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

PMI[®] at 54.9%

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 April 2014.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in April for the 11th consecutive month, and the **overall economy** grew for the 59th 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 April PMI[®] registered 54.9 percent, an increase of 1.2 percentage points from March's reading of 53.7 percent, indicating expansion in manufacturing for the 11th consecutive month. The New Orders Index registered 55.1 percent, equal to the reading in March, indicating growth in new orders for the 11th consecutive month. The Production Index registered 55.7 percent, slightly below the March reading of 55.9 percent. Employment grew for the 10th consecutive month, registering 54.7 percent, an increase of 3.6 percentage points over March's reading of 51.1 percent. Comments from the panel generally remain positive; however, some expressed concern about international economic and political issues potentially impacting demand."

Of the 18 manufacturing industries, 17 are reporting growth in April in the following order: Apparel, Leather & Allied Products; Primary Metals; Furniture & Related Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Transportation Equipment; Fabricated Metal Products; Machinery; Printing & Related Support Activities; Plastics & Rubber Products; Textile Mills; Chemical Products; Computer & Electronic Products; Wood Products; Paper Products; Petroleum & Coal Products; and Electrical Equipment, Appliances & Components. The only industry reporting contraction in April is Nonmetallic Mineral Products.

WHAT RESPONDENTS ARE SAYING ...

- "Business is strong and continues to grow in my industry." (Textile Mills)
- "Winter weather has slowed order intake but not inquiries. We think there is pent-up demand waiting for the weather to break." (Fabricated Metal Products)
- "U.S. remains stable, Asia is increasing in sales dramatically and Europe remains soft." (Transportation Equipment)
- "Overall business is up. Hiring is also up. Skilled trades in short supply." (Transportation Equipment)
- "Slight improvement in defense spending and manufacturing." (Computer & Electronic Products)
- "Export demand picking up but seems to have no leverage to raise prices. Margins are very thin, and concerned about Chinese slowdown effect on our business." (Chemical Products)
- "China returned from their New Year holiday with brisk demand. Domestic markets are also doing well." (Wood Products)
- "Softening in bookings, shipments at same level." (Electrical Equipment, Appliances & Components)
- "Spring of 2014 is 3 to 4 percent better than Spring of 2013 for our company." (Machinery)
- "Russia may stop importing medical devices manufactured completely outside of Russia. Would have big negative impact — 5 to10 percent lost revenue." (Miscellaneous Manufacturing)

MANUFACTURING AT A GLANCE APRIL 2014						
Index	Series Index Apr	Series Index Mar	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	54.9	53.7	+1.2	Growing	Faster	11
New Orders	55.1	55.1	0.0	Growing	Same	11
Production	55.7	55.9	-0.2	Growing	Slower	2
Employment	54.7	51.1	+3.6	Growing	Faster	10
Supplier Deliveries	55.9	54.0	+1.9	Slowing	Faster	11
Inventories	53.0	52.5	+0.5	Growing	Faster	3
Customers' Inventories	42.0	42.0	0.0	Too Low	Same	29
Prices	56.5	59.0	-2.5	Increasing	Slower	9
Backlog of Orders	55.5	57.5	-2.0	Growing	Slower	3
Exports	57.0	55.5	+1.5	Growing	Faster	17
Imports	58.0	54.5	+3.5	Growing	Faster	15
OVERALL ECONOMY				Growing	Faster	59
Manufacturing Sector				Growing	Faster	11

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 (3); Butter; Dairy (3); Electrical Components; Lumber (2); Nickel (2); Plastic Resins (5); Stainless Steel (2); Steel (5); Steel — Cold Rolled; Steel — Hot Rolled; and Wood Pallets.

Commodities Down in Price

Copper (2); Copper Tubing; Polypropylene Resin; and Scrap Steel.

Commodities in Short Supply

The only commodity reported in short supply is Truck Freight Services.

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

APRIL 2014 MANUFACTURING INDEX SUMMARIES

PMI[®]

Manufacturing expanded in April as the PMI[®] registered 54.9 percent, an increase of 1.2 percentage points when compared to March's reading of 53.7 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 April PMI[®] indicates growth for the 59th consecutive month in the overall economy, and indicates expansion in the manufacturing sector for the 11th consecutive month. Holcomb stated, "The past relationship between the PMI[®] and the overall economy indicates that the average PMI[®] for January through April (53.3 percent) corresponds to a 3.3 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI[®] for April (54.9 percent) is annualized, it corresponds to a 3.9 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI[®]</i>	<i>Month</i>	<i>PMI[®]</i>
Apr 2014	54.9	Oct 2013	56.6
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
Average for 12 months – 54.4 High – 57.0 Low – 50.0			

New Orders

ISM[®]'s New Orders Index registered 55.1 percent in April, the same percentage as reported in March. This reading represents growth in new orders for the 11th 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 13 industries reporting growth in new orders in April — listed in order — are: Apparel, Leather & Allied Products; Miscellaneous Manufacturing; Transportation Equipment; Fabricated Metal Products; Machinery; Textile Mills; Primary Metals; Food, Beverage & Tobacco Products; Computer & Electronic Products; Plastics & Rubber Products; Furniture & Related Products; Chemical Products; and Paper Products. The only industry reporting a decrease in new orders during April is Nonmetallic Mineral Products.

New Orders	% Better	% Same	% Worse	Net	Index
Apr 2014	37	51	12	+25	55.1
Mar 2014	35	52	13	+22	55.1
Feb 2014	35	49	16	+19	54.5
Jan 2014	27	54	19	+8	51.2

Production

ISM®'s Production Index registered 55.7 percent in April, which is a decrease of 0.2 percentage point when compared to the 55.9 percent reported in March, indicating growth in production for the second consecutive month. An index above 51.1 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 April — listed in order — are: Primary Metals; Plastics & Rubber Products; Apparel, Leather & Allied Products; Food, Beverage & Tobacco Products; Paper Products; Miscellaneous Manufacturing; Textile Mills; Transportation Equipment; Fabricated Metal Products; Machinery; Petroleum & Coal Products; Chemical Products; Furniture & Related Products; Computer & Electronic Products; and Electrical Equipment, Appliances & Components. The only industry reporting a decrease in production during April is Nonmetallic Mineral Products.

Production	% Better	% Same	% Worse	Net	Index
Apr 2014	36	55	9	+27	55.7
Mar 2014	31	60	9	+22	55.9
Feb 2014	27	54	19	+8	48.2
Jan 2014	24	60	16	+8	54.8

Employment

ISM®'s Employment Index registered 54.7 percent in April, which is an increase of 3.6 percentage points when compared March's reading of 51.1 percent, and represents the 10th 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, 15 reported growth in employment in April in the following order: Printing & Related Support Activities; Apparel, Leather & Allied Products; Wood Products; Furniture & Related Products; Primary Metals; Transportation Equipment; Miscellaneous Manufacturing; Machinery; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Petroleum & Coal Products; Chemical Products; Fabricated Metal Products; Paper Products; and Computer & Electronic Products. The two industries reporting a decrease in employment in April are: Textile Mills; and Plastics & Rubber Products.

Employment	% Higher	% Same	% Lower	Net	Index
Apr 2014	29	60	11	+18	54.7
Mar 2014	21	64	15	+6	51.1
Feb 2014	20	67	13	+7	52.3
Jan 2014	16	70	14	+2	52.3

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations slowed in April at a faster rate relative to March as the Supplier Deliveries Index registered 55.9 percent. This month's reading is 1.9 percentage points higher than the 54 percent reported in March. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

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

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Apr 2014	17	81	2	+15	55.9
Mar 2014	16	79	5	+11	54.0
Feb 2014	17	82	1	+16	58.5
Jan 2014	15	80	5	+10	54.3

Inventories*

The Inventories Index registered 53 percent in April, an increase of 0.5 percentage point when compared to the 52.5 percent reported in March, and indicates inventories are growing for the third consecutive month. 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 nine industries reporting higher inventories in April — listed in order — are: Textile Mills; Furniture & Related Products; Food, Beverage & Tobacco Products; Plastics & Rubber Products; Transportation Equipment; Miscellaneous Manufacturing; Fabricated Metal Products; Machinery; and Electrical Equipment, Appliances & Components. The seven industries reporting decreases in inventories in April — listed in order — are: Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Petroleum & Coal Products; Primary Metals; Paper Products; Computer & Electronic Products; and Chemical Products.

Inventories	% Higher	% Same	% Lower	Net	Index
Apr 2014	20	66	14	+6	53.0
Mar 2014	20	65	15	+5	52.5
Feb 2014	24	57	19	+5	52.5
Jan 2014	14	60	26	-12	44.0

Customers' Inventories*

ISM®'s Customers' Inventories Index registered 42 percent in April, the same percentage as reported in March, indicating that customers' inventories are considered too low. The April and March readings of 42 percent are the lowest since May 2011 when the Customers' Inventories Index registered 39.5 percent. Customers' inventories have registered at or below 50 percent for 61 consecutive months. A reading below 50 percent indicates customers' inventories are considered too low.

The two manufacturing industries reporting customers' inventories as being too high during the month of April are: Furniture & Related Products; and Chemical Products. The eight industries reporting customers' inventories as too low during April — listed in order — are: Textile Mills; Plastics & Rubber Products; Miscellaneous Manufacturing; Fabricated Metal Products; Transportation Equipment; Machinery; Computer & Electronic Products; and Food, Beverage & Tobacco Products. Seven industries reported no change in customers' inventories in April compared to March.

Customers' Inventories	% Reporting	% Too High	% About Right	% Too Low	Net	Index
Apr 2014	62	5	74	21	-16	42.0
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

Prices*

The ISM® Prices Index registered 56.5 percent in April, which is a decrease of 2.5 percentage points compared to the March reading of 59 percent. In April, 25 percent of respondents reported paying higher prices, 12 percent reported paying lower prices, and 63 percent of supply executives reported paying the same prices as in March. 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 April in the following order: Furniture & Related Products; Apparel, Leather & Allied Products; Wood Products; Textile Mills; Primary Metals; Food, Beverage & Tobacco Products; Fabricated Metal Products; Chemical Products; Petroleum & Coal Products; Plastics & Rubber Products; Machinery; and Miscellaneous Manufacturing. The three industries reporting paying lower prices during the month of April are: Electrical Equipment, Appliances & Components; Computer & Electronic Products; and Transportation Equipment.

Prices	% Higher	% Same	% Lower	Net	Index
Apr 2014	25	63	12	+13	56.5
Mar 2014	28	62	10	+18	59.0
Feb 2014	27	66	7	+20	60.0
Jan 2014	28	65	7	+21	60.5

Backlog of Orders*

ISM®'s Backlog of Orders Index registered 55.5 percent in April, which is 2 percentage points lower than the 57.5 percent reported in March, indicating growth in order backlogs for the third consecutive month. Of the 88 percent of respondents who reported their backlog of orders, 26 percent reported greater backlogs, 15 percent reported smaller backlogs, and 59 percent reported no change from March.

The 11 industries reporting increased order backlogs in April — listed in order — are: Textile Mills; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Transportation Equipment; Primary Metals; Fabricated Metal Products; Furniture & Related Products; Machinery; Computer & Electronic Products; Paper Products; and Electrical Equipment, Appliances & Components. The four industries reporting a decrease in order backlogs during April are: Plastics & Rubber Products; Wood Products; Miscellaneous Manufacturing; and Food, Beverage & Tobacco Products.

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Apr 2014	88	26	59	15	+11	55.5
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

New Export Orders*

ISM®'s New Export Orders Index registered 57 percent in April, which is 1.5 percentage points higher than the 55.5 percent reported in March. April's reading reflects growth in the level of exports for the 17th consecutive month.

The 12 industries reporting growth in new export orders in April — listed in order — are: Wood Products; Primary Metals; Food, Beverage & Tobacco Products; Textile Mills; Petroleum & Coal Products; Chemical Products; Fabricated Metal Products; Machinery; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Transportation Equipment; and Computer & Electronic Products. The two industries reporting a decrease in new export orders during April are: Nonmetallic Mineral Products; and Plastics & Rubber Products.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Apr 2014	74	19	76	5	+14	57.0
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

Imports*

ISM®'s Imports Index registered 58 percent in April, which is 3.5 percentage points higher than the 54.5 percent reported in March. This month's reading represents 15 consecutive months of growth in imports.

The 11 industries reporting growth in imports during the month of April — listed in order — are: Textile Mills; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Primary Metals; Food, Beverage & Tobacco Products; Transportation Equipment; Machinery; Chemical Products; Fabricated Metal Products; Computer &

Electronic Products; and Electrical Equipment, Appliances & Components. No industry reported a decrease in imports in April and seven industries reported no change in imports in April compared to March.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Apr 2014	76	19	78	3	+16	58.0
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

* 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 6 days to 127 days. Average lead time for Production Materials decreased by 3 days to 56 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies increased 2 days to 30 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Apr 2014	26	6	14	16	20	18	127
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
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Apr 2014	16	38	26	13	5	2	56
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
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Apr 2014	43	38	14	3	1	1	30
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

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 May 2014 data will be released at 10:00 a.m. (ET) on Monday, June 2, 2014.