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October 2013 Manufacturing ISM Report On Business[®]

PMI™ at 56.4%

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 October 2013.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in October for the fifth consecutive month, and the **overall economy** grew for the 53rd 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 56.4 percent, an increase of 0.2 percentage point from September's reading of 56.2 percent. The PMI™ has increased progressively each month since June, with October's reading reflecting the highest PMI™ in 2013. The New Orders Index increased slightly in October by 0.1 percentage point to 60.6 percent, while the Production Index decreased by 1.8 percentage points to 60.8 percent. Both the New Orders and Production Indexes have registered above 60 percent for three consecutive months. The Employment Index registered 53.2 percent, a decrease of 2.2 percentage points compared to September's reading of 55.4 percent. The panel's comments are generally positive about the current business climate; however, there are mixed responses on whether the government shutdown and potential default have had any effect on October's results."

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

WHAT RESPONDENTS ARE SAYING ...

- "New business is booming." (Textile Mills)
- "The government shutting down and threatening to go into a default position is causing all kinds of concerns in our markets." (Fabricated Metal Products)
- "The government shutdown has not had any impact on our business that I can determine, nor has it impacted any supplier shipments." (Chemical Products)
- "Government spending continues to be slow in defense and military. The government shutdown and debt ceiling crisis did not affect business." (Transportation Equipment)
- "Telecom market — wireless and VOIP — appear to be spiking. We are very busy; busier than we have ever been." (Computer & Electronic Products)
- "Seasonal demand has not decreased at the typical pace. Market showing resiliency in the residential market." (Primary Metals)
- "Business continues to improve every month for the past nine months." (Furniture & Related Products)
- "Big Box Store discounting providing increased sales bump short term." (Food, Beverage & Tobacco Products)
- "Our customers continue to be cautious and are closely managing their purchases. Business continues to be flat to slightly down." (Machinery)
- "Outlook on general appliance market continues in a positive direction. Uncertainty, however, looms with unclear government direction pending." (Electrical Equipment, Appliances & Components)

MANUFACTURING AT A GLANCE OCTOBER 2013						
Index	Series Index Oct	Series Index Sep	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI™	56.4	56.2	+0.2	Growing	Faster	5
New Orders	60.6	60.5	+0.1	Growing	Faster	5
Production	60.8	62.6	-1.8	Growing	Slower	5
Employment	53.2	55.4	-2.2	Growing	Slower	4
Supplier Deliveries	54.7	52.6	+2.1	Slowing	Faster	4
Inventories	52.5	50.0	+2.5	Growing	From Unchanged	1
Customers' Inventories	47.0	43.0	+4.0	Too Low	Slower	23
Prices	55.5	56.5	-1.0	Increasing	Slower	3
Backlog of Orders	51.5	49.5	+2.0	Growing	From Contracting	1
Exports	57.0	52.0	+5.0	Growing	Faster	11
Imports	55.5	55.0	+0.5	Growing	Faster	9
OVERALL ECONOMY				Growing	Faster	53
Manufacturing Sector				Growing	Faster	5

*Number of months moving in current direction.

COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY

Commodities Up in Price

Corrugated Boxes (15); HDPE Resin (2); LDPE Resin; Polypropylene Resin; Stainless Steel; Steel — HRPO; and Steel Based Products.

Commodities Down in Price

Caustic Soda is the only commodity reported down in price.

Commodities in Short Supply

Electrical Components; and Helium.

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

OCTOBER 2013 MANUFACTURING INDEX SUMMARIES

PMI™

Manufacturing expanded in October as the PMI™ registered 56.4 percent, an increase of 0.2 percentage point when compared to September's reading of 56.2 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 October PMI™ indicates growth for the 53rd consecutive month in the overall economy, and indicates expansion in the manufacturing sector for the fifth consecutive month. Holcomb stated, "The past relationship between the PMI™ and the overall economy indicates that the average PMI™ for January through October (53.3 percent) corresponds to a 3.5 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI™ for October (56.4 percent) is annualized, it corresponds to a 4.4 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI™</i>	<i>Month</i>	<i>PMI™</i>
Oct 2013	56.4	Apr 2013	50.7
Sep 2013	56.2	Mar 2013	51.3
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
Average for 12 months – 52.8 High – 56.4 Low – 49.0			

New Orders

ISM's New Orders Index registered 60.6 percent in October, an increase of 0.1 percentage point when compared to the September reading of 60.5 percent. This represents growth in new orders for the fifth consecutive month, at a slightly faster rate than in September. 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 10 industries reporting growth in new orders in October — listed in order — are: Textile Mills; Printing & Related Support Activities; Food, Beverage & Tobacco Products; Petroleum & Coal Products; Furniture & Related Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Machinery; Computer & Electronic Products; and Transportation Equipment. The four industries reporting a decrease in new orders during October are: Miscellaneous Manufacturing; Primary Metals; Paper Products; and Chemical Products.

New Orders	% Better	% Same	% Worse	Net	Index
Oct 2013	29	54	17	+12	60.6
Sep 2013	32	53	15	+17	60.5
Aug 2013	33	52	15	+18	63.2
Jul 2013	29	49	22	+7	58.3

Production

ISM's Production Index registered 60.8 percent in October, which is a decrease of 1.8 percentage points when compared to the 62.6 percent reported in September. This month's reading indicates growth in production for the fifth consecutive month, but at a moderately slower rate than in September. An index above 51.2 percent, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures.

The 12 industries reporting growth in production during the month of October — listed in order — are: Textile Mills; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Furniture & Related Products; Plastics & Rubber Products; Machinery; Transportation Equipment; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Petroleum & Coal Products; and Miscellaneous Manufacturing. The three industries reporting a decrease in production in October are: Apparel, Leather & Allied Products; Primary Metals; and Chemical Products.

Production	% Better	% Same	% Worse	Net	Index
Oct 2013	30	54	16	+14	60.8
Sep 2013	29	57	14	+15	62.6
Aug 2013	33	54	13	+20	62.4
Jul 2013	30	55	15	+15	65.0

Employment

ISM's Employment Index registered 53.2 percent in October, which is 2.2 percentage points lower than the 55.4 percent reported in September. This month's reading indicates expansion in employment for the fourth consecutive month, but at a slower rate than in September. 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, 12 reported growth in employment in October in the following order: Textile Mills; Wood Products; Printing & Related Support Activities; Furniture & Related Products; Primary Metals; Paper Products; Plastics & Rubber Products; Transportation Equipment; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; and Petroleum & Coal Products. The five industries reporting a decrease in employment in October are: Apparel, Leather & Allied Products; Chemical Products; Miscellaneous Manufacturing; Machinery; and Computer & Electronic Products.

Employment	% Higher	% Same	% Lower	Net	Index
Oct 2013	21	63	16	+5	53.2
Sep 2013	20	66	14	+6	55.4
Aug 2013	22	63	15	+7	53.3
Jul 2013	21	67	12	+9	54.4

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations slowed in October at a faster rate relative to September as the Supplier Deliveries Index registered 54.7 percent. This month's reading is 2.1 percentage points higher than the 52.6 percent reported in September. 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 October — listed in order — are: Computer & Electronic Products; Petroleum & Coal Products; Machinery; Miscellaneous Manufacturing; Transportation Equipment; and Food, Beverage & Tobacco Products. The three industries reporting faster supplier deliveries in October are: Primary Metals; Electrical Equipment, Appliances & Components; and Fabricated Metal Products. Nine industries reported no change in supplier deliveries in October compared to September.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Oct 2013	11	83	6	+5	54.7
Sep 2013	10	86	4	+6	52.6
Aug 2013	12	81	7	+5	52.3
Jul 2013	11	85	4	+7	52.1

Inventories*

The Inventories Index registered 52.5 percent in October, which is 2.5 percentage points higher than the 50 percent reported in September. This month's reading indicates that respondents are reporting inventories are growing relative to September's unchanged reading. 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 six industries reporting higher inventories in October — listed in order — are: Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Computer & Electronic Products; Paper Products; Petroleum & Coal Products; and Miscellaneous Manufacturing. The six industries reporting decreases in inventories in October — listed in order — are: Apparel, Leather & Allied Products; Primary Metals; Machinery; Fabricated Metal Products; Transportation Equipment; and Chemical Products. Six industries reported no change in raw materials inventories in October compared to September.

Inventories	% Higher	% Same	% Lower	Net	Index
Oct 2013	25	55	20	+5	52.5
Sep 2013	19	62	19	0	50.0
Aug 2013	16	63	21	-5	47.5
Jul 2013	15	64	21	-6	47.0

Customers' Inventories*

The ISM Customers' Inventories Index registered 47 percent in October, which is 4 percentage points higher than in September when the index registered 43 percent. This month's reading indicates that customers' inventories are considered too low, but higher than reported in September. Customers' inventories have registered at or below 50

percent for 55 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 October are: Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Paper Products; Food, Beverage & Tobacco Products; and Chemical Products. The six industries reporting customers' inventories as too low during October — listed in order — are: Primary Metals; Plastics & Rubber Products; Machinery; Fabricated Metal Products; Computer & Electronic Products; and Transportation Equipment. Seven industries reported no change in customer inventories in October compared to September.

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Oct 2013	60	12	70	18	-6	47.0
Sep 2013	71	10	66	24	-14	43.0
Aug 2013	66	9	67	24	-15	42.5
Jul 2013	67	12	71	17	-5	47.5

Prices*

The ISM Prices Index registered 55.5 percent in October, which is a decrease of 1 percentage point compared to the September reading of 56.5 percent. This month's reading indicates an increase in raw materials prices for the third consecutive month. In October, 22 percent of respondents reported paying higher prices, 11 percent reported paying lower prices, and 67 percent of supply executives reported paying the same prices as in September. 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, eight reported paying increased prices during the month of October in the following order: Plastics & Rubber Products; Miscellaneous Manufacturing; Fabricated Metal Products; Machinery; Chemical Products; Paper Products; Food, Beverage & Tobacco Products; and Transportation Equipment. The only industry reporting paying lower prices during October is Petroleum & Coal Products. Nine industries reported no change in the price of raw materials in October compared to September.

Prices	% Higher	% Same	% Lower	Net	Index
Oct 2013	22	67	11	+11	55.5
Sep 2013	22	69	9	+13	56.5
Aug 2013	21	66	13	+8	54.0
Jul 2013	20	58	22	-2	49.0

Backlog of Orders*

ISM's Backlog of Orders Index registered 51.5 percent in October, which is 2 percentage points higher than the 49.5 percent reported in September. This is the first month of expanding order backlogs since April 2013, when the index registered 53 percent. Of the 86 percent of respondents who reported their backlog of orders, 24 percent reported greater backlogs, 21 percent reported smaller backlogs, and 55 percent reported no change from September.

The seven industries reporting increased order backlogs in October — listed in order — are: Textile Mills; Furniture & Related Products; Plastics & Rubber Products; Petroleum & Coal Products; Chemical Products; Machinery; and Computer & Electronic Products. The six industries reporting decreases in order backlogs during October — listed in order — are: Apparel, Leather & Allied Products; Wood Products; Miscellaneous Manufacturing; Primary Metals; Fabricated Metal Products; and Food, Beverage & Tobacco Products.

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Oct 2013	86	24	55	21	+3	51.5
Sep 2013	86	19	61	20	-1	49.5
Aug 2013	85	16	61	23	-7	46.5
Jul 2013	86	15	60	25	-10	45.0

New Export Orders*

ISM's New Export Orders Index registered 57 percent in October, which is 5 percentage points higher than the 52 percent reported in September. October's reading reflects growth in the level of exports relative to September, and is the highest reading since April 2012 when the index registered 59 percent. This month's reading also represents the 11th consecutive month of growth in new export orders.

The 10 industries reporting growth in new export orders in October — listed in order — are: Wood Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Machinery; Furniture & Related Products;

Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Transportation Equipment; and Chemical Products. The two industries reporting a decrease in new export orders during October are: Primary Metals; and Paper Products. Six industries reported no change in new export orders in October compared to September.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Oct 2013	78	19	76	5	+14	57.0
Sep 2013	76	14	76	10	+4	52.0
Aug 2013	74	17	77	6	+11	55.5
Jul 2013	75	15	77	8	+7	53.5

Imports*

ISM's Imports Index registered 55.5 percent in October, which is 0.5 percentage point higher than the 55 percent reported in September. October's reading reflects growth in the level of imports relative to September, at a slightly faster rate. This month's reading also represents the 11th consecutive month that the Imports Index has registered at or above 50 percent.

The eight industries reporting growth in imports during the month of October — listed in order — are: Furniture & Related Products; Plastics & Rubber Products; Machinery; Computer & Electronic Products; Fabricated Metal Products; Transportation Equipment; Chemical Products; and Food, Beverage & Tobacco Products. The three industries reporting a decrease in imports during October are: Primary Metals; Apparel, Leather & Allied Products; and Miscellaneous Manufacturing. Seven industries reported no change in imports in October compared to September.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Oct 2013	77	18	75	7	+11	55.5
Sep 2013	77	19	72	9	+10	55.0
Aug 2013	77	21	74	5	+16	58.0
Jul 2013	77	22	71	7	+15	57.5

* 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 14 days to 126 days. Average lead time for Production Materials increased 5 days to 63 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies increased 7 days to 32 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Oct 2013	25	7	13	14	25	16	126
Sep 2013	26	7	14	17	25	11	112
Aug 2013	28	4	15	13	24	16	124
Jul 2013	29	3	13	15	26	14	121
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Oct 2013	15	36	25	16	4	4	63
Sep 2013	17	37	23	16	4	3	58
Aug 2013	16	37	21	20	3	3	59
Jul 2013	18	33	21	20	4	4	63
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Oct 2013	41	41	11	4	2	1	32
Sep 2013	45	40	11	3	1	0	25
Aug 2013	45	39	11	4	1	0	26
Jul 2013	44	37	13	5	1	0	27

About this Report

The data presented herein is obtained from a survey of manufacturing supply managers based on information they have collected within their respective organizations. ISM makes no representation, other than that stated within this

release, regarding the individual company data collection procedures. Use of the data is in the public domain and should be compared to all other economic data sources when used in decision-making.

Data and Method of Presentation

The **Manufacturing ISM Report On Business**[®] is based on data compiled from purchasing and supply executives nationwide. Membership of the Manufacturing Business Survey Committee is diversified by NAICS, based on each industry's contribution to gross domestic product (GDP). Manufacturing Business Survey Committee responses are divided into the following NAICS code categories: Food, Beverage & Tobacco Products; Textile Mills; Apparel, Leather & Allied Products; Wood Products; Paper Products; Printing & Related Support Activities; Petroleum & Coal Products; Chemical Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Furniture & Related Products; and Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies).

Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (New Orders, Backlog of Orders, New Export Orders, Imports, Production, Supplier Deliveries, Inventories, Customers' Inventories, Employment and Prices), this report shows the percentage reporting each response, the net difference between the number of responses in the positive economic direction (higher, better and slower for Supplier Deliveries) and the negative economic direction (lower, worse and faster for Supplier Deliveries), and the diffusion index. Responses are raw data and are never changed. The diffusion index includes the percent of positive responses plus one-half of those responding the same (considered positive).

The resulting single index number for those meeting the criteria for seasonal adjustments (PMI[™], New Orders, Production, Employment and Supplier Deliveries) is then seasonally adjusted to allow for the effects of repetitive intra-year variations resulting primarily from normal differences in weather conditions, various institutional arrangements, and differences attributable to non-moveable holidays. All seasonal adjustment factors are supplied by the U.S. Department of Commerce and are subject annually to relatively minor changes when conditions warrant them. The PMI[™] is a composite index based on the diffusion indexes of five of the indexes with equal weights: New Orders (seasonally adjusted), Production (seasonally adjusted), Employment (seasonally adjusted), Supplier Deliveries (seasonally adjusted), and Inventories.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change. A PMI[™] reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining. A PMI[™] in excess of 42.2 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 November 2013 data will be released at 10:00 a.m. (ET) on Monday, December 2, 2013.