

FOR RELEASE: August 1, 2014

Contact: Kristina Cahill
Report On Business[®] Analyst
ISM[®], ROB Media Relations
Tempe, Arizona
800/888-6276, Ext. 3015
E-mail: kcahill@ism.ws

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

PMI[®] at 57.1%

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 July 2014.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in July for the 14th consecutive month, and the **overall economy** grew for the 62nd 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 July PMI[®] registered 57.1 percent, an increase of 1.8 percentage points from June's reading of 55.3 percent, indicating expansion in manufacturing for the 14th consecutive month. The New Orders Index registered 63.4 percent, an increase of 4.5 percentage points from the 58.9 percent reading in June, indicating growth in new orders for the 14th consecutive month. The Production Index registered 61.2 percent, 1.2 percentage points above the June reading of 60 percent. Employment grew for the 13th consecutive month, registering 58.2 percent, an increase of 5.4 percentage points over the June reading of 52.8 percent. Inventories of raw materials registered 48.5 percent, a decrease of 4.5 percentage points from the June reading of 53 percent, contracting after five months of consecutive growth. Comments from the panel are generally positive, while some indicate concern over global geopolitical situations."

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

WHAT RESPONDENTS ARE SAYING ...

- "Status quo...sales are okay (not great). Costs are generally flat." (Food, Beverage & Tobacco Products)
- "We see slow growth in business as we see a slow growing economy." (Fabricated Metal Products)
- "Business is still very good and we are very optimistic for the rest of the year." (Transportation Equipment)
- "Bookings down, but shipments strong." (Electrical Equipment, Appliances & Components)
- "Overall business conditions still good in our industry." (Computer & Electronic Products)
- "Geopolitics still present a considerable risk as well as the European market." (Chemical Products)
- "Contractors are very busy. Difficult time getting many to bid, especially electrical." (Paper Products)
- "Salaries for engineering labor continue to increase above general inflation due to market competition and shortages in certain specialty skills." (Petroleum & Coal Products)
- "Economy shows many signs of strength." (Machinery)
- "Russia's demand for medical devices from the U.S. has dropped by 40 percent." (Miscellaneous Manufacturing)

**MANUFACTURING AT A GLANCE
JULY 2014**

Index	Series Index Jul	Series Index Jun	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	57.1	55.3	+1.8	Growing	Faster	14
New Orders	63.4	58.9	+4.5	Growing	Faster	14
Production	61.2	60.0	+1.2	Growing	Faster	5
Employment	58.2	52.8	+5.4	Growing	Faster	13
Supplier Deliveries	54.1	51.9	+2.2	Slowing	Faster	14
Inventories	48.5	53.0	-4.5	Contracting	From Growing	1
Customers' Inventories	43.5	46.5	-3.0	Too Low	Faster	32
Prices	59.5	58.0	+1.5	Increasing	Faster	12
Backlog of Orders	49.5	48.0	+1.5	Contracting	Slower	2
Exports	53.0	54.5	-1.5	Growing	Slower	20
Imports	52.0	57.0	-5.0	Growing	Slower	18
OVERALL ECONOMY				Growing	Faster	62
Manufacturing Sector				Growing	Faster	14

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 (6); Benzene; Copper; Lumber (5); Molybdenum; Nickel (5); Polypropylene; Stainless Steel (5); and Steel (8).

Commodities Down in Price

Corn; Methanol; and Soybean Oil.

Commodities in Short Supply

Wood Pallets (3) is the only commodity reported in short supply.

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

JULY 2014 MANUFACTURING INDEX SUMMARIES

PMI[®]

Manufacturing expanded in July as the PMI[®] registered 57.1 percent, an increase of 1.8 percentage points when compared to June's reading of 55.3 percent. July's PMI reading of 57.1 is the highest reading since April 2011 when the PMI[®] registered 58.9 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 July PMI[®] indicates growth for the 62nd consecutive month in the overall economy, and indicates expansion in the manufacturing sector for the 14th consecutive month. Holcomb stated, "The past relationship between the PMI[®] and the overall economy indicates that the average PMI[®] for January through July (54.4 percent) corresponds to a 3.7 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI[®] for July (57.1 percent) is annualized, it corresponds to a 4.6 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI®</i>	<i>Month</i>	<i>PMI®</i>
Jul 2014	57.1	Jan 2014	51.3
Jun 2014	55.3	Dec 2013	56.5
May 2014	55.4	Nov 2013	57.0
Apr 2014	54.9	Oct 2013	56.6
Mar 2014	53.7	Sep 2013	56.0
Feb 2014	53.2	Aug 2013	56.3
Average for 12 months – 55.3 High – 57.1 Low – 51.3			

New Orders

ISM®'s New Orders Index registered 63.4 percent in July, an increase of 4.5 percentage points when compared to the 58.9 percent reported in June, indicating growth in new orders for the 14th 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 July — listed in order — are: Apparel, Leather & Allied Products; Paper Products; Plastics & Rubber Products; Furniture & Related Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Chemical Products; Miscellaneous Manufacturing; Primary Metals; Machinery; Transportation Equipment; Computer & Electronic Products; and Electrical Equipment, Appliances & Components. The two industries reporting a decrease in new orders during July are: Wood Products; and Nonmetallic Mineral Products.

New Orders	% Better	% Same	% Worse	Net	Index
Jul 2014	29	57	14	+15	63.4
Jun 2014	30	55	15	+15	58.9
May 2014	35	51	14	+21	56.9
Apr 2014	37	51	12	+25	55.1

Production

ISM®'s Production Index registered 61.2 percent in July, which is an increase of 1.2 percentage points when compared to the 60 percent reported in June, indicating growth in production for the fifth 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 16 industries reporting growth in production during the month of July — listed in order — are: Apparel, Leather & Allied Products; Textile Mills; Printing & Related Support Activities; Furniture & Related Products; Primary Metals; Machinery; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Chemical Products; Paper Products; Plastics & Rubber Products; Miscellaneous Manufacturing; Petroleum & Coal Products; Fabricated Metal Products; Transportation Equipment; and Electrical Equipment, Appliances & Components. The only industry reporting a decrease in production during July is Computer & Electronic Products.

Production	% Better	% Same	% Worse	Net	Index
Jul 2014	31	54	15	+16	61.2
Jun 2014	32	55	13	+19	60.0
May 2014	36	54	10	+26	61.0
Apr 2014	36	55	9	+27	55.7

Employment

ISM®'s Employment Index registered 58.2 percent in July, which is an increase of 5.4 percentage points when compared to the 52.8 percent reported in June, and represents the 13th consecutive month of growth in employment. July's employment reading of 58.2 is the highest reading since June 2011 when the Employment Index registered 60.3 percent. 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, 13 reported growth in employment in July in the following order: Apparel, Leather & Allied Products; Textile Mills; Printing & Related Support Activities; Nonmetallic Mineral Products; Plastics & Rubber Products; Furniture & Related Products; Food, Beverage & Tobacco Products; Paper Products; Petroleum & Coal Products; Machinery; Fabricated Metal Products; Transportation Equipment; and Chemical Products. The three industries reporting a decrease in employment in July are: Computer & Electronic Products; Electrical Equipment, Appliances & Components; and Primary Metals.

Employment	% Higher	% Same	% Lower	Net	Index
Jul 2014	23	68	9	+14	58.2
Jun 2014	23	63	14	+9	52.8
May 2014	24	64	12	+12	52.8
Apr 2014	29	60	11	+18	54.7

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations slowed in July at a faster rate relative to June as the Supplier Deliveries Index registered 54.1 percent. This month's reading is 2.2 percentage points higher than the 51.9 percent reported in June. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The 10 industries reporting slower supplier deliveries in July — listed in order — are: Electrical Equipment, Appliances & Components; Machinery; Textile Mills; Miscellaneous Manufacturing; Furniture & Related Products; Fabricated Metal Products; Computer & Electronic Products; Paper Products; Food, Beverage & Tobacco Products; and Chemical Products. The two industries reporting faster supplier deliveries during July are: Primary Metals; and Transportation Equipment.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Jul 2014	16	79	5	+11	54.1
Jun 2014	11	83	6	+5	51.9
May 2014	13	82	5	+8	53.2
Apr 2014	17	81	2	+15	55.9

Inventories*

The Inventories Index registered 48.5 percent in July, which is 4.5 percentage points lower than the 53 percent registered in June, and indicates raw materials inventories are contracting for the first time since January 2014 when the index registered 44 percent. 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 four industries reporting higher inventories in July are: Nonmetallic Mineral Products; Furniture & Related Products; Chemical Products; and Computer & Electronic Products. The nine industries reporting lower inventories in July — listed in order — are: Apparel, Leather & Allied Products; Textile Mills; Fabricated Metal Products; Machinery; Food, Beverage & Tobacco Products; Transportation Equipment; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; and Primary Metals.

Inventories	% Higher	% Same	% Lower	Net	Index
Jul 2014	17	63	20	-3	48.5
Jun 2014	22	62	16	+6	53.0
May 2014	23	60	17	+6	53.0
Apr 2014	20	66	14	+6	53.0

Customers' Inventories*

ISM[®]'s Customers' Inventories Index registered 43.5 percent in July, a decrease of 3 percentage points from June when customer inventories registered 46.5 percent. This indicates that customers' inventories are considered too low. Customers' inventories have been too low for 32 consecutive months, as 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 July are: Nonmetallic Mineral Products; Furniture & Related Products; and Paper Products. The 13 industries reporting customers' inventories as too low during July — listed in order — are: Apparel, Leather & Allied Products; Plastics & Rubber Products; Printing & Related Support Activities; Textile Mills; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Machinery; Primary Metals; Chemical Products; Miscellaneous Manufacturing; Transportation Equipment; Computer & Electronic Products; and Food, Beverage & Tobacco Products.

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Jul 2014	64	11	65	24	-13	43.5
Jun 2014	65	9	75	16	-7	46.5
May 2014	67	11	71	18	-7	46.5
Apr 2014	62	5	74	21	-16	42.0

Prices*

The ISM® Prices Index registered 59.5 percent in July, which is an increase of 1.5 percentage points compared to the June reading of 58 percent. In July, 26 percent of respondents reported paying higher prices, 7 percent reported paying lower prices, and 67 percent of supply executives reported paying the same prices as in June. 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, 14 reported paying increased prices during the month of July in the following order: Printing & Related Support Activities; Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Plastics & Rubber Products; Fabricated Metal Products; Primary Metals; Furniture & Related Products; Machinery; Chemical Products; Transportation Equipment; Paper Products; Computer & Electronic Products; Miscellaneous Manufacturing; and Food, Beverage & Tobacco Products. The two industries reporting paying lower prices during the month of July are: Wood Products; and Textile Mills.

Prices	% Higher	% Same	% Lower	Net	Index
Jul 2014	26	67	7	+19	59.5
Jun 2014	23	70	7	+16	58.0
May 2014	31	58	11	+20	60.0
Apr 2014	25	63	12	+13	56.5

Backlog of Orders*

ISM®'s Backlog of Orders Index registered 49.5 percent in July, which is 1.5 percentage points higher than the 48 percent reported in June, indicating contraction in order backlogs for the second consecutive month. Of the 86 percent of respondents who reported their backlog of orders, 21 percent reported greater backlogs, 22 percent reported smaller backlogs, and 57 percent reported no change from June.

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

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Jul 2014	86	21	57	22	-1	49.5
Jun 2014	83	18	60	22	-4	48.0
May 2014	85	21	63	16	+5	52.5
Apr 2014	88	26	59	15	+11	55.5

New Export Orders*

ISM®'s New Export Orders Index registered 53 percent in July, which is 1.5 percentage points lower than the 54.5 percent reported in June. July's reading reflects growth in the level of exports for the 20th consecutive month.

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

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Jul 2014	77	14	78	8	+6	53.0
Jun 2014	74	16	77	7	+9	54.5
May 2014	75	21	71	8	+13	56.5
Apr 2014	74	19	76	5	+14	57.0

Imports*

ISM®'s Imports Index registered 52 percent in July, which is 5 percentage points lower than the 57 percent reported in June. This month's reading represents 18 consecutive months of growth in imports.

The six industries reporting growth in imports during the month of July — listed in order — are: Primary Metals; Chemical Products; Machinery; Food, Beverage & Tobacco Products; Fabricated Metal Products; and Transportation Equipment. The four industries reporting a decrease in imports during July are: Nonmetallic Mineral Products;

Petroleum & Coal Products; Furniture & Related Products; and Computer & Electronic Products. Eight industries reported no change in imports in July compared to June.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Jul 2014	79	14	76	10	+4	52.0
Jun 2014	77	19	76	5	+14	57.0
May 2014	78	19	71	10	+9	54.5
Apr 2014	76	19	78	3	+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 increased 8 days to 125 days. Average lead time for Production Materials decreased 1 day to 60 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies increased 3 days to 28 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Jul 2014	27	5	11	18	23	16	125
Jun 2014	28	7	11	15	26	13	117
May 2014	25	7	13	17	20	18	127
Apr 2014	26	6	14	16	20	18	127
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Jul 2014	15	38	22	16	7	2	60
Jun 2014	13	39	22	17	7	2	61
May 2014	16	37	22	16	7	2	59
Apr 2014	16	38	26	13	5	2	56
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Jul 2014	41	38	14	7	0	0	28
Jun 2014	45	38	12	5	0	0	25
May 2014	46	36	13	4	1	0	26
Apr 2014	43	38	14	3	1	1	30

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 August 2014 data will be released at 10:00 a.m. (ET) on Tuesday, September 2, 2014.