

FOR RELEASE: November 3, 2014

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

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

PMI[®] at 59%

DO NOT CONFUSE THIS NATIONAL REPORT with the various regional purchasing reports released across the country. The national report's information reflects the entire United States, while the regional reports contain primarily regional data from their local vicinities. Also, the information in the regional reports is not used in calculating the results of the national report. The information compiled in this report is for the month of October 2014.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in October for the 17th consecutive month, and the **overall economy** grew for the 65th 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 October PMI[®] registered 59 percent, an increase of 2.4 percentage points from September's reading of 56.6 percent, indicating continued expansion in manufacturing. The New Orders Index registered 65.8 percent, an increase of 5.8 percentage points from the 60 percent reading in September, indicating growth in new orders for the 17th consecutive month. The Production Index registered 64.8 percent, 0.2 percentage point above the September reading of 64.6 percent. The Employment Index grew for the 16th consecutive month, registering 55.5 percent, an increase of 0.9 percentage point above the September reading

of 54.6 percent. Inventories of raw materials registered 52.5 percent, an increase of 1 percentage point from the September reading of 51.5 percent, indicating growth in inventories for the third consecutive month. Comments from the panel generally cite positive business conditions, with growth in demand and production volumes."

Of the 18 manufacturing industries, 16 are reporting growth in October in the following order: Plastics & Rubber Products; Textile Mills; Fabricated Metal Products; Miscellaneous Manufacturing; Primary Metals; Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Chemical Products; Apparel, Leather & Allied Products; Printing & Related Support Activities; Transportation Equipment; Furniture & Related Products; Paper Products; Machinery; and Computer & Electronic Products. The only industry reporting contraction in October is Petroleum & Coal Products.

WHAT RESPONDENTS ARE SAYING ...

- "Holiday orders are exceeding seasonal forecasts. Customers are demanding additional quantities above prior orders. Fuel costs and other positive signals appear to be creating demand above normal." (Food, Beverage & Tobacco Products)
- "Weakness in commodity prices very positive on our business." (Fabricated Metal Products)
- "We continue to see strong demand across multiple sectors." (Transportation Equipment)
- "Business steady and strong." (Furniture & Related Products)
- "Another strong month in terms of business growth." (Computer & Electronic Products)
- "Most business segments are seeing an upward trend in orders — mostly from existing customers, but also some new customers. Transportation continues to be a major issue." (Chemical Products)
- "Conditions are still basically flat." (Printing & Related Support Activities)
- "Production is oversupplying demand, and prices have softened." (Wood Products)
- "Outer body material changes in the auto industry means new equipment and manufacturing growth." (Machinery)
- "Business conditions are good; sales and production volumes are generally increasing." (Miscellaneous Manufacturing)

**MANUFACTURING AT A GLANCE
OCTOBER 2014**

Index	Series Index Oct	Series Index Sep	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	59.0	56.6	+2.4	Growing	Faster	17
New Orders	65.8	60.0	+5.8	Growing	Faster	17
Production	64.8	64.6	+0.2	Growing	Faster	8
Employment	55.5	54.6	+0.9	Growing	Faster	16
Supplier Deliveries	56.2	52.2	+4.0	Slowing	Faster	17
Inventories	52.5	51.5	+1.0	Growing	Faster	3
Customers' Inventories	48.0	44.5	+3.5	Too Low	Slower	35
Prices	53.5	59.5	-6.0	Increasing	Slower	15
Backlog of Orders	53.0	47.0	+6.0	Growing	From Contracting	1
Exports	51.5	53.5	-2.0	Growing	Slower	23
Imports	54.5	53.0	+1.5	Growing	Faster	21
OVERALL ECONOMY				Growing	Faster	65
Manufacturing Sector				Growing	Faster	17

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* (9); Electrical Components; MRO Supplies; Polyethylene; Polypropylene (4); and Stainless Steel (8).

Commodities Down in Price

Aluminum*; Carbon Steel; Copper (3); Corn based products; Diesel; Galvanized Steel; Gasoline; and Silver.

Commodities in Short Supply

Electronic components.

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

*Reported as both up and down in price.

OCTOBER 2014 MANUFACTURING INDEX SUMMARIES

PMI[®]

Manufacturing expanded in October as the PMI[®] registered 59 percent, an increase of 2.4 percentage points when compared to September's reading of 56.6 percent. This is the same reading as reported in August 2014, which is the highest reading for the index since March of 2011 when it registered 59.1 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 October PMI[®] indicates growth for the 65th consecutive month in the overall economy, and indicates

expansion in the manufacturing sector for the 17th consecutive month. Holcomb stated, "The past relationship between the PMI® and the overall economy indicates that the average PMI® for January through October (55.6 percent) corresponds to a 4.1 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI® for October (59 percent) is annualized, it corresponds to a 5.2 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI®</i>	<i>Month</i>	<i>PMI®</i>
Oct 2014	59.0	Apr 2014	54.9
Sep 2014	56.6	Mar 2014	53.7
Aug 2014	59.0	Feb 2014	53.2
Jul 2014	57.1	Jan 2014	51.3
Jun 2014	55.3	Dec 2013	56.5
May 2014	55.4	Nov 2013	57.0
Average for 12 months – 55.8 High – 59.0 Low – 51.3			

New Orders

ISM®'s New Orders Index registered 65.8 percent in October, an increase of 5.8 percentage points when compared to the 60 percent reported in September, indicating growth in new orders for the 17th 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 14 industries reporting growth in new orders in October — listed in order — are: Primary Metals; Plastics & Rubber Products; Textile Mills; Fabricated Metal Products; Furniture & Related Products; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; Chemical Products; Paper Products; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Machinery; Transportation Equipment; and Computer & Electronic Products. The only industry reporting a decrease in new orders during October is Wood Products.

New Orders	% Better	% Same	% Worse	Net	Index
Oct 2014	34	52	14	+20	65.8
Sep 2014	30	55	15	+15	60.0
Aug 2014	38	48	14	+24	66.7
Jul 2014	29	57	14	+15	63.4

Production

ISM®'s Production Index registered 64.8 percent in October, which is an increase of 0.2 percentage point when compared to the 64.6 percent reported in September, indicating growth in production for the eighth consecutive month. This is the highest reading since May 2004 when the Production Index registered 65.3 percent. An index above 51.1 percent, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures.

The 14 industries reporting growth in production during the month of October — listed in order — are: Fabricated Metal Products; Electrical Equipment, Appliances & Components; Textile Mills; Wood Products; Plastics & Rubber Products; Miscellaneous Manufacturing; Paper Products; Primary Metals; Chemical Products; Food, Beverage & Tobacco Products; Furniture & Related Products; Transportation Equipment; Computer & Electronic Products; and Machinery. No industries are reporting a decrease in production during October.

Production	% Better	% Same	% Worse	Net	Index
Oct 2014	34	53	13	+21	64.8
Sep 2014	32	57	11	+21	64.6
Aug 2014	35	53	12	+23	64.5
Jul 2014	31	54	15	+16	61.2

Employment

ISM®'s Employment Index registered 55.5 percent in October, which is an increase of 0.9 percentage point when compared to the 54.6 percent reported in September. This is the 16th 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, 12 reported growth in employment in October in the following order: Textile Mills; Apparel, Leather & Allied Products; Printing & Related Support Activities; Miscellaneous Manufacturing; Furniture & Related Products; Fabricated Metal Products; Paper Products; Chemical Products; Food, Beverage & Tobacco Products; Machinery; Transportation Equipment; and Electrical Equipment, Appliances & Components. The three industries reporting a decrease in employment in October are: Computer & Electronic Products; Primary Metals; and Petroleum & Coal Products.

Employment	% Higher	% Same	% Lower	Net	Index
Oct 2014	19	69	12	+7	55.5
Sep 2014	21	64	15	+6	54.6
Aug 2014	25	63	12	+13	58.1
Jul 2014	23	68	9	+14	58.2

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations slowed in October at a faster rate relative to September as the Supplier Deliveries Index registered 56.2 percent. This month's reading is 4 percentage points higher than the 52.2 percent reported in September. 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 October — listed in order — are: Apparel, Leather & Allied Products; Fabricated Metal Products; Plastics & Rubber Products; Furniture & Related Products; Machinery; Primary Metals; Transportation Equipment; Food, Beverage & Tobacco Products; and Computer & Electronic Products. The only industry reporting faster supplier deliveries during October is Paper Products. Eight industries reported no change in supplier deliveries in October compared to September.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Oct 2014	15	79	6	+9	56.2
Sep 2014	12	81	7	+5	52.2
Aug 2014	13	82	5	+8	53.9
Jul 2014	16	79	5	+11	54.1

Inventories*

The Inventories Index registered 52.5 percent in October, which is 1 percentage point higher than the 51.5 percent registered in September, indicating raw materials 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 October — listed in order — are: Nonmetallic Mineral Products; Plastics & Rubber Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Primary Metals; Electrical Equipment, Appliances & Components; Transportation Equipment; Computer & Electronic Products; and Chemical Products. The six industries reporting lower inventories in October — listed in order — are: Apparel, Leather & Allied Products; Furniture & Related Products; Petroleum & Coal Products; Paper Products; Machinery; and Fabricated Metal Products.

Inventories	% Higher	% Same	% Lower	Net	Index
Oct 2014	21	63	16	+5	52.5
Sep 2014	18	67	15	+3	51.5
Aug 2014	19	66	15	+4	52.0
Jul 2014	17	63	20	-3	48.5

Customers' Inventories*

ISM®'s Customers' Inventories Index registered 48 percent in October, an increase of 3.5 percentage points from September when customers' inventories registered 44.5 percent. This indicates that customers' inventories are considered too low, but higher than in September. Customers' inventories have been too low for 35 consecutive months, as a reading below 50 percent indicates customers' inventories are considered too low.

The four manufacturing industries reporting customers' inventories as being too high during the month of October are: Petroleum & Coal Products; Primary Metals; Fabricated Metal Products; and Food, Beverage & Tobacco Products. The seven industries reporting customers' inventories as too low during October — listed in order — are: Plastics & Rubber Products; Apparel, Leather & Allied Products; Paper Products; Chemical Products; Transportation Equipment; Machinery; and Computer & Electronic Products. Seven industries reported no change in customers' inventories in October compared to September.

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Oct 2014	59	10	76	14	-4	48.0
Sep 2014	59	9	71	20	-11	44.5
Aug 2014	63	13	72	15	-2	49.0
Jul 2014	64	11	65	24	-13	43.5

Prices*

The ISM® Prices Index registered 53.5 percent in October, which is a decrease of 6 percentage points compared to the September reading of 59.5 percent. In October, 21 percent of respondents reported paying higher prices, 14 percent reported paying lower prices, and 65 percent of supply executives reported paying the same prices as in September. A Prices Index above 49.7 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) Index of Manufacturers Prices.

Of the 18 manufacturing industries, 10 reported paying increased prices during the month of October in the following order: Textile Mills; Plastics & Rubber Products; Food, Beverage & Tobacco Products; Paper Products; Miscellaneous Manufacturing; Furniture & Related Products; Primary Metals; Electrical Equipment, Appliances & Components; Fabricated Metal Products; and Transportation Equipment. The seven industries reporting paying lower prices during the month of October — listed in order — are: Wood Products; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Computer & Electronic Products; Chemical Products; Machinery; and Petroleum & Coal Products.

Prices	% Higher	% Same	% Lower	Net	Index
Oct 2014	21	65	14	+7	53.5
Sep 2014	28	63	9	+19	59.5
Aug 2014	24	68	8	+16	58.0
Jul 2014	26	67	7	+19	59.5

Backlog of Orders*

ISM®'s Backlog of Orders Index registered 53 percent in October, which is 6 percentage points higher than the 47 percent reported in September, indicating growth in order backlogs following one month of contraction. Of the 88 percent of respondents who reported their backlog of orders, 24 percent reported greater backlogs, 18 percent reported smaller backlogs, and 58 percent reported no change from September.

The 10 industries reporting increased order backlogs in October — listed in order — are: Plastics & Rubber Products; Paper Products; Primary Metals; Nonmetallic Mineral Products; Fabricated Metal Products; Furniture & Related Products; Chemical Products; Miscellaneous Manufacturing; Computer & Electronic Products; and Food, Beverage & Tobacco Products. The four industries reporting a decrease in order backlogs during October are: Wood Products; Apparel, Leather & Allied Products; Machinery; and Transportation Equipment.

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Oct 2014	88	24	58	18	+6	53.0
Sep 2014	85	18	58	24	-6	47.0
Aug 2014	87	25	55	20	+5	52.5
Jul 2014	86	21	57	22	-1	49.5

New Export Orders*

ISM®'s New Export Orders Index registered 51.5 percent in October, which is 2 percentage points lower than the 53.5 percent reported in September. October's reading reflects growth in the level of exports for the 23rd consecutive month.

The nine industries reporting growth in new export orders in October — listed in order — are: Textile Mills; Apparel, Leather & Allied Products; Plastics & Rubber Products; Miscellaneous Manufacturing; Transportation Equipment; Food, Beverage & Tobacco Products; Fabricated Metal Products; Chemical Products; and Computer & Electronic Products. The two industries reporting a decrease in new export orders during October are: Furniture & Related Products; and Primary Metals. Seven industries reported no change in new export orders in October compared to September.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Oct 2014	76	14	75	11	+3	51.5
Sep 2014	76	14	79	7	+7	53.5
Aug 2014	76	18	74	8	+10	55.0
Jul 2014	77	14	78	8	+6	53.0

Imports*

ISM®'s Imports Index registered 54.5 percent in October, which is 1.5 percentage points higher than the 53 percent reported in September. This month's reading represents 21 consecutive months of growth in imports.

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

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Oct 2014	77	16	77	7	+9	54.5
Sep 2014	79	15	76	9	+6	53.0
Aug 2014	76	18	76	6	+12	56.0
Jul 2014	79	14	76	10	+4	52.0

* 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 2 days to 118 days. Average lead time for Production Materials decreased 1 day to 61 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies increased 1 day to 27 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Oct 2014	29	6	11	18	21	15	118
Sep 2014	27	7	12	19	19	16	120
Aug 2014	27	7	12	18	21	15	119
Jul 2014	27	5	11	18	23	16	125

Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Oct 2014	16	34	24	19	4	3	61
Sep 2014	16	37	21	16	7	3	62
Aug 2014	13	41	23	13	7	3	62
Jul 2014	15	38	22	16	7	2	60
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Oct 2014	45	39	9	6	1	0	27
Sep 2014	46	36	13	4	1	0	26
Aug 2014	42	38	13	6	1	0	29
Jul 2014	41	38	14	7	0	0	28

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. The data 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 November 2014 data will be released at 10:00 a.m. (ET) on Monday, December 1, 2014.