



**institute for
supply management**

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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 2015.

July Manufacturing ISM® Report On Business®

**PMI® at 52.7%
New Orders, Production, and Employment Growing
Inventories Contracting
Supplier Deliveries Faster**

(Tempe, Arizona) — Economic activity in the **manufacturing sector** expanded in July for the 31st consecutive month, and the **overall economy** grew for the 74th 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 52.7 percent, a decrease of 0.8 percentage point below the June reading of 53.5 percent. The New Orders Index registered 56.5 percent, an increase of 0.5 percentage point from the reading of 56 percent in June. The Production Index registered 56 percent, 2 percentage points above the June reading of 54 percent. The Employment Index registered 52.7 percent, 2.8 percentage points below the June reading of 55.5 percent, reflecting growing employment levels from June but at a slower rate. Inventories of raw materials registered 49.5 percent, a decrease of 3.5 percentage points from the June reading of 53 percent. The Prices Index registered 44 percent, down 5.5 percentage points from the June reading of 49.5 percent, indicating lower raw materials prices for the ninth consecutive month. Comments from the panel reflect a combination of optimism mixed with uncertainties about international markets and the impacts of the continuing decline in oil prices."

Of the 18 manufacturing industries, 11 are reporting growth in July in the following order: Textile Mills; Paper Products; Apparel, Leather & Allied Products; Printing & Related Support Activities; Furniture & Related Products; Fabricated Metal Products; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Transportation Equipment; and Miscellaneous Manufacturing. The five industries reporting contraction in July are: Wood Products; Primary Metals; Plastics & Rubber Products; Chemical Products; and Machinery.

WHAT RESPONDENTS ARE SAYING ...

- “AI [Avian Influenza] fears in poultry industry [are] killing exports.” (Food, Beverage & Tobacco Products)
- “The market is in the summer slow-down.” (Fabricated Metal Products)
- “Oil price decline continues to negatively impact Oil & Gas industry in North America as many projects are not economically viable. Oil & Gas jobs outlook is in retrenchment. Petrochemical (refining and chemical manufacturing) is positive from a margin perspective, but focus is steady on safe cost containment.” (Petroleum & Coal Products)
- “Falling oil prices are once again driving chemical raw materials prices lower and creating an expectation of even lower prices in the coming months.” (Chemical Products)
- “The month of July was really slow, slower than the previous month. We are optimistic for the remainder of the year.” (Computer & Electronic Products)
- “Global orders still holding up in the wake of international uncertainties.” (Fabricated Metal Products)
- “Business conditions are stable, little change from last month.” (Miscellaneous Manufacturing)
- “There’s an abundance of containerboard in the global markets.” (Paper Products)
- “Inbound logistics are almost back to normal.” (Machinery)
- “Business continues to be strong.” (Furniture and Related Products)

MANUFACTURING AT A GLANCE JULY 2015						
Index	Series Index Jul	Series Index Jun	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	52.7	53.5	-0.8	Growing	Slower	31
New Orders	56.5	56.0	+0.5	Growing	Faster	32
Production	56.0	54.0	+2.0	Growing	Faster	35
Employment	52.7	55.5	-2.8	Growing	Slower	3
Supplier Deliveries	48.9	48.8	+0.1	Faster	Slower	2
Inventories	49.5	53.0	-3.5	Contracting	From Growing	1
Customers' Inventories	44.0	48.5	-4.5	Too Low	Faster	8
Prices	44.0	49.5	-5.5	Decreasing	Faster	9
Backlog of Orders	42.5	47.0	-4.5	Contracting	Faster	2
Exports	48.0	49.5	-1.5	Contracting	Faster	2
Imports	52.0	53.5	-1.5	Growing	Slower	30
OVERALL ECONOMY				Growing	Slower	74
Manufacturing Sector				Growing	Slower	31

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

None.

Commodities Down in Price

Aluminum (8); Brass; Copper; Nickel; Stainless Steel (9); Steel; Steel – Cold Rolled (2); and Steel – Hot Rolled (9).

Commodities in Short Supply

Eggs (2).

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

JULY 2015 MANUFACTURING INDEX SUMMARIES

PMI®

Manufacturing expanded in July as the PMI® registered 52.7 percent, a decrease of 0.8 percentage point below the June reading of 53.5 percent, indicating growth in manufacturing for the 31st 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 July PMI® indicates growth for the 74th consecutive month in the overall economy, and indicates expansion in the manufacturing sector for the 31st consecutive month. Holcomb stated, “The past relationship between the PMI® and the overall economy indicates that the average PMI® for January through July (52.6 percent) corresponds to a 3 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI® for July (52.7 percent) is annualized, it corresponds to a 3 percent increase in real GDP annually.”

THE LAST 12 MONTHS

<i>Month</i>	<i>PMI®</i>		<i>Month</i>	<i>PMI®</i>
Jul 2015	52.7		Jan 2015	53.5
Jun 2015	53.5		Dec 2014	55.1
May 2015	52.8		Nov 2014	57.6
Apr 2015	51.5		Oct 2014	57.9
Mar 2015	51.5		Sep 2014	56.1
Feb 2015	52.9		Aug 2014	58.1
Average for 12 months – 54.4 High – 58.1 Low – 51.5				

New Orders

ISM®’s New Orders Index registered 56.5 percent in July, an increase of 0.5 percentage point when compared to the June reading of 56 percent, indicating growth in new orders for the 32nd

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

New Orders	%Better	%Same	%Worse	Net	Index
Jul 2015	25	55	20	+5	56.5
Jun 2015	29	51	20	+9	56.0
May 2015	29	57	14	+15	55.8
Apr 2015	35	48	17	+18	53.5

Production

ISM®'s Production Index registered 56 percent in July, which is an increase of 2 percentage points when compared to the 54 percent reported in June, indicating growth in production for the 35th 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 eight industries reporting growth in production during the month of July — listed in order — are: Paper Products; Printing & Related Support Activities; Nonmetallic Mineral Products; Fabricated Metal Products; Furniture & Related Products; Food, Beverage & Tobacco Products; Chemical Products; and Machinery. The five industries reporting a decrease in production during July are: Wood Products; Plastics & Rubber Products; Primary Metals; Transportation Equipment; and Computer & Electronic Products.

Production	%Better	%Same	%Worse	Net	Index
Jul 2015	22	63	15	+7	56.0
Jun 2015	24	59	17	+7	54.0
May 2015	27	62	11	+16	54.5
Apr 2015	36	52	12	+24	56.0

Employment

ISM®'s Employment Index registered 52.7 percent in July, which is a decrease of 2.8 percentage points when compared to the 55.5 percent reported in June, indicating growth in employment for the third consecutive month. 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 July, 10 industries reported employment growth in the following order: Textile Mills; Printing & Related Support Activities; Paper Products; Electrical Equipment, Appliances & Components; Machinery; Furniture & Related Products; Food, Beverage & Tobacco Products; Transportation Equipment; Fabricated Metal Products; and Computer & Electronic Products. The five industries reporting a decrease in employment in July are: Petroleum & Coal Products; Primary Metals; Plastics & Rubber Products; Miscellaneous Manufacturing; and Chemical Products.

Employment	%Higher	%Same	%Lower	Net	Index
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Jul 2015	19	69	12	+7	52.7
Jun 2015	25	62	13	+12	55.5
May 2015	20	68	12	+8	51.7
Apr 2015	16	72	12	+4	48.3

Supplier Deliveries

The delivery performance of suppliers to manufacturing organizations was faster in July as the Supplier Deliveries Index registered 48.9 percent, which is 0.1 percentage point higher than the 48.8 percent reported in June. This is the second consecutive month supplier deliveries have been faster than the previous month. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The six industries reporting slower supplier deliveries in July — listed in order — are: Electrical Equipment, Appliances & Components; Plastics & Rubber Products; Food, Beverage & Tobacco Products; Fabricated Metal Products; Computer & Electronic Products; and Transportation Equipment. The four industries reporting faster supplier deliveries during July are: Nonmetallic Mineral Products; Paper Products; Chemical Products; and Machinery. Eight industries reported no change in supplier deliveries in July compared to June.

Supplier Deliveries	%Slower	%Same	%Faster	Net	Index
Jul 2015	7	86	7	0	48.9
Jun 2015	6	85	9	-3	48.8
May 2015	11	80	9	+2	50.7
Apr 2015	12	80	8	+4	50.1

Inventories*

The Inventories Index registered 49.5 percent in July, which is 3.5 percentage points lower than the 53 percent registered in June, indicating raw materials inventories are contracting in July following two consecutive months of growth in inventories. 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 six industries reporting higher inventories in July — listed in order — are: Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Furniture & Related Products; Transportation Equipment; and Computer & Electronic Products. The six industries reporting lower inventories in July — listed in order — are: Paper Products; Machinery; Miscellaneous Manufacturing; Chemical Products; Food, Beverage & Tobacco Products; and Primary Metals. Six industries reported no change in inventories in July compared to June.

Inventories	%Higher	%Same	%Lower	Net	Index
Jul 2015	19	61	20	-1	49.5
Jun 2015	21	64	15	+6	53.0
May 2015	17	69	14	+3	51.5
Apr 2015	19	61	20	-1	49.5

Customers' Inventories*

ISM®'s Customers' Inventories Index registered 44 percent in July, a decrease of 4.5 percentage points from June when customers' inventories registered 48.5 percent. July's reading indicates that customers' inventories are considered to be too low, and lower than in June.

The three manufacturing industries reporting customers' inventories as being too high during the month of July are: Apparel, Leather & Allied Products; Plastics & Rubber Products; and Fabricated Metal Products. The eight industries reporting customers' inventories as too low during July — listed in order — are: Paper Products; Machinery; Petroleum & Coal Products; Nonmetallic Mineral Products; Transportation Equipment; Chemical Products; Computer & Electronic Products; and Food, Beverage & Tobacco Products. Six industries reported no change in customers' inventories in July compared to June.

Customers' Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Jul 2015	63	10	68	22	-12	44.0
Jun 2015	62	13	71	16	-3	48.5
May 2015	63	13	65	22	-9	45.5
Apr 2015	66	11	66	23	-12	44.0

Prices*

The ISM® Prices Index registered 44 percent in July, which is 5.5 percentage points lower than in June, indicating a decrease in raw materials prices for the ninth consecutive month. In July, 9 percent of respondents reported paying higher prices, 21 percent reported paying lower prices, and 70 percent of supply executives reported paying the same prices as in June. 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, the five industries reporting paying increased prices for their raw materials in July are: Apparel, Leather & Allied Products; Petroleum & Coal Products; Food, Beverage & Tobacco Products; Plastics & Rubber Products; and Paper Products. The nine industries reporting paying lower prices during the month of July — listed in order — are: Electrical Equipment, Appliances & Components; Primary Metals; Textile Mills; Fabricated Metal Products; Machinery; Nonmetallic Mineral Products; Transportation Equipment; Chemical Products; and Computer & Electronic Products.

Prices	%Higher	%Same	%Lower	Net	Index
Jul 2015	9	70	21	-12	44.0
Jun 2015	14	71	15	-1	49.5
May 2015	15	69	16	-1	49.5
Apr 2015	7	67	26	-19	40.5

Backlog of Orders*

ISM®'s Backlog of Orders Index registered 42.5 percent in July, a decrease of 4.5 percentage points as compared to the June reading of 47 percent, indicating contraction in order backlogs for the second consecutive month. Of the 87 percent of respondents who measure their backlog of orders, 13 percent reported greater backlogs, 28 percent reported smaller backlogs, and 59 percent reported no change from June.

The five industries reporting increased order backlogs in July are: Textile Mills; Printing & Related Support Activities; Paper Products; Electrical Equipment, Appliances & Components; and Furniture & Related Products. The 10 industries reporting a decrease in order backlogs during July — listed in order — are: Wood Products; Plastics & Rubber Products; Primary Metals; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Computer & Electronic Products; Chemical Products; Machinery; Food, Beverage & Tobacco Products; and Transportation Equipment.

Backlog of Orders	% Reporting	%Greater	%Same	%Less	Net	Index
Jul 2015	87	13	59	28	-15	42.5
Jun 2015	89	21	52	27	-6	47.0
May 2015	88	26	55	19	+7	53.5
Apr 2015	85	25	49	26	-1	49.5

New Export Orders*

ISM®'s New Export Orders Index registered 48 percent in July, a reduction of 1.5 percentage points relative to the 49.5 percent reported in June, indicating the second consecutive month of decreases in new export orders.

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

New Export Orders	% Reporting	%Higher	%Same	%Lower	Net	Index
Jul 2015	77	11	74	15	-4	48.0
Jun 2015	75	13	73	14	-1	49.5
May 2015	78	11	78	11	0	50.0
Apr 2015	77	17	69	14	+3	51.5

Imports*

ISM®'s Imports Index registered 52 percent in July, which is 1.5 percentage points lower than the 53.5 percent reported in June. This month's reading represents 30 consecutive months of growth in imports.

The eight industries reporting growth in imports during the month of July — listed in order — are: Primary Metals; Textile Mills; Furniture & Related Products; Transportation Equipment; Food, Beverage & Tobacco Products; Fabricated Metal Products; Computer & Electronic Products; and Miscellaneous Manufacturing. The four industries reporting a decrease in imports during July are: Nonmetallic Mineral Products; Plastics & Rubber Products; Chemical Products; and Machinery.

Imports	% Reporting	%Higher	%Same	%Lower	Net	Index
Jul 2015	78	15	74	11	+4	52.0
Jun 2015	79	15	77	8	+7	53.5

May 2015	79	16	78	6	+10	55.0
Apr 2015	77	15	78	7	+8	54.0

* 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 by 9 days to 126 days. Average lead time for Production Materials decreased by 7 days in July to 60 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies decreased by 1 day to 25 days.

Percent Reporting

Capital Expenditures	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Jul 2015	23	8	11	19	23	16	126
Jun 2015	24	7	9	16	26	18	135
May 2015	26	5	10	20	19	20	133
Apr 2015	26	7	8	16	25	18	132

Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Jul 2015	16	38	20	16	8	2	60
Jun 2015	12	39	21	15	10	3	67
May 2015	15	35	24	13	10	3	66
Apr 2015	15	34	24	15	9	3	66

MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Jul 2015	45	39	11	5	0	0	25
Jun 2015	47	36	11	5	1	0	26
May 2015	44	36	13	5	1	1	31
Apr 2015	44	36	14	5	1	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 43.1 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 Capital Expenditures; Production Materials; 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.instituteforsupplymanagement.org on the first business day* of every month after 10:00 a.m. (ET).

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

*Unless the NYSE is closed.