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March 2014 Manufacturing ISM[®] Report On Business[®]

PMI[®] at 53.7%

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 March 2014.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in March for the 10th consecutive month, and the **overall economy** grew for the 58th 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[®] (ISM[®]) Manufacturing Business Survey Committee. "The March PMI[®] registered 53.7 percent, an increase of 0.5 percentage point from February's reading of 53.2 percent, indicating expansion in manufacturing for the 10th consecutive month. The New Orders Index registered 55.1 percent, an increase of 0.6 percentage point from February's reading of 54.5 percent. The Production Index registered 55.9 percent, a substantial increase of 7.7 percentage points compared to February's reading of 48.2 percent. Employment grew for the ninth consecutive month, but at a lower rate by 1.2 percentage points, registering 51.1 percent compared to February's reading of 52.3 percent. Several comments from the panel reflect favorable demand and good business conditions, with some lingering concerns about the particularly adverse weather conditions across the country."

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

WHAT RESPONDENTS ARE SAYING ...

- "Seeing improvement in the overall economy. Hearing strong bookings in residential contractor and home repair work." (Paper Products)
- "First quarter business still strong." (Fabricated Metal Products)
- "Business beginning to heat-up, along with the weather." (Petroleum & Coal Products)
- "Business is good and we are optimistic that orders will continue to come in at a decent pace." (Transportation Equipment)
- "Year starting off very good. Outlook very bright for 2014." (Computer & Electronic Products)
- "Export orders are picking up — volume is improving although pricing, and thus profitability, are still challenged. Domestic business seems to be holding steady despite earlier predicted declines." (Chemical Products)
- "Short supply of hardwood lumber continues to challenge sales' ability to maximize volume targets. Demand is sound." (Wood Products)
- "Weather has created major delays on inbound materials and outbound sales. We need spring." (Food, Beverage & Tobacco Products)
- "Economy is looking positive and commodities are stable." (Machinery)
- "Business continues to improve." (Furniture & Related Products)

MANUFACTURING AT A GLANCE MARCH 2014						
Index	Series Index Mar	Series Index Feb	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	53.7	53.2	+0.5	Growing	Faster	10
New Orders	55.1	54.5	+0.6	Growing	Faster	10
Production	55.9	48.2	+7.7	Growing	From Contracting	1
Employment	51.1	52.3	-1.2	Growing	Slower	9
Supplier Deliveries	54.0	58.5	-4.5	Slowing	Slower	10
Inventories	52.5	52.5	0.0	Growing	Same	2
Customers' Inventories	42.0	46.5	-4.5	Too Low	Faster	28
Prices	59.0	60.0	-1.0	Increasing	Slower	8
Backlog of Orders	57.5	52.0	+5.5	Growing	Faster	2
Exports	55.5	53.5	+2.0	Growing	Faster	16
Imports	54.5	53.5	+1.0	Growing	Faster	14
OVERALL ECONOMY				Growing	Faster	58
Manufacturing Sector				Growing	Faster	10

Manufacturing ISM® Report On Business® data is seasonally adjusted for New Orders, Production, Employment and Supplier Deliveries indexes.

*Number of months moving in current direction.

COMMODITIES REPORTED UP/DOWN IN PRICE and IN SHORT SUPPLY

Commodities Up in Price

Aluminum (2); Corn; Dairy (2); Diesel; Foam; Freight; Gasoline; HDPE (2); Lumber; MRO Supplies; Molybdenum; Nickel; Packaging (2); Plastic Resins (4); Polyethylene Resin; Stainless Steel; Steel* (4); and Wood (5).

Commodities Down in Price

Caustic Soda; Copper; Natural Gas; Steel*; Steel — Hot Rolled.

Commodities in Short Supply

The only commodity reported in short supply is Helium.

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

*Reported as both up and down in price.

MARCH 2014 MANUFACTURING INDEX SUMMARIES

PMI[®]

Manufacturing expanded in March as the PMI[®] registered 53.7 percent, an increase of 0.5 percentage points when compared to February's reading of 53.2 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 43.2 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the March PMI[®] indicates growth for the 58th consecutive month in the overall economy, and indicates expansion in the manufacturing sector for the 10th consecutive month. Holcomb stated, "The past relationship between the PMI[®] and the overall economy indicates that the average PMI[®] for January through March (52.7 percent) corresponds to a 3.1 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI[®] for March (53.7 percent) is annualized, it corresponds to a 3.5 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI[®]</i>	<i>Month</i>	<i>PMI[®]</i>
Mar 2014	53.7	Sep 2013	56.0
Feb 2014	53.2	Aug 2013	56.3
Jan 2014	51.3	Jul 2013	54.9
Dec 2013	56.5	Jun 2013	52.5
Nov 2013	57.0	May 2013	50.0
Oct 2013	56.6	Apr 2013	50.0
Average for 12 months – 54.0 High – 57.0 Low – 50.0			

New Orders

ISM[®]'s New Orders Index registered 55.1 percent in March, an increase of 0.6 percentage point when compared to the February reading of 54.5 percent. This represents growth in new orders for the 10th consecutive month. A New Orders Index above 52.1 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders (in constant 2000 dollars).

The 11 industries reporting growth in new orders in March — listed in order — are: Textile Mills; Transportation Equipment; Machinery; Petroleum & Coal Products; Furniture & Related Products; Paper Products; Fabricated Metal Products; Primary Metals; Food, Beverage & Tobacco Products; Computer & Electronic Products; and Chemical Products. The three industries reporting a decrease in new orders during March are: Apparel, Leather & Allied Products; Wood Products; and Electrical Equipment, Appliances & Components.

New Orders	% Better	% Same	% Worse	Net	Index
Mar 2014	35	52	13	+22	55.1
Feb 2014	35	49	16	+19	54.5
Jan 2014	27	54	19	+8	51.2
Dec 2013	34	52	14	+20	64.4

Production

ISM®'s Production Index registered 55.9 percent in March, which is an increase of 7.7 percentage points when compared to the 48.2 percent reported in February. This represents the largest month-over-month increase in production since June 2009 when the increase was 12.7 percentage points. It also indicates a return to growth in production following only one month of contraction in the last 19 months. An index above 51.1 percent, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures.

The 11 industries reporting growth in production during the month of March — listed in order — are: Paper Products; Primary Metals; Plastics & Rubber Products; Fabricated Metal Products; Transportation Equipment; Furniture & Related Products; Machinery; Chemical Products; Petroleum & Coal Products; Food, Beverage & Tobacco Products; and Computer & Electronic Products. The four industries reporting a decrease in production in March are: Apparel, Leather & Allied Products; Wood Products; Electrical Equipment, Appliances & Components; and Textile Mills.

Production	% Better	% Same	% Worse	Net	Index
Mar 2014	31	60	9	+22	55.9
Feb 2014	27	54	19	+8	48.2
Jan 2014	24	60	16	+8	54.8
Dec 2013	28	56	16	+12	61.7

Employment

ISM®'s Employment Index registered 51.1 percent in March, which is a decrease of 1.2 percentage points when compared February's reading of 52.3 percentage points, and represents the ninth consecutive month of growth in employment. An Employment Index above 50.6 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) data on manufacturing employment.

Of the 18 manufacturing industries, 10 reported growth in employment in March in the following order: Printing & Related Support Activities; Furniture & Related Products; Petroleum & Coal Products; Paper Products; Transportation Equipment; Machinery; Chemical Products; Fabricated Metal Products; Computer & Electronic Products; and Miscellaneous Manufacturing. The five industries reporting a decrease in employment in March are: Apparel, Leather & Allied Products; Textile Mills; Electrical Equipment, Appliances & Components; Primary Metals; and Food, Beverage & Tobacco Products.

Employment	% Higher	% Same	% Lower	Net	Index
Mar 2014	21	64	15	+6	51.1
Feb 2014	20	67	13	+7	52.3
Jan 2014	16	70	14	+2	52.3
Dec 2013	19	68	13	+6	55.8

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations slowed in March at a slower rate relative to February as the Supplier Deliveries Index registered 54 percent. This month's reading is 4.5 percentage points lower than the 58.5 percent reported in February. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The nine industries reporting slower supplier deliveries in March — listed in order — are: Plastics & Rubber Products; Computer & Electronic Products; Nonmetallic Mineral Products; Chemical Products; Food, Beverage & Tobacco Products; Paper Products; Fabricated Metal Products; Machinery; and Transportation Equipment. The three industries reporting faster supplier deliveries in March are: Textile Mills; Electrical Equipment, Appliances & Components; and Miscellaneous Manufacturing. Six industries reported no change in supplier deliveries in March compared to February.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Mar 2014	16	79	5	+11	54.0
Feb 2014	17	82	1	+16	58.5
Jan 2014	15	80	5	+10	54.3
Dec 2013	12	79	9	+3	53.7

Inventories*

The Inventories Index registered 52.5 percent in March, the same reading as reported in February, and indicates that inventories are growing for the second consecutive month, following two consecutive months of contraction. An Inventories Index greater than 42.8 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 12 industries reporting higher inventories in March — listed in order — are: Textile Mills; Printing & Related Support Activities; Petroleum & Coal Products; Nonmetallic Mineral Products; Plastics & Rubber Products; Transportation Equipment; Furniture & Related Products; Paper Products; Food, Beverage & Tobacco Products; Fabricated Metal Products; Computer & Electronic Products; and Electrical Equipment, Appliances & Components. The four industries reporting decreases in inventories in March are: Primary Metals; Miscellaneous Manufacturing; Chemical Products; and Machinery.

Inventories	% Higher	% Same	% Lower	Net	Index
Mar 2014	20	65	15	+5	52.5
Feb 2014	24	57	19	+5	52.5
Jan 2014	14	60	26	-12	44.0
Dec 2013	16	62	22	-6	47.0

Customers' Inventories*

ISM®'s Customers' Inventories Index registered 42 percent in March, which is 4.5 percentage points lower than in February when the index registered 46.5 percent. This month's reading indicates that customers' inventories are considered too low, and is the lowest reading since May 2011 when the Customers' Inventories Index registered 39.5 percent. Customers' inventories have registered at or below 50 percent for 60 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 March is Food, Beverage & Tobacco Products. The 11 industries reporting customers' inventories as too low during March — listed in order — are: Plastics & Rubber Products; Textile Mills; Electrical Equipment, Appliances & Components; Furniture & Related Products; Transportation Equipment; Computer & Electronic Products; Fabricated Metal Products; Machinery; Paper Products; Miscellaneous Manufacturing; and Chemical Products. Six industries reported no change in customers' inventories in March compared to February.

Customers' Inventories	% Reporting	% Too High	% About Right	% Too Low	Net	Index
Mar 2014	60	8	68	24	-16	42.0
Feb 2014	61	16	61	23	-7	46.5
Jan 2014	66	9	70	21	-12	44.0
Dec 2013	67	16	63	21	-5	47.5

Prices*

The ISM® Prices Index registered 59 percent in March, which is a decrease of 1 percentage point compared to the February reading of 60 percent. In March, 28 percent of respondents reported paying higher prices, 10 percent reported paying lower prices, and 62 percent of supply executives reported paying the same prices as in February. A Prices Index above 49.7 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) Index of Manufacturers Prices.

Of the 18 manufacturing industries, 12 reported paying increased prices during the month of March in the following order: Food, Beverage & Tobacco Products; Wood Products; Plastics & Rubber Products; Apparel, Leather & Allied Products; Furniture & Related Products; Petroleum & Coal Products; Miscellaneous Manufacturing; Textile Mills; Chemical Products; Electrical Equipment, Appliances & Components; Paper Products; and Machinery. The four industries reporting paying lower prices during the month of March are: Computer & Electronic Products; Transportation Equipment; Fabricated Metal Products; and Primary Metals.

Prices	% Higher	% Same	% Lower	Net	Index
Mar 2014	28	62	10	+18	59.0
Feb 2014	27	66	7	+20	60.0
Jan 2014	28	65	7	+21	60.5
Dec 2013	20	67	13	+7	53.5

Backlog of Orders*

ISM®'s Backlog of Orders Index registered 57.5 percent in March, which is 5.5 percentage points higher than the 52 percent reported in February, indicating notable growth in order backlogs relative to February. Of the 86 percent of respondents who reported their backlog of orders, 28 percent reported greater backlogs, 13 percent reported smaller backlogs, and 59 percent reported no change from February.

The 14 industries reporting increased order backlogs in March — listed in order — are: Textile Mills; Paper Products; Nonmetallic Mineral Products; Furniture & Related Products; Transportation Equipment; Plastics & Rubber Products; Machinery; Primary Metals; Fabricated Metal Products; Computer & Electronic Products; Miscellaneous Manufacturing; Chemical Products; Food, Beverage & Tobacco Products; and Electrical Equipment, Appliances & Components. The only industry reporting a decrease in order backlogs during March is Apparel, Leather & Allied Products.

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Mar 2014	86	28	59	13	+15	57.5
Feb 2014	85	22	60	18	+4	52.0
Jan 2014	83	19	58	23	-4	48.0
Dec 2013	87	23	57	20	+3	51.5

New Export Orders*

ISM®'s New Export Orders Index registered 55.5 percent in March, which is 2 percentage points higher than the 53.5 percent reported in February. March's reading reflects growth in the level of exports for the 16th consecutive month.

The 11 industries reporting growth in new export orders in March — listed in order — are: Wood Products; Furniture & Related Products; Transportation Equipment; Textile Mills; Petroleum & Coal Products; Machinery; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Chemical Products; Food, Beverage & Tobacco Products; and Computer & Electronic Products. The five industries reporting a decrease in new export orders during March are: Nonmetallic Mineral Products; Apparel, Leather & Allied Products; Miscellaneous Manufacturing; Primary Metals; and Paper Products.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Mar 2014	75	21	69	10	+11	55.5
Feb 2014	76	16	75	9	+7	53.5
Jan 2014	77	17	75	8	+9	54.5
Dec 2013	76	17	76	7	+10	55.0

Imports*

ISM®'s Imports Index registered 54.5 percent in March, which is 1 percentage point higher than the 53.5 percent reported in February. This month's reading represents 14 consecutive months of growth in imports.

The nine industries reporting growth in imports during the month of March — listed in order — are: Primary Metals; Petroleum & Coal Products; Transportation Equipment; Plastics & Rubber Products; Furniture & Related Products; Machinery; Computer & Electronic Products; Chemical Products; and Food, Beverage & Tobacco Products. The five

industries reporting a decrease in imports during March are: Printing & Related Support Activities; Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; and Fabricated Metal Products.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Mar 2014	78	18	73	9	+9	54.5
Feb 2014	78	17	73	10	+7	53.5
Jan 2014	79	18	71	11	+7	53.5
Dec 2013	79	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 16 days to 121 days. Average lead time for Production Materials increased by 1 day to 59 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies increased 1 day to 28 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Mar 2014	28	5	11	18	23	15	121
Feb 2014	23	6	12	15	25	19	137
Jan 2014	23	5	14	17	25	16	129
Dec 2013	31	6	13	15	23	12	109
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Mar 2014	13	39	25	15	6	2	59
Feb 2014	19	34	22	19	3	3	58
Jan 2014	15	38	25	14	5	3	60
Dec 2013	15	35	27	16	4	3	60
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Mar 2014	41	40	14	4	1	0	28
Feb 2014	44	38	13	4	1	0	27
Jan 2014	44	41	11	3	1	0	26
Dec 2013	43	38	13	4	2	0	29

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 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 43.2 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 43.2 percent, it is generally declining. The distance from 50 percent or 43.2 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 Institute for Supply Management®, the first supply institute in the world. Founded in 1915, ISM®'s mission is to enhance the value and performance of procurement and supply chain management practitioners and their organizations worldwide. By executing and extending its mission through education, research, standards of excellence and information dissemination — including the renowned monthly **ISM® Report On Business®** — ISM® maintains a strong global influence among individuals and organizations. ISM® is a not-for-profit educational association that serves professionals with an interest in supply management who live and work in more than 80 countries. This report has been issued by the association since 1931, except for a four-year interruption during World War II.

The full text version of the **Manufacturing ISM® Report On Business®** is posted on ISM®'s website at www.ism.ws on the first business day of every month after 10:10 a.m. (ET).

The next **Manufacturing ISM® Report On Business®** featuring the April 2014 data will be released at 10:00 a.m. (ET) on Thursday, May 1, 2014.