

PMI® at 56.0%

**August 2020 Manufacturing ISM® Report On Business®**

**New Orders and Production Growing; Employment Contracting  
Supplier Deliveries Slowing at Faster Rate; Backlog Growing  
Raw Materials Inventories Contracting; Customers' Inventories Too Low  
Prices Increasing; Exports and Imports Growing**

(Tempe, Arizona) — Economic activity in the **manufacturing sector grew in August**, with the **overall economy notching a fourth consecutive month of growth**, say the nation's supply executives in the latest **Manufacturing ISM® Report On Business®**.

The report was issued today by Timothy R. Fiore, CPSM, C.P.M., Chair of the Institute for Supply Management® (ISM®) Manufacturing Business Survey Committee: “The August PMI® registered 56 percent, up 1.8 percentage points from the July reading of 54.2 percent. This figure indicates expansion in the **overall economy** for the fourth month in a row after a contraction in April, which ended a period of 131 consecutive months of growth. The New Orders Index registered 67.6 percent, an increase of 6.1 percentage points from the July reading of 61.5 percent. The Production Index registered 63.3 percent, up 1.2 percentage points compared to the July reading of 62.1 percent. The Backlog of Orders Index registered 54.6 percent, an increase of 2.8 percentage points compared to the July reading of 51.8 percent. The Employment Index registered 46.4 percent, an increase of 2.1 percentage points from the July reading of 44.3 percent. The Supplier Deliveries Index registered 58.2 percent, up 2.4 percentage points from the July figure of 55.8 percent.

“The Inventories Index registered 44.4 percent, 2.6 percentage points lower than the July reading of 47 percent. The Prices Index registered 59.5 percent, up 6.3 percentage points compared to the July reading of 53.2 percent. The New Export Orders Index registered 53.3 percent, an increase of 2.9 percentage points compared to the July reading of 50.4 percent. The Imports Index registered 55.6 percent, a 2.5-percentage point increase from the July reading of 53.1 percent.

“After the coronavirus (COVID-19) brought manufacturing activity to historic lows, the sector continued its recovery in August, the first full month of operations after supply chains restarted and adjustments were made for employees to return to work. Survey Committee members reported that their companies and suppliers operated in reconfigured factories, with limited labor application due to safety restrictions. Panel sentiment was generally optimistic (1.4 positive comments for every cautious comment), though to a lesser degree compared to July. **Demand** expanded, with the (1) New Orders Index growing at very strong levels, supported by the New Export Orders Index expanding modestly; (2) Customers' Inventories Index at its lowest figure since June 2010, a level considered a positive for future production, and (3) Backlog of Orders Index indicating growth for the second consecutive month. **Consumption** (measured by the Production and Employment indexes) contributed positively (a combined 3.3-percentage point increase) to the PMI® calculation, with industries continuing to expand output compared to July. **Inputs** — expressed as supplier deliveries, inventories and imports — were flat during the survey period, due to supplier delivery issues returning and import levels expanding moderately. Inventory levels contracted again due to strong production output and supplier delivery difficulties. Inputs likely were the biggest impediment to production growth and contributed negatively (a combined 0.2-percentage point decrease) to the PMI® calculation. (The Supplier Deliveries and

Inventories indexes directly factor into the PMI<sup>®</sup>; the Imports Index does not.) Prices continued to expand and at higher rates, reflecting a shift to seller pricing power — a positive for new-order growth.

“Demand and consumption continued to drive expansion growth, with inputs representing near- and moderate-term supply chain difficulties. Among the six biggest manufacturing industries, Food, Beverage & Tobacco Products remains the best-performing sector, with Chemical Products; Computer & Electronic Products; and Fabricated Metal Products growing strongly. Transportation Equipment also expanded, but at a low rate. Petroleum & Coal Products sunk into contraction territory.

“Impacted by the current economic environment, many panelists’ companies are holding off on capital investments for the rest of 2020. In addition, (1) commercial aerospace equipment companies, (2) office furniture and commercial office building subsuppliers and (3) companies operating in the oil and gas markets — as well as their supporting supply bases — are and will continue to be impacted due to low demand. These companies represent approximately 20 percent of manufacturing output. This situation will likely continue at least through the end of the year,” says Fiore.

Of the 18 manufacturing industries, 15 reported growth in August, in the following order: Wood Products; Plastics & Rubber Products; Food, Beverage & Tobacco Products; Textile Mills; Chemical Products; Computer & Electronic Products; Primary Metals; Fabricated Metal Products; Machinery; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; Paper Products; and Transportation Equipment. The three industries reporting contraction in August are: Printing & Related Support Activities; Petroleum & Coal Products; and Furniture & Related Products.

#### **WHAT RESPONDENTS ARE SAYING**

- “Watching COVID-19 situations in Mexico, Brazil, Philippines [and] Hong Kong. High rates of COVID-19 surging. Currently, lines of supply no longer impacted by COVID-19 related events.” (Computer & Electronic Products)
- “Business is very good. Production cannot keep up with demand. Some upstream supply chains are starting to have issues with raw material and/or transportation availability.” (Chemical Products)
- “Airline industry continues to be under great pressure.” (Transportation Equipment)
- “Current sales to domestic markets are substantially stronger than forecasted. We expected a recession, but it did not turn out that way. Retail and trade customer markets are very strong and driving shortages in raw material suppliers, increasing supplier orders.” (Fabricated Metal Products)
- “Homebuilder business continues to be robust, with month-over-month gains continuing since May. Business remains favorable and will only be held back by supply issues across the entire industry.” (Wood Products)
- “We are seeing solid month-over-month order improvement in all manufacturing sectors such as electrical, auto and industrial goods. Looking to add a few factory operators.” (Plastics & Rubber Products)

- “Rolling production forecasts are increasing each week compared to prior forecast.” (Primary Metals)
- “[Production ramp-up] has been a struggle. We have started and stopped lines numerous times at all 18 of our manufacturing plants due to COVID-19 issues. Surprisingly, our direct suppliers have done an excellent job on shipping ingredients and packaging on time.” (Food, Beverage & Tobacco Products)
- “Strong demand from existing and new customers for our products, stable-to-decreasing input costs for our operations, and record numbers of new business opportunities from prospective customers’ reshoring measures. All trends continuing from the first quarter of fiscal year 2017.” (Electrical Equipment, Appliances & Components)
- “Capital equipment new orders have slowed again. Quoting is active. Many customers waiting for the fourth quarter to make any commitments.” (Machinery)
- “We are starting to see parts of our business rebound in August, while other parts remained weak. Some of our export business has come back for the first time since the start of COVID-19; however, domestic portfolios remain mixed.” (Paper Products)

### Manufacturing at a Glance

August 2020

Index	Series Index Aug	Series Index Jul	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	56.0	54.2	+1.8	Growing	Faster	3
New Orders	67.6	61.5	+6.1	Growing	Faster	3
Production	63.3	62.1	+1.2	Growing	Faster	3
Employment	46.4	44.3	+2.1	Contracting	Slower	13
Supplier Deliveries	58.2	55.8	+2.4	Slowing	Faster	10
Inventories	44.4	47.0	-2.6	Contracting	Faster	2
Customers’ Inventories	38.1	41.6	-3.5	Too Low	Faster	47
Prices	59.5	53.2	+6.3	Increasing	Faster	3
Backlog of Orders	54.6	51.8	+2.8	Growing	Faster	2
New Export Orders	53.3	50.4	+2.9	Growing	Faster	2

Index	Series Index Aug	Series Index Jul	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
Imports	55.6	53.1	+2.5	Growing	Faster	2
<b>OVERALL ECONOMY</b>				Growing	Faster	4
<b>Manufacturing Sector</b>				Growing	Faster	3

Manufacturing ISM® *Report On Business*® data is seasonally adjusted for the New Orders, Production, Employment and Inventories indexes.

\*Number of months moving in current direction.

### COMMODITIES REPORTED UP/DOWN IN PRICE AND IN SHORT SUPPLY

#### Commodities Up in Price

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Aluminum (3); Copper (3); Crude Oil (4); Freight; High-Density Polyethylene (2); Lumber (2); Natural Gas; Packaging Materials; Polyethylene; Polypropylene (2); Precious Metals (2); Propylene; Steel\*; Steel — Scrap; and Steel — Stainless.

#### Commodities Down in Price

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Steel\*; and Steel — Hot Rolled (2).

#### Commodities in Short Supply

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Aluminum Cans; Electronic Components; Freight; Lumber; and Personal Protective Equipment (PPE) — Gloves (6).

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

\*Indicates both up and down in price.

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## **AUGUST 2020 MANUFACTURING INDEX SUMMARIES**

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### **PMI<sup>®</sup>**

Manufacturing grew in August, as the PMI<sup>®</sup> registered 56 percent, 1.8 percentage points higher than the July reading of 54.2 percent. “The PMI<sup>®</sup> signaled a continued rebuilding of economic activity in August and reached its highest level of expansion since November 2018, when the index registered 58.8 percent. Five of the big six industry sectors expanded. The New Orders and Production indexes continued at strong expansion levels. The Supplier Deliveries Index now better reflects supplier’s difficulty in maintaining delivery rates due to factory labor safety issues and transportation difficulties. Eight of the 10 subindexes were positive for the period,” says Fiore. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.

A PMI<sup>®</sup> above 42.8 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the August PMI<sup>®</sup> indicates the overall economy grew in August for the fourth consecutive month following contraction in April. “The past relationship between the PMI<sup>®</sup> and the overall economy indicates that the PMI<sup>®</sup> for August (56 percent) corresponds to a 3.9-percent increase in real gross domestic product (GDP) on an annualized basis,” says Fiore.

### **THE LAST 12 MONTHS**

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<b>Month</b>	<b>PMI<sup>®</sup></b>
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<b>Aug 2020</b>	56.0
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<b>Jul 2020</b>	54.2
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<b>Jun 2020</b>	52.6
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<b>May 2020</b>	43.1
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<b>Apr 2020</b>	41.5
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<b>Mar 2020</b>	49.1
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<b>Month</b>	<b>PMI<sup>®</sup></b>
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<b>Feb 2020</b>	50.1
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<b>Jan 2020</b>	50.9
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<b>Dec 2019</b>	47.8
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**Month PMI®**

**Nov 2019** 48.1

**Oct 2019** 48.5

**Sep 2019** 48.2

Average for 12 months - 49.2

High - 56.0

Low - 41.5

**New Orders**

ISM®'s New Orders Index registered 67.6 percent in August, an increase of 6.1 percentage points compared to the 61.5 percent reported in July. This indicates that new orders grew for the third consecutive month. "All of the top six industry sectors (Computer & Electronic Products; Chemical Products; Food, Beverage & Tobacco Products; Petroleum & Coal Products; Fabricated Metal Products; and Transportation Equipment) expanded. Demand improved in August, as demonstrated by 15 industry sectors expanding and only one contracting. The index achieved its highest level of performance since January 2004 (70.6 percent)," says Fiore. A New Orders Index above 52.5 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders (in constant 2000 dollars).

Of the 18 manufacturing industries, the 15 that reported growth in new orders in August — in the following order — are: Primary Metals; Plastics & Rubber Products; Wood Products; Computer & Electronic Products; Chemical Products; Nonmetallic Mineral Products; Machinery; Paper Products; Food, Beverage & Tobacco Products; Petroleum & Coal Products; Fabricated Metal Products; Furniture & Related Products; Miscellaneous Manufacturing; Transportation Equipment; and Electrical Equipment, Appliances & Components. The only industry reporting a decline in new orders in August was Printing & Related Support Activities.

**New Orders % Higher % Same % Lower Net Index**

**Aug 2020** 39.7 47.4 12.9 +26.8 67.6

**Jul 2020** 41.1 40.0 18.8 +22.3 61.5

**Jun 2020** 37.3 38.9 23.9 +13.4 56.4

**May 2020** 21.2 26.0 52.9 -31.7 31.8

**Production**

The Production Index registered 63.3 percent in August, up 1.2 percentage points from 62.1 percent in July, indicating growth for the third consecutive month. "All of the top six industries expanded strongly, an improvement from July. The index achieved its highest level of performance since January 2018,

when it registered 64.2 percent,” says Fiore. An index above 51.7 percent, over time, is generally consistent with an increase in the Federal Reserve Board’s Industrial Production figures.

The 15 industries reporting growth in production during the month of August — listed in order — are: Wood Products; Primary Metals; Chemical Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Transportation Equipment; Textile Mills; Machinery; Food, Beverage & Tobacco Products; Fabricated Metal Products; Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Computer & Electronic Products; and Paper Products. The only industry reporting decreased production in August was Printing & Related Support Activities.

	Production % Higher	% Same	% Lower	Net	Index
<b>Aug 2020</b>	38.3	48.6	13.2	+25.1	63.3
<b>Jul 2020</b>	41.6	39.9	18.5	+23.1	62.1
<b>Jun 2020</b>	39.2	37.7	23.1	+16.1	57.3
<b>May 2020</b>	20.7	27.8	51.5	-30.8	33.2

### **Employment**

ISM®’s Employment Index registered 46.4 percent in August, 2.1 percentage points higher than the July reading of 44.3 percent. “This is the 13th consecutive month of employment contraction, at a slower rate compared to July. This marks the fourth consecutive month of improvement since the index’s low of 27.5 percent registered in April. Three of the six big industry sectors experienced expansion, as factories were able to maintain significant gains in output with a reduced labor pool. Long-term labor market growth remains uncertain, but strong new-order levels and an expanding backlog signify potential strength for the rest of the third quarter. Survey comments indicate that more panelists’ companies are hiring or attempting to hire compared to actively and passively reducing their labor forces,” says Fiore. An Employment Index above 50.8 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, the eight industries to report employment growth in August — in the following order — are: Textile Mills; Food, Beverage & Tobacco Products; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Plastics & Rubber Products; Computer & Electronic Products; Fabricated Metal Products; and Miscellaneous Manufacturing. The seven industries reporting a decrease in employment in August, in the following order, are: Printing & Related Support Activities; Petroleum & Coal Products; Primary Metals; Furniture & Related Products; Transportation Equipment; Paper Products; and Chemical Products.

**Employment % Higher % Same % Lower Net Index**

<b>Aug 2020</b>	17.1	59.3	23.6	-6.5	46.4
<b>Jul 2020</b>	15.3	59.9	24.7	-9.4	44.3
<b>Jun 2020</b>	14.6	58.8	26.6	-12.0	42.1
<b>May 2020</b>	7.6	51.2	41.1	-33.5	32.1

**Supplier Deliveries\***

The delivery performance of suppliers to manufacturing organizations was slower in August, as the Supplier Deliveries Index registered 58.2 percent. This is 2.4 percentage points higher than the 55.8 percent reported in July. “Suppliers continue to struggle to deliver, slowing deliveries at a faster rate compared to July. Plant interruptions, transportation challenges and continuing difficulties in supplier labor markets are still significant factors. The Supplier Deliveries Index reflects the difficulties suppliers will continue to experience due to COVID-19 impacts. These issues are not expected to diminish in the near future and, at this time, represent the biggest hurdle to production output and inventory growth,” says Fiore. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

Eleven of 18 industries reported slower supplier deliveries in August, listed in the following order: Printing & Related Support Activities; Wood Products; Food, Beverage & Tobacco Products; Fabricated Metal Products; Chemical Products; Textile Mills; Computer & Electronic Products; Nonmetallic Mineral Products; Plastics & Rubber Products; Machinery; and Miscellaneous Manufacturing. The three industries reporting faster supplier deliveries in August are: Furniture & Related Products; Paper Products; and Transportation Equipment.

**Supplier Deliveries % Slower % Same % Faster Net Index**

<b>Aug 2020</b>	23.4	69.6	7.1	+16.3	58.2
<b>Jul 2020</b>	22.2	67.4	10.5	+11.7	55.8
<b>Jun 2020</b>	22.9	68.1	9.0	+13.9	56.9
<b>May 2020</b>	41.0	54.2	4.9	+36.1	68.0

**Inventories**

The Inventories Index registered 44.4 percent in August, 2.6 percentage points lower than the 47 percent reported for July. Inventories contracted for the second straight month after two consecutive months of expansion. This is the lowest reading for the Inventories Index since January 2014 (43.9 percent). “Inventory levels were impacted by increases in production output and restrained by continuing supplier difficulties as noted above,” says Fiore. An Inventories Index greater than 44.3 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 two industries reporting higher inventories in August are: Apparel, Leather & Allied Products; and Plastics & Rubber Products. The nine industries reporting a decrease in inventories in August — listed in order — are: Nonmetallic Mineral Products; Printing & Related Support Activities; Wood Products; Fabricated Metal Products; Transportation Equipment; Petroleum & Coal Products; Primary Metals; Electrical Equipment, Appliances & Components; and Machinery. Seven industries reported no change in inventories in August compared to July.

**Inventories % Higher % Same % Lower Net Index**

<b>Aug 2020</b>	13.3	65.2	21.5	-8.2	44.4
<b>Jul 2020</b>	21.2	51.6	27.2	-6.0	47.0
<b>Jun 2020</b>	22.9	54.1	23.0	-0.1	50.5
<b>May 2020</b>	29.0	42.0	29.0	0.0	50.4

**Customers' Inventories\***

ISM<sup>®</sup>'s Customers' Inventories Index registered 38.1 percent in August, 3.5 percentage points lower than the 41.6 percent reported for July, indicating that customers' inventory levels were considered too low. "Customers' inventories are too low for the 47th consecutive month and moved further into 'too low' territory in August, a positive for future production growth. It's been more than a decade (a reading of 35.8 percent in June 2010) since the Customers' Inventories index has been at this level," says Fiore.

Of the 18 industries, the two reporting higher customers' inventories in August are: Nonmetallic Mineral Products; and Miscellaneous Manufacturing. The 14 industries reporting customers' inventories as too low during August — listed in order — are: Apparel, Leather & Allied Products; Wood Products; Paper Products; Fabricated Metal Products; Textile Mills; Plastics & Rubber Products; Furniture & Related Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Chemical Products; Food, Beverage & Tobacco Products; Transportation Equipment; and Primary Metals.

**Customers' Inventories % Reporting % Too High % About Right % Too Low Net Index**

<b>Aug 2020</b>	75	7.5	61.0	31.4	-23.9	38.1
<b>Jul 2020</b>	74	12.6	58.0	29.4	-16.8	41.6
<b>Jun 2020</b>	74	15.4	58.4	26.1	-10.7	44.6
<b>May 2020</b>	75	21.8	48.7	29.5	-7.7	46.2

**Prices\***

The ISM<sup>®</sup> Prices Index registered 59.5 percent, a jump of 6.3 percentage points compared the July reading of 53.2 percent, indicating raw materials prices increased for the third consecutive month. "Price increases were driven primarily by plastics, lumber, aluminum, copper, some steel products, transportation expenses, precious metals and petroleum products. Price growth reflects a power shift

toward sellers, as increased costs to produce input materials are being passed on to panelists' companies," says Fiore. A Prices Index above 52.5 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) Producer Price Index for Intermediate Materials.

The 17 industries reporting paying increased prices for raw materials in August — listed in order — are: Textile Mills; Apparel, Leather & Allied Products; Plastics & Rubber Products; Printing & Related Support Activities; Wood Products; Primary Metals; Chemical Products; Petroleum & Coal Products; Furniture & Related Products; Fabricated Metal Products; Computer & Electronic Products; Nonmetallic Mineral Products; Machinery; Miscellaneous Manufacturing; Transportation Equipment; Electrical Equipment, Appliances & Components; and Food, Beverage & Tobacco Products. No industry reported a decrease in input prices.

<b>Prices</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
<b>Aug 2020</b>	27.4	64.3	8.3	+19.1	59.5
<b>Jul 2020</b>	22.7	61.2	16.2	+6.5	53.2
<b>Jun 2020</b>	18.5	65.6	15.9	+2.6	51.3
<b>May 2020</b>	13.9	53.8	32.3	-18.4	40.8

#### **Backlog of Orders\***

ISM<sup>®</sup>'s Backlog of Orders Index registered 54.6 percent in August, a 2.8-percentage point increase compared to the 51.8 percent reported in July, indicating order backlogs expanded for the second consecutive month after four straight months of contraction. "Backlogs expanded at faster rates in August, indicating that new-order intakes were sufficient to fully offset production outputs. Four of the six big industry sectors' backlogs expanded, an improvement from July. The index achieved its highest level of expansion since November 2018 (56.4 percent)," says Fiore.

The nine industries reporting growth in order backlogs in August, in the following order, are: Wood Products; Primary Metals; Fabricated Metal Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Computer & Electronic Products; Food, Beverage & Tobacco Products; Chemical Products; and Machinery. In August, six industries — in the following order — reported lower backlogs: Textile Mills; Printing & Related Support Activities; Miscellaneous Manufacturing; Paper Products; Furniture & Related Products; and Transportation Equipment.

<b>Backlog of Orders</b>	<b>% Reporting</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
<b>Aug 2020</b>	89	29.0	51.3	19.7	+9.3	54.6
<b>Jul 2020</b>	87	20.3	63.0	16.7	+3.6	51.8
<b>Jun 2020</b>	89	19.4	51.9	28.7	-9.3	45.3
<b>May 2020</b>	91	18.2	40.1	41.8	-23.6	38.2

#### **New Export Orders\***

ISM<sup>®</sup>'s New Export Orders Index registered 53.3 percent in August, up 2.9 percentage points compared to the July reading of 50.4 percent. "The New Export Orders Index grew for the second consecutive month at a faster rate and reached its highest level since January (53.3 percent). With four of the six big industry sectors expanding, new export orders were a positive factor to the growth in new orders," says Fiore.

The nine industries reporting growth in new export orders in August — in the following order — are: Furniture & Related Products; Textile Mills; Miscellaneous Manufacturing; Plastics & Rubber Products; Chemical Products; Food, Beverage & Tobacco Products; Transportation Equipment; Computer & Electronic Products; and Machinery. The two industries reporting a decrease in new export orders in August are: Nonmetallic Mineral Products; and Fabricated Metal Products. Seven industries reported no change in new export orders in August compared to July.

**New Export Orders % Reporting % Higher % Same % Lower Net Index**

<b>Aug 2020</b>	75	18.4	69.6	11.9	+6.5	53.3
<b>Jul 2020</b>	74	14.8	71.4	13.9	+0.9	50.4
<b>Jun 2020</b>	75	13.8	67.7	18.5	-4.7	47.6
<b>May 2020</b>	77	14.3	50.6	35.2	-20.9	39.5

**Imports\***

ISM<sup>®</sup>'s Imports Index registered 55.6 percent in August, up 2.5 percentage points compared to the 53.1 percent reported for July. "Imports expanded for the second consecutive month, reflecting increased U.S. factory demand. The index reached its highest level of expansion since June 2018, when it registered 59 percent," says Fiore.

The 14 industries reporting growth in imports in August — in the following order — are: Apparel, Leather & Allied Products; Printing & Related Support Activities; Wood Products; Textile Mills; Plastics & Rubber Products; Miscellaneous Manufacturing; Paper Products; Transportation Equipment; Machinery; Chemical Products; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Fabricated Metal Products; and Computer & Electronic Products. The only industry reporting a decrease in imports in August was Primary Metals.

**Imports % Reporting % Higher % Same % Lower Net Index**

<b>Aug 2020</b>	87	18.2	74.9	6.9	+11.3	55.6
<b>Jul 2020</b>	85	17.4	71.4	11.2	+6.2	53.1
<b>Jun 2020</b>	83	15.3	67.1	17.6	-2.3	48.8
<b>May 2020</b>	84	13.6	55.4	31.0	-17.4	41.3

**\*The Supplier Deliveries, 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 was unchanged in August at 136 days. Average lead time for Production Materials was unchanged in August at 66 days. Average lead time for Maintenance, Repair and Operating (MRO) Supplies increased in August by five days to 40 days.

### **Percent Reporting**

#### **Capital Expenditures Hand-to-Mouth 30 Days 60 Days 90 Days 6 Months 1 Year + Average Days**

<b>Aug 2020</b>	25	6	9	16	25	19	136
<b>Jul 2020</b>	24	7	8	18	24	19	136
<b>Jun 2020</b>	25	7	9	17	24	18	132
<b>May 2020</b>	24	7	10	16	23	20	137

### **Percent Reporting**

#### **Production Materials Hand-to-Mouth 30 Days 60 Days 90 Days 6 Months 1 Year + Average Days**

<b>Aug 2020</b>	10	33	26	22	7	2	66
<b>Jul 2020</b>	10	35	25	20	8	2	66
<b>Jun 2020</b>	11	37	25	18	7	2	63
<b>May 2020</b>	12	34	28	15	9	2	65

### **Percent Reporting**

#### **MRO Supplies Hand-to-Mouth 30 Days 60 Days 90 Days 6 Months 1 Year + Average Days**

<b>Aug 2020</b>	36	35	15	9	4	1	40
<b>Jul 2020</b>	38	35	16	8	3	0	35
<b>Jun 2020</b>	38	37	15	7	2	1	36
<b>May 2020</b>	39	31	17	10	3	0	36

### **About This Report**

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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 U.S., 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 August 2020.

The data presented herein is obtained from a survey of manufacturing supply executives based on information they have collected within their respective organizations. ISM<sup>®</sup> 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

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The **Manufacturing ISM<sup>®</sup> Report On Business<sup>®</sup>** is based on data compiled from purchasing and supply executives nationwide. The composition of the Manufacturing Business Survey Committee is stratified according to the North American Industry Classification System (NAICS) and each of the following NAICS-based industry's contribution to gross domestic product (GDP): 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). The data are weighted based on each industry's contribution to GDP. According to the BEA estimates for 2018 GDP (released October 29, 2019), the six largest manufacturing sub-sectors are: Computer & Electronic Products; Chemical Products; Transportation Equipment Manufacturing; Food, Beverage & Tobacco Products; Petroleum & Coal Products; and Fabricated Metal Products. Beginning in February 2018 with January 2018 data, computation of the indexes is accomplished utilizing unrounded numbers.

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<sup>®</sup>, New Orders, Production, Employment and Inventories) 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<sup>®</sup> 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<sup>®</sup> reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining. A PMI<sup>®</sup> above 42.8 percent, over a period of time, indicates that the overall

economy, or gross domestic product (GDP), is generally expanding; below 42.8 percent, it is generally declining. The distance from 50 percent or 42.8 percent is indicative of the extent 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 report on information for the current month for U.S. operations only. 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 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.

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### **About Institute for Supply Management<sup>®</sup>**

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Institute for Supply Management<sup>®</sup> (ISM<sup>®</sup>) serves supply management professionals in more than 90 countries. Its 50,000 members around the world manage about US\$1 trillion in corporate and government supply chain procurement annually. Founded in 1915 as the first supply management institute in the world, ISM is committed to advancing the practice of supply management to drive value and competitive advantage for its members, contributing to a prosperous and sustainable world. ISM leads the profession through the *ISM Report On Business*<sup>®</sup>, its highly regarded certification programs and the ISM Mastery Model<sup>®</sup>. 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<sup>®</sup> Report On Business<sup>®</sup>** is posted on ISM<sup>®</sup>'s website at [www.ismrob.org](http://www.ismrob.org) on the first business day\* of every month after 10:00 a.m. ET.

The next **Manufacturing ISM<sup>®</sup> Report On Business<sup>®</sup>** featuring **September 2020** data will be released at 10:00 a.m. ET on Thursday, October 1, 2020.

\*Unless the New York Stock Exchange is closed.

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