net	Index
Aug 2013	33	52	15	+18	63.2
Jul 2013	29	49	22	+7	58.3
Jun 2013	30	49	21	+9	51.9
May 2013	28	50	22	+6	48.8

Production

ISM's Production Index registered 62.4 percent in August, which is a decrease of 2.6 percentage points when compared to the 65 percent reported in July. This month's reading indicates growth in production for the third 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 August — listed in order — are: Textile Mills; Electrical Equipment, Appliances & Components; Wood Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Primary Metals; Printing & Related Support Activities; Computer & Electronic Products; Paper Products; Fabricated Metal Products; Furniture & Related Products; Chemical Products; Machinery; and Transportation Equipment. The only industry reporting a decrease in production in August is Miscellaneous Manufacturing.

Production	% Better	% Same	% Worse	Net	Index
Aug 2013	33	54	13	+20	62.4
Jul 2013	30	55	15	+15	65.0
Jun 2013	28	55	17	+11	53.4
May 2013	26	57	17	+9	48.6

Employment

ISM's Employment Index registered 53.3 percent in August, which is 1.1 percentage points lower than the 54.4 percent reported in July. This month's reading indicates expansion in employment for the second 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, seven reported growth in employment in August in the following order: Wood Products; Plastics & Rubber Products; Food, Beverage & Tobacco Products; Printing & Related Support Activities; Furniture & Related Products; Fabricated Metal Products; and Electrical Equipment, Appliances & Components. The four industries reporting a decrease in employment in August are: Apparel, Leather & Allied Products; Primary Metals; Chemical Products; and Miscellaneous Manufacturing. Seven industries reported no change in employment in August compared to July.

Employment	% Higher	% Same	% Lower	Net	Index
Aug 2013	22	63	15	+7	53.3
Jul 2013	21	67	12	+9	54.4
Jun 2013	19	65	16	+3	48.7
May 2013	22	60	18	+4	50.1

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations slowed in August at a slightly faster rate relative to July as the Supplier Deliveries Index registered 52.3 percent. This month's reading is 0.2 percentage point higher than the 52.1 percent reported in July. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The eight industries reporting slower supplier deliveries in August — listed in order — are: Textile Mills; Wood Products; Primary Metals; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Food, Beverage & Tobacco Products; Machinery; and Chemical Products. The three industries reporting faster supplier deliveries in August are: Plastics & Rubber Products; Paper Products; and Computer & Electronic Products. Seven industries reported no change in supplier deliveries in August compared to July.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Aug 2013	12	81	7	+5	52.3
Jul 2013	11	85	4	+7	52.1
Jun 2013	9	84	7	+2	50.0
May 2013	8	85	7	+1	48.7

Inventories*

The Inventories Index registered 47.5 percent in August, which is 0.5 percentage point higher than the 47 percent reported in July. This month's reading indicates that respondents are reporting inventories contracted in August for the second consecutive month. For the first eight 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 August are: Apparel, Leather & Allied Products; Computer & Electronic Products; Transportation Equipment; Electrical Equipment, Appliances & Components; and Machinery. The nine industries reporting decreases in inventories in August — listed in order — are: Wood Products; Textile Mills; Plastics & Rubber Products; Fabricated Metal Products; Primary Metals; Paper Products; Furniture & Related Products; Chemical Products; and Miscellaneous Manufacturing.

Inventories	% Higher	% Same	% Lower	Net	Index
Aug 2013	16	63	21	-5	47.5
Jul 2013	15	64	21	-6	47.0
Jun 2013	19	63	18	+1	50.5
May 2013	20	58	22	-2	49.0

Customers' Inventories*

The ISM Customers' Inventories Index registered 42.5 percent in August, which is 5 percentage points lower than in July when the index registered 47.5 percent. This month's reading indicates that customers' inventories are considered too low, and significantly lower than reported in July. Customers' inventories have registered at or below 50 percent for 53 consecutive months. A reading below 50 percent indicates customers' inventories are considered too low.

The only manufacturing industry reporting customers' inventories as being too high during the month of August is Apparel, Leather & Allied Products. The 10 industries reporting customers' inventories as too low during August — listed in order — are: Textile Mills; Primary Metals; Miscellaneous Manufacturing; Transportation Equipment; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Machinery; Computer & Electronic Products; Fabricated Metal Products; and Plastics & Rubber Products. Seven industries reported no change in customers' inventories in August compared to July.

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Aug 2013	66	9	67	24	-15	42.5
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

Prices*

The ISM Prices Index registered 54 percent in August, which is an increase of 5 percentage points compared to the July reading of 49 percent. The Prices Index has alternated between price increases and price decreases for the last four months, with August indicating an increase in the price of raw materials. In August, 21 percent of respondents reported paying higher prices, 13 percent reported paying lower prices, and 66 percent of supply executives reported paying the same prices as in July. 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, nine reported paying increased prices during the month of August in the following order: Textile Mills; Wood Products; Apparel, Leather & Allied Products; Fabricated Metal Products; Plastics & Rubber Products; Miscellaneous Manufacturing; Chemical Products; Machinery; and Computer & Electronic Products. The six industries reporting paying lower prices during August — listed in order — are: Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Paper Products; Transportation Equipment; Printing & Related Support Activities; and Food, Beverage & Tobacco Products.

Prices	% Higher	% Same	% Lower	Net	Index
Aug 2013	21	66	13	+8	54.0
Jul 2013	20	58	22	-2	49.0
Jun 2013	20	65	15	+5	52.5
May 2013	19	61	20	-1	49.5

Backlog of Orders*

ISM's Backlog of Orders Index registered 46.5 percent in August, which is 1.5 percentage points higher than the 45 percent reported in July. This is the fourth consecutive month of contracting order backlogs. Of the 85 percent of

respondents who reported their backlog of orders, 16 percent reported greater backlogs, 23 percent reported smaller backlogs, and 61 percent reported no change from July.

The four industries reporting increased order backlogs in August are: Apparel, Leather & Allied Products; Computer & Electronic Products; Furniture & Related Products; and Machinery. The eight industries reporting decreases in order backlogs during August — listed in order — are: Primary Metals; Plastics & Rubber Products; Miscellaneous Manufacturing; Fabricated Metal Products; Chemical Products; Transportation Equipment; Paper Products; and Food, Beverage & Tobacco Products. Six industries reported no change in order backlogs in August compared to July.

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Aug 2013	85	16	61	23	-7	46.5
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

New Export Orders*

ISM's New Export Orders Index registered 55.5 percent in August, which is 2 percentage points higher than the 53.5 percent reported in July. This month's reading represents the ninth consecutive month of growth in new export orders.

The eight industries reporting growth in new export orders in August — listed in order — are: Wood Products; Apparel, Leather & Allied Products; Fabricated Metal Products; Petroleum & Coal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliances & Components; and Chemical Products. The four industries reporting a decrease in new export orders during August are: Paper Products; Miscellaneous Manufacturing; Transportation Equipment; and Food, Beverage & Tobacco Products. Six industries reported no change in new export orders in August compared to July.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Aug 2013	74	17	77	6	+11	55.5
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

Imports*

ISM's Imports Index registered 58 percent in August, which is 0.5 percentage point higher than the 57.5 percent reported in July. August's reading reflects the highest level of imports since April 2010, when the reading was also 58 percent. This month's reading also represents the ninth consecutive month that the Imports Index has registered at or above 50 percent.

The 10 industries reporting growth in imports during the month of August — listed in order — are: Wood Products; Primary Metals; Computer & Electronic Products; Food, Beverage & Tobacco Products; Fabricated Metal Products; Machinery; Furniture & Related Products; Chemical Products; Transportation Equipment; and Electrical Equipment, Appliances & Components. The only industry reporting a decrease in imports during August is Apparel, Leather & Allied Products. Seven industries reported no change in imports in August compared to July.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Aug 2013	77	21	74	5	+16	58.0
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

* 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 3 days to 124 days. Average lead time for Production Materials decreased 4 days to 59 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies decreased 1 day to 26 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Aug 2013	28	4	15	13	24	16	124
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
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Aug 2013	16	37	21	20	3	3	59
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
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Aug 2013	45	39	11	4	1	0	26
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

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**[®] 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**[®] 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**[®] 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 September 2013 data will be released at 10:00 a.m. (ET) on Tuesday, October 1, 2013.