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February 2015 Manufacturing ISM[®] *Report On Business*[®]

PMI[®] at 52.9%

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 February 2015.

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

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in February for the 26th consecutive month, and the **overall economy** grew for the 69th 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 February PMI[®] registered 52.9 percent, a decrease of 0.6 percentage point from January's reading of 53.5 percent. The New Orders Index registered 52.5 percent, a decrease of 0.4 percentage point from the reading of 52.9 percent in January. The Production Index registered 53.7 percent, 2.8 percentage points below the January reading of 56.5 percent. The Employment Index registered 51.4 percent, 2.7 percentage points below the January reading of 54.1 percent. Inventories of raw materials registered 52.5 percent, an increase of 1.5 percentage points above the January reading of 51 percent. The Prices Index registered 35 percent, the same percentage as in January, indicating lower raw materials prices for the fourth consecutive

month. Comments from the panel express a growing level of concern over the West Coast dock slowdown, negatively impacting exports and imports and requiring workarounds and added costs."

Of the 18 manufacturing industries, 12 are reporting growth in February in the following order: Paper Products; Printing & Related Support Activities; Furniture & Related Products; Primary Metals; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; Fabricated Metal Products; Machinery; Transportation Equipment; Electrical Equipment, Appliances & Components; and Chemical Products. The three industries reporting contraction in February are: Textile Mills; Apparel, Leather & Allied Products; and Computer & Electronic Products.

WHAT RESPONDENTS ARE SAYING ...

- "West Coast port issue has been a problem for exporting." (Food, Beverage & Tobacco Products)
- "Business is steady to slightly up." (Fabricated Metal Products)
- "The major concern for us across the board is the ongoing situation with the West Coast ports. Air freight and overtime have been required to cover for products waiting to be offloaded at the ports."
(Transportation Equipment)
- "Lower oil and natural gas prices continue to put pressure on our revenues. We continue to pursue capital budget cuts and rate reduction efforts with our suppliers." (Petroleum & Coal Products)
- "The dock delay on the West Coast is seriously impacting the supply chain logistics." (Computer & Electronic Products)
- "Kind of a mixed bag right now. Some product demand up, some down, basically flat." (Chemical Products)
- "West Coast port congestion and work slowdowns by the union is hurting our imports and exports, getting worse by the week." (Miscellaneous Manufacturing)
- "Customer behavior is being negatively impacted by ongoing resin price decreases. Order placement is being delayed to receive lower finished good pricing." (Plastics & Rubber Products)
- "Business in general is staying its course. Concerns abound over strike possibilities by West Coast longshoremen." (Machinery)
- "Improving and 2015 off to a good start." (Furniture & Related Products)

**MANUFACTURING AT A GLANCE
FEBRUARY 2015**

Index	Series Index Feb	Series Index Jan	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	52.9	53.5	-0.6	Growing	Slower	26
New Orders	52.5	52.9	-0.4	Growing	Slower	27
Production	53.7	56.5	-2.8	Growing	Slower	30
Employment	51.4	54.1	-2.7	Growing	Slower	21
Supplier Deliveries	54.3	52.9	+1.4	Slowing	Faster	21
Inventories	52.5	51.0	+1.5	Growing	Faster	2
Customers' Inventories	46.5	42.5	+4.0	Too Low	Slower	3
Prices	35.0	35.0	0.0	Decreasing	Same	4
Backlog of Orders	51.5	46.0	+5.5	Growing	From Contracting	1
Exports	48.5	49.5	-1.0	Contracting	Faster	2
Imports	54.0	55.5	-1.5	Growing	Slower	25
OVERALL ECONOMY				Growing	Slower	69
Manufacturing Sector				Growing	Slower	26

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

Butter; Electrical Components; Freight; and Scrap Steel*.

Commodities Down in Price

Aluminum (3); Carbon Steel (2); Copper (7); Diesel (5); Fuel Oil (2); Gasoline (5); HDPE Resin (3); LDPE Resin; Nickel (2); Oil (3); PET Resin (4); Plastic Resin (3); Polypropylene Resin (3); Resin Based Products; Scrap Steel (3)*; Stainless Steel (4); Steel (3); and Steel — Hot Rolled (4).

Commodities in Short Supply

Electrical Equipment; Imported Items; and Stainless Steel.

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

*Reported as both up and down in price.

FEBRUARY 2015 MANUFACTURING INDEX SUMMARIES

PMI[®]

Manufacturing expanded in February as the PMI[®] registered 52.9 percent, a decrease of 0.6 percentage point when compared to January's reading of 53.5 percent, indicating growth in manufacturing for the 26th consecutive month. 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 43.1 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the February PMI® indicates growth for the 69th consecutive month in the overall economy, and indicates expansion in the manufacturing sector for the 26th consecutive month. Holcomb stated, "The past relationship between the PMI® and the overall economy indicates that the average PMI® for January and February (53.2 percent) corresponds to a 3.2 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI® for February (52.9 percent) is annualized, it corresponds to a 3.1 percent increase in real GDP annually."

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI®</i>		<i>Month</i>	<i>PMI®</i>
Feb 2015	52.9		Aug 2014	58.1
Jan 2015	53.5		Jul 2014	56.4
Dec 2014	55.1		Jun 2014	55.7
Nov 2014	57.6		May 2014	55.6
Oct 2014	57.9		Apr 2014	55.3
Sep 2014	56.1		Mar 2014	54.4
Average for 12 months – 55.7 High – 58.1 Low – 52.9				

New Orders

ISM®'s New Orders Index registered 52.5 percent in February, a decrease of 0.4 percentage point when compared to the January reading of 52.9 percent, indicating growth in new orders for the 27th 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 10 industries reporting growth in new orders in February — listed in order — are: Paper Products; Printing & Related Support Activities; Furniture & Related Products; Primary Metals; Food, Beverage & Tobacco Products; Transportation Equipment; Machinery; Fabricated Metal Products; Miscellaneous Manufacturing; and Chemical Products. The four industries reporting a decrease in new orders during February are: Textile Mills; Apparel, Leather & Allied Products; Plastics & Rubber Products; and Computer & Electronic Products.

New Orders	% Better	% Same	% Worse	Net	Index
Feb 2015	28	55	17	+11	52.5
Jan 2015	24	59	17	+7	52.9
Dec 2014	25	57	18	+7	57.8
Nov 2014	38	47	15	+23	62.1

Production

ISM®'s Production Index registered 53.7 percent in February, which is a decrease of 2.8 percentage points when compared to the 56.5 percent reported in January, indicating growth in production for the 30th 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 10 industries reporting growth in production during the month of February — listed in order — are: Paper Products; Printing & Related Support Activities; Primary Metals; Furniture & Related Products; Fabricated Metal Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Transportation Equipment; Chemical Products; and Machinery. The four industries reporting a decrease in production during February are: Textile Mills; Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; and Computer & Electronic Products.

Production	% Better	% Same	% Worse	Net	Index
Feb 2015	27	57	16	+11	53.7
Jan 2015	24	61	15	+9	56.5
Dec 2014	24	59	17	+7	57.7
Nov 2014	34	55	11	+23	62.6

Employment

ISM®'s Employment Index registered 51.4 percent in February, which is a decrease of 2.7 percentage points when compared to the 54.1 percent reported in January. This is the 21st 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, in February, 10 industries reported employment growth in the following order: Printing & Related Support Activities; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; Furniture & Related Products; Food, Beverage & Tobacco Products; Primary Metals; Fabricated Metal Products; Machinery; and Paper Products. The four industries reporting a decrease in employment in February are: Textile Mills; Computer & Electronic Products; Transportation Equipment; and Chemical Products.

Employment	% Higher	% Same	% Lower	Net	Index
Feb 2015	18	68	14	+4	51.4
Jan 2015	15	75	10	+5	54.1
Dec 2014	19	70	11	+8	56.0
Nov 2014	21	63	16	+5	54.6

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations slowed in February at a faster rate as the Supplier Deliveries Index registered 54.3 percent. This month's reading is 1.4 percentage points higher than the 52.9 percent reported in January. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The 11 industries reporting slower supplier deliveries in February — listed in order — are: Textile Mills; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Furniture & Related Products; Food, Beverage & Tobacco Products; Chemical Products; Transportation Equipment; Computer & Electronic Products; Machinery; Paper Products; and Primary Metals. The only industry reporting faster supplier deliveries during February is Fabricated Metal Products. Six industries reported no change in supplier deliveries in February compared to January.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Index
Feb 2015	17	75	8	+9	54.3
Jan 2015	14	80	6	+8	52.9
Dec 2014	17	80	3	+14	58.6
Nov 2014	14	80	6	+8	57.0

Inventories*

The Inventories Index registered 52.5 percent in February, which is 1.5 percentage points higher than the 51 percent registered in January, indicating raw materials inventories are growing for the second consecutive month. An Inventories Index greater than 42.9 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 February — listed in order — are: Textile Mills; Apparel, Leather & Allied Products; Plastics & Rubber Products; Primary Metals; Fabricated Metal Products; Nonmetallic Mineral Products; Furniture & Related Products; Miscellaneous Manufacturing; and Food, Beverage & Tobacco Products. The four industries reporting lower inventories in February are: Electrical Equipment, Appliances & Components; Transportation Equipment; Chemical Products; and Computer & Electronic Products.

Inventories	% Higher	% Same	% Lower	Net	Index
Feb 2015	21	63	16	+5	52.5
Jan 2015	21	60	19	+2	51.0
Dec 2014	17	57	26	-9	45.5
Nov 2014	21	61	18	+3	51.5

Customers' Inventories*

ISM®'s Customers' Inventories Index registered 46.5 percent in February, an increase of 4 percentage points from January when customers' inventories registered 42.5 percent. February's reading indicates that customers' inventories are considered to be too low, but higher than January.

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

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Feb 2015	65	12	69	19	-7	46.5
Jan 2015	62	9	67	24	-15	42.5
Dec 2014	62	10	69	21	-11	44.5
Nov 2014	61	13	74	13	0	50.0

Prices*

The ISM® Prices Index registered 35 percent in February, the same reading as in January, indicating a decrease in raw materials prices for the fourth consecutive month. In February, 8 percent of respondents reported paying higher prices, 38 percent reported paying lower prices, and 54 percent of supply executives reported paying the same prices as in January. A Prices Index above 52.1 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) Producer Price Index for Intermediate Materials.

Of the 18 manufacturing industries, no industry reported paying increased prices for its raw materials in February. The 14 industries reporting paying lower prices during the month of February — listed in order — are: Wood Products; Textile Mills; Paper Products; Plastics & Rubber Products; Furniture & Related Products; Fabricated Metal Products; Primary Metals; Machinery; Chemical Products; Petroleum & Coal Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; Transportation Equipment; and Computer & Electronic Products.

Prices	% Higher	% Same	% Lower	Net	Index
Feb 2015	8	54	38	-30	35.0
Jan 2015	11	48	41	-30	35.0
Dec 2014	12	53	35	-23	38.5
Nov 2014	14	61	25	-11	44.5

Backlog of Orders*

ISM®'s Backlog of Orders Index registered 51.5 percent in February, which is 5.5 percentage points higher than the 46 percent reported in January, indicating expansion in order backlogs following one month of contraction in order backlogs. Of the 86 percent of respondents who reported their backlog of orders, 23 percent reported greater backlogs, 20 percent reported smaller backlogs, and 57 percent reported no change from January.

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

Backlog of Orders	% Reporting	% Greater	% Same	% Less	Net	Index
Feb 2015	86	23	57	20	+3	51.5
Jan 2015	87	18	56	26	-8	46.0
Dec 2014	87	25	55	20	+5	52.5
Nov 2014	87	27	56	17	+10	55.0

New Export Orders*

ISM®'s New Export Orders Index registered 48.5 percent in February, which is 1 percentage point lower than the 49.5 percent reported in January. February's reading reflects the second consecutive month of contraction in the level of exports, following 25 consecutive months of growth in new export orders.

The three industries reporting growth in new export orders in February are: Fabricated Metal Products; Food, Beverage & Tobacco Products; and Computer & Electronic Products. The eight industries reporting a decrease in new export orders during February — listed in order — are: Wood Products; Furniture & Related Products; Primary Metals; Electrical Equipment, Appliances & Components; Paper Products; Transportation Equipment; Chemical Products; and Machinery. Seven industries reported no change in new export orders in February compared to January.

New Export Orders	% Reporting	% Higher	% Same	% Lower	Net	Index
Feb 2015	74	11	75	14	-3	48.5
Jan 2015	77	10	79	11	-1	49.5
Dec 2014	76	14	76	10	+4	52.0
Nov 2014	75	15	80	5	+10	55.0

Imports*

ISM®'s Imports Index registered 54 percent in February, which is 1.5 percentage points lower than the 55.5 percent reported in January. This month's reading represents 25 consecutive months of growth in imports.

The seven industries reporting growth in imports during the month of February — listed in order — are: Printing & Related Support Activities; Primary Metals; Furniture & Related Products; Machinery; Computer & Electronic Products; Chemical Products; and Fabricated Metal Products. The four industries reporting a decrease in imports during February are: Nonmetallic Mineral Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; and Transportation Equipment.

Imports	% Reporting	% Higher	% Same	% Lower	Net	Index
Feb 2015	75	17	74	9	+8	54.0
Jan 2015	76	16	79	5	+11	55.5
Dec 2014	78	18	74	8	+10	55.0
Nov 2014	78	16	80	4	+12	56.0

* 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 7 days to 132 days. Average lead time for Production Materials increased 5 days to 64 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies decreased 1 day to 26 days.

Percent Reporting							
Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Feb 2015	27	6	11	14	23	19	132
Jan 2015	28	6	11	16	22	17	125
Dec 2014	26	6	11	17	24	16	126
Nov 2014	28	7	8	19	22	16	123
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Feb 2015	19	32	23	14	9	3	64
Jan 2015	17	36	22	16	7	2	59
Dec 2014	13	41	22	13	8	3	63
Nov 2014	18	36	23	14	7	2	58
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Feb 2015	45	35	15	5	0	0	26
Jan 2015	45	37	11	6	1	0	27
Dec 2014	47	33	14	5	1	0	27
Nov 2014	45	39	10	4	2	0	27

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 43.1 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 43.1 percent, it is generally declining. The distance from 50 percent or 43.1 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.

About Institute for Supply Management®

Founded in 1915 as the first supply management institute in the world, Institute for Supply Management® (ISM®) is committed to advancing the practice of supply chain management to drive value and competitive advantage for its members, contributing to a prosperous and sustainable world. This year, ISM celebrates 100 years of leading, innovating and guiding the profession through the renowned *ISM Report On Business®*, highly regarded certification programs, and industry-standard training and educational resources. ISM is a not-for-profit organization with global influence, serving supply chain professionals in more than 90 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 10:00 a.m. (ET).

The next **Manufacturing ISM® Report On Business®** featuring the March 2015 data will be released at 10:00 a.m. (ET) on Wednesday, April 1, 2015.