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November 2013 Manufacturing ISM *Report On Business*[®]

PMI™ at 57.3%

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 November 2013.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in November for the sixth consecutive month, and the **overall economy** grew for the 54th 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 57.3 percent, an increase of 0.9 percentage point from October's reading of 56.4 percent. The PMI™ has increased progressively each month since June, with November's reading reflecting the highest PMI™ in 2013. The New Orders Index increased in November by 3 percentage points to 63.6 percent, and the Production Index increased by 2 percentage points to 62.8 percent. The Employment Index registered 56.5 percent, an increase of 3.3 percentage points compared to October's reading of

53.2 percent. This reflects the highest reading since April 2012 when the Employment Index registered 56.8 percent. With 15 of 18 manufacturing industries reporting growth in November relative to October, the positive growth trend characterizing the second half of 2013 is continuing."

Of the 18 manufacturing industries, 15 are reporting growth in November in the following order: Plastics & Rubber Products; Textile Mills; Furniture & Related Products; Primary Metals; Food, Beverage & Tobacco Products; Paper Products; Printing & Related Support Activities; Petroleum & Coal Products; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; Transportation Equipment; Chemical Products; Computer & Electronic Products; Nonmetallic Mineral Products; and Fabricated Metal Products. The three industries reporting contraction in November are: Apparel, Leather & Allied Products; Wood Products; and Machinery.

WHAT RESPONDENTS ARE SAYING ...

- "Seasonal demand has not decreased at the typical pace." (Primary Metals)
- "Incoming order rate remaining strong." (Fabricated Metal Products)
- "Outlook for the remainder of the year and into 2014 is trending positive." (Chemical Products)
- "Overall business climate is good. Business is steady." (Transportation Equipment)
- "Sequestration and cutbacks in defense spending continue to impact business." (Computer & Electronic Products)
- "Market continues to be stronger than normal for this time of year." (Wood Products)
- "Getting much busier toward the end of the year." (Furniture & Related Products)
- "Seeing consistent uptick in demand." (Food, Beverage & Tobacco Products)
- "Federal debt, deficit and inefficiency are causing a level of caution and uncertainty." (Machinery)
- "Ordering for 2014 seems to be increasing in comparison to the past six months." (Miscellaneous Manufacturing)

MANUFACTURING AT A GLANCE NOVEMBER 2013						
Index	Series Index Nov	Series Index Oct	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI™	57.3	56.4	+0.9	Growing	Faster	6
New Orders	63.6	60.6	+3.0	Growing	Faster	6
Production	62.8	60.8	+2.0	Growing	Faster	6
Employment	56.5	53.2	+3.3	Growing	Faster	5
Supplier Deliveries	53.2	54.7	-1.5	Slowing	Slower	5
Inventories	50.5	52.5	-2.0	Growing	Slower	2
Customers' Inventories	45.0	47.0	-2.0	Too Low	Faster	24
Prices	52.5	55.5	-3.0	Increasing	Slower	4
Backlog of Orders	54.0	51.5	+2.5	Growing	Faster	2
Exports	59.5	57.0	+2.5	Growing	Faster	12
Imports	55.0	55.5	-0.5	Growing	Slower	10
OVERALL ECONOMY				Growing	Faster	54
Manufacturing Sector				Growing	Faster	6

*Number of months moving in current direction.

COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY

Commodities Up in Price

Steel Coil; Steel — Cold Rolled; Steel — Hot Rolled; and Wood.

Commodities Down in Price

Aluminum; Caustic Soda (2); Corn Based Products; Fuel; Polypropylene Resin; and Sulfuric Acid.

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.

NOVEMBER 2013 MANUFACTURING INDEX SUMMARIES

PMI™

Manufacturing expanded in November as the PMI™ registered 57.3 percent, an increase of 0.9 percentage point when compared to October's reading of 56.4 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 November PMI™ indicates growth for the 54th consecutive month in the overall economy, and indicates expansion in the manufacturing sector for the sixth consecutive month. Holcomb stated, "The past relationship between the PMI™ and the overall economy indicates that the average PMI™ for January through November (53.7 percent) corresponds to a 3.6 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI™ for November (57.3 percent) is annualized, it corresponds to a 4.7 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI™</i>	<i>Month</i>	<i>PMI™</i>
Nov 2013	57.3	May 2013	49.0
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
Average for 12 months – 53.4 High – 57.3 Low – 49.0			

New Orders

ISM's New Orders Index registered 63.6 percent in November, an increase of 3 percentage points when compared to the October reading of 60.6 percent. This represents growth in new orders for the sixth consecutive month, at a faster rate than in October. 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 November — listed in order — are: Primary Metals; Textile Mills; Furniture & Related Products; Plastics & Rubber Products; Food, Beverage & Tobacco Products; Transportation Equipment; Fabricated Metal Products; Paper Products; Miscellaneous Manufacturing; Chemical Products; Machinery; and Electrical Equipment, Appliances & Components. The two industries reporting a decrease in new orders during November are: Wood Products; and Nonmetallic Mineral Products.

New Orders	% Better	% Same	% Worse	Net	Index
Nov 2013	36	46	18	+18	63.6
Oct 2013	29	54	17	+12	60.6
Sep 2013	32	53	15	+17	60.5
Aug 2013	33	52	15	+18	63.2

Production

ISM's Production Index registered 62.8 percent in November, which is an increase of 2 percentage points when compared to the 60.8 percent reported in October. This month's reading indicates growth in production for the sixth consecutive month, at a faster rate than in October. 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 November — listed in order — are: Primary Metals; Textile Mills; Furniture & Related Products; Food, Beverage & Tobacco Products; Paper Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Miscellaneous Manufacturing; Transportation Equipment; Computer & Electronic Products; Chemical Products; and Machinery. The three industries reporting a decrease in production in November are: Apparel, Leather & Allied Products; Wood Products; and Nonmetallic Mineral Products.

Production	% Better	% Same	% Worse	Net	Index
Nov 2013	32	55	13	+19	62.8
Oct 2013	30	54	16	+14	60.8
Sep 2013	29	57	14	+15	62.6
Aug 2013	33	54	13	+20	62.4

Employment

ISM's Employment Index registered 56.5 percent in November, which is 3.3 percentage points higher than the 53.2 percent reported in October. This month's reading indicates expansion in employment for the fifth consecutive month, at a faster rate than in October. 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, 11 reported growth in employment in November in the following order: Textile Mills; Printing & Related Support Activities; Plastics & Rubber Products; Wood Products; Furniture & Related Products; Petroleum & Coal Products; Primary Metals; Food, Beverage & Tobacco Products; Fabricated Metal Products; Computer & Electronic Products; and Miscellaneous Manufacturing. The four industries reporting a decrease in employment in November are: Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Machinery; and Transportation Equipment.

Employment	% Higher	% Same	% Lower	Net	Index
Nov 2013	18	70	12	+6	56.5
Oct 2013	21	63	16	+5	53.2
Sep 2013	20	66	14	+6	55.4
Aug 2013	22	63	15	+7	53.3

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations slowed in November at a slower rate relative to October as the Supplier Deliveries Index registered 53.2 percent. This month's reading is 1.5 percentage points lower than the 54.7 percent reported in October. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The four industries reporting slower supplier deliveries in November are: Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Machinery; and Food, Beverage & Tobacco Products. The two industries reporting faster supplier deliveries in November are: Primary Metals; and Chemical Products. Twelve industries reported no change in supplier deliveries in November compared to October.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Nov 2013	6	89	5	+1	53.2
Oct 2013	11	83	6	+5	54.7
Sep 2013	10	86	4	+6	52.6
Aug 2013	12	81	7	+5	52.3

Inventories*

The Inventories Index registered 50.5 percent in November, which is 2 percentage points lower than the 52.5 percent reported in October. This month's reading indicates that respondents are reporting inventories are growing, but at a slower rate relative to October's 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 10 industries reporting higher inventories in November — listed in order — are: Plastics & Rubber Products; Nonmetallic Mineral Products; Petroleum & Coal Products; Furniture & Related Products; Chemical Products; Electrical

Equipment, Appliances & Components; Computer & Electronic Products; Paper Products; Food, Beverage & Tobacco Products; and Miscellaneous Manufacturing. The four industries reporting decreases in inventories in November are: Apparel, Leather & Allied Products; Fabricated Metal Products; Machinery; and Transportation Equipment.

Inventories	% Higher	% Same	% Lower	Net	Index
Nov 2013	21	59	20	+1	50.5
Oct 2013	25	55	20	+5	52.5
Sep 2013	19	62	19	0	50.0
Aug 2013	16	63	21	-5	47.5

Customers' Inventories*

The ISM Customers' Inventories Index registered 45 percent in November, which is 2 percentage points lower than in October when the index registered 47 percent. This month's reading indicates that customers' inventories are considered too low, and lower than reported in October. Customers' inventories have registered at or below 50 percent for 56 consecutive months. A reading below 50 percent indicates customers' inventories are considered too low.

The three manufacturing industries reporting customers' inventories as being too high during the month of November are: Petroleum & Coal Products; Chemical Products; and Electrical Equipment, Appliances & Components. The 10 industries reporting customers' inventories as too low during November — listed in order — are: Primary Metals; Plastics & Rubber Products; Textile Mills; Fabricated Metal Products; Machinery; Furniture & Related Products; Transportation Equipment; Computer & Electronic Products; Food, Beverage & Tobacco Products; and Miscellaneous Manufacturing.

Customers' Inventories	% Reporting	% Too High	% About Right	% Too Low	Net	Index
Nov 2013	65	12	66	22	-10	45.0
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

Prices*

The ISM Prices Index registered 52.5 percent in November, which is a decrease of 3 percentage points compared to the October reading of 55.5 percent. This month's reading indicates an increase in raw materials prices for the fourth consecutive month. In November, 18 percent of respondents reported paying higher prices, 13 percent reported paying lower prices, and 69 percent of supply executives reported paying the same prices as in October. 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, seven reported paying increased prices during the month of November in the following order: Textile Mills; Wood Products; Fabricated Metal Products; Miscellaneous Manufacturing; Machinery; Food, Beverage & Tobacco Products; and Transportation Equipment. The six industries reporting paying lower prices during November — listed in order — are: Apparel, Leather & Allied Products; Petroleum & Coal Products; Primary Metals; Furniture & Related Products; Chemical Products; and Paper Products.

Prices	% Higher	% Same	% Lower	Net	Index
Nov 2013	18	69	13	+5	52.5
Oct 2013	22	67	11	+11	55.5
Sep 2013	22	69	9	+13	56.5
Aug 2013	21	66	13	+8	54.0

Backlog of Orders*

ISM's Backlog of Orders Index registered 54 percent in November, which is 2.5 percentage points higher than the 51.5 percent reported in October. This is the second consecutive month of expanding order backlogs. Of the 85 percent of respondents who reported their backlog of orders, 24 percent reported greater backlogs, 16 percent reported smaller backlogs, and 60 percent reported no change from October.

The 10 industries reporting increased order backlogs in November — listed in order — are: Nonmetallic Mineral Products; Furniture & Related Products; Primary Metals; Food, Beverage & Tobacco Products; Paper Products; Plastics & Rubber Products; Transportation Equipment; Fabricated Metal Products; Miscellaneous Manufacturing; and Chemical Products. The four industries reporting decreases in order backlogs during November are: Wood Products; Electrical Equipment, Appliances & Components; Machinery; and Computer & Electronic Products.

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Nov 2013	85	24	60	16	+8	54.0
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

New Export Orders*

ISM's New Export Orders Index registered 59.5 percent in November, which is 2.5 percentage points higher than the 57 percent reported in October. November's reading reflects growth in the level of exports relative to October, and is the highest reading since February 2012 when the index also registered 59.5 percent. This month's reading also represents the 12th consecutive month of growth in new export orders.

The nine industries reporting growth in new export orders in November — listed in order — are: Furniture & Related Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; Machinery; Transportation Equipment; Miscellaneous Manufacturing; Paper Products; and Chemical Products. No industries reported a decrease in new export orders during November. Nine industries reported no change in new export orders in November compared to October.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Nov 2013	75	22	75	3	+19	59.5
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

Imports*

ISM's Imports Index registered 55 percent in November, which is 0.5 percentage point lower than the 55.5 percent reported in October. November's reading reflects growth in the level of imports relative to October, but at a slightly slower rate. This month's reading also represents the 12th consecutive month that the Imports Index has registered at or above 50 percent.

The 10 industries reporting growth in imports during the month of November — listed in order — are: Plastics & Rubber Products; Textile Mills; Primary Metals; Fabricated Metal Products; Machinery; Transportation Equipment; Miscellaneous Manufacturing; Chemical Products; Computer & Electronic Products; and Furniture & Related Products. The three industries reporting a decrease in imports during November are: Nonmetallic Mineral Products; Apparel, Leather & Allied Products; and Food, Beverage & Tobacco Products.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Nov 2013	78	19	72	9	+10	55.0
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

* 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 122 days. Average lead time for Production Materials decreased 10 days to 53 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies decreased 5 days to 27 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Nov 2013	25	7	13	17	23	15	122
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
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Nov 2013	17	37	30	10	4	2	53
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
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Nov 2013	45	37	13	4	1	0	27
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

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 December 2013 data will be released at 10:00 a.m. (ET) on Thursday, January 2, 2014.