

PMI at 52.9%

Economic activity in the manufacturing sector expanded in August, following 18 consecutive months of contraction, and the overall economy grew for the fourth consecutive month, say the nation's supply executives in the latest *Manufacturing ISM Report On Business*®.

The year-and-a-half decline in manufacturing output has come to an end, as 11 of 18 manufacturing industries are reporting growth when comparing August to July. While this is certainly a positive occurrence, we have to keep in mind that it is the beginning of a new cycle and that all industries are not yet participating in the growth. The August index of 52.9 percent is the highest since June 2007. The 4 percentage point increase was driven by significant strength in the New Orders Index, which is up 9.6 points to 64.9 percent, the highest since December 2004. The growth appears sustainable in the short term, as inventories have been reduced for 40 consecutive months and supply chains will have to restock to meet this new demand.

The 11 manufacturing industries reporting growth in August are: Textile Mills; Apparel, Leather & Allied Products; Paper Products; Miscellaneous Manufacturing‡; Printing & Related Support Activities; Computer & Electronic Products; Transportation Equipment; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; and Chemical Products. **ISM**

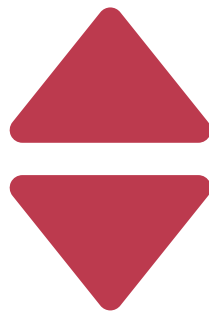
Analysis by **Norbert J. Ore, CPSM, C.P.M.**, chair of the Institute for Supply Management™ Manufacturing Business Survey Committee.

New Orders and Production Growing; Employment and Inventories Contracting; Supplier Deliveries Slower

MANUFACTURING AT A GLANCE

INDEX	AUGUST INDEX	JULY INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
PMI	52.9	48.9	+4.0	Growing	From Contracting	1
New Orders	64.9	55.3	+9.6	Growing	Faster	2
Production	61.9	57.9	+4.0	Growing	Faster	3
Employment	46.4	45.6	+0.8	Contracting	Slower	13
Supplier Deliveries	57.1	52.0	+5.1	Slowing	Faster	3
Inventories	34.4	33.5	+0.9	Contracting	Slower	40
Customers' Inventories	39.0	42.5	-3.5	Too Low	Faster	5
Prices	65.0	55.0	+10.0	Increasing	Faster	2
Backlog of Orders	52.5	50.0	+2.5	Growing	From Unchanged	1
Exports	55.5	50.5	+5.0	Growing	Faster	2
Imports	49.5	50.0	-0.5	Contracting	From Unchanged	1
OVERALL ECONOMY				Growing	Faster	4
MANUFACTURING SECTOR				Growing	From Contracting	1

*Number of months moving in current direction.
Manufacturing ISM Report On Business® data is seasonally adjusted except for Backlog of Orders, Prices, Customers' Inventories, Imports and New Export Orders.



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

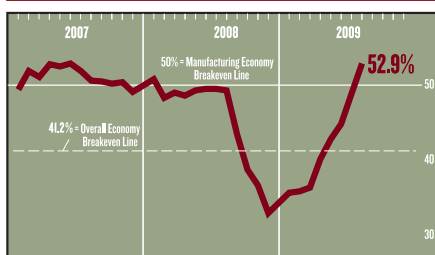
COMMODITIES REPORTED

Commodities Up in Price: Aluminum (2); Aluminum Based Products; Brass Products; Copper (3); Copper Based Products (2); Corn; Nickel (2); Plastic Resins (2); Polypropylene (2); Stainless Steel; Stainless Steel Products; Steel (2); Steel Products (2); and Steel Scrap.

Commodities Down in Price: Caustic Soda (6); and Natural Gas (2).

Commodities in Short Supply: No commodities are reported in short supply.

‡Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies).



PMI

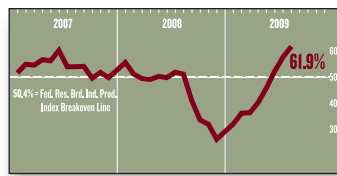
A PMI in excess of 41.2 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the PMI indicates growth for the fourth consecutive month in the overall economy, as well as expansion in the manufacturing sector for the first time since January 2008. The past relationship between the PMI and the overall economy indicates that the average PMI for January through August (42.2 percent) corresponds to a 0.3 percent increase in real gross domestic product (GDP). However, if the PMI for August (52.9 percent) is annualized, it corresponds to a 3.7 percent increase in real GDP annually.

*Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies).

PRODUCTION

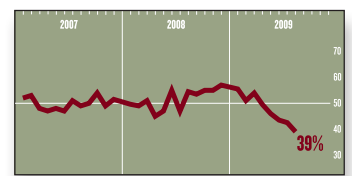
ISM's Production Index registered 61.9 percent in August. The 13 industries reporting growth in production during the month of August — listed in order — are:

Textile Mills; Apparel, Leather & Allied Products; Paper Products; Miscellaneous Manufacturing[†]; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Printing & Related Support Activities; Transportation Equipment; Nonmetallic Mineral Products; Chemical Products; Fabricated Metal Products; Primary Metals; and Machinery.



CUSTOMERS' INVENTORIES

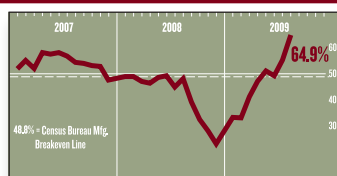
The ISM Customers' Inventories Index registered 39 percent in August. The index indicates that respondents believe their customers' inventories are too low at this time. This is the fifth consecutive month the Customers' Inventories Index has been below 50 percent, following eight months above 50 percent. Two industries reported higher customers' inventories during August: Furniture & Related Products; and Food, Beverage & Tobacco Products.



NEW ORDERS

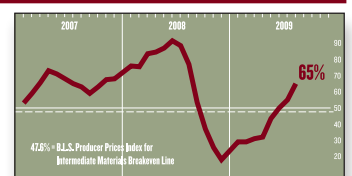
ISM's New Orders Index registered 64.9 percent in August. The 13 industries reporting growth in new orders in August — listed in order — are: Textile

Mills; Paper Products; Printing & Related Support Activities; Miscellaneous Manufacturing[†]; Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Wood Products; Chemical Products; Fabricated Metal Products; Plastics & Rubber Products; Transportation Equipment; and Machinery.



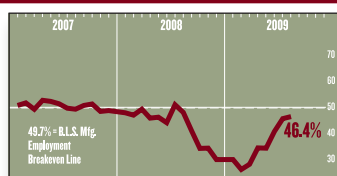
PRICES

The ISM Prices Index registered 65 percent in August, 10 percentage points higher than the 55 percent reported in July. The 11 industries reporting paying increased prices during the month of August — listed in order — are: Primary Metals; Fabricated Metal Products; Paper Products; Plastics & Rubber Products; Transportation Equipment; Machinery; Printing & Related Support Activities; Miscellaneous Manufacturing[†]; Chemical Products; Electrical Equipment, Appliances & Components; and Computer & Electronic Products.



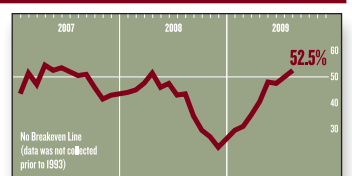
EMPLOYMENT

ISM's Employment Index registered 46.4 percent in August, which is 0.8 percentage point higher than the 45.6 percent reported in July. This is the 13th consecutive month of decline in employment. Four of the 18 manufacturing industries reported growth in employment in August: Apparel, Leather & Allied Products; Paper Products; Miscellaneous Manufacturing[†]; and Computer & Electronic Products.



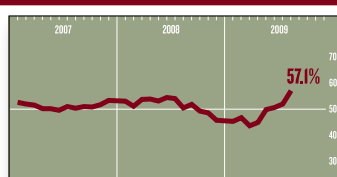
BACKLOG OF ORDERS

ISM's Backlog of Orders Index registered 52.5 percent in August, 2.5 percentage points higher than the 50 percent reported in July. The five industries reporting increased order backlogs in August are: Paper Products; Apparel, Leather & Allied Products; Computer & Electronic Products; Electrical Equipment, Appliances & Components; and Transportation Equipment.



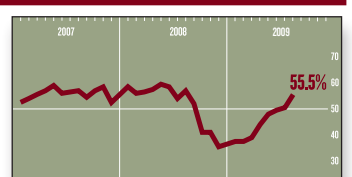
SUPPLIER DELIVERIES

The delivery performance of suppliers to manufacturing organizations was slower in August as the Supplier Deliveries Index registered 57.1 percent. The nine industries reporting slower supplier deliveries in August are: Printing & Related Support Activities; Fabricated Metal Products; Plastics & Rubber Products; Computer & Electronic Products; Paper Products; Machinery; Electrical Equipment, Appliances & Components; Transportation Equipment; and Chemical Products.



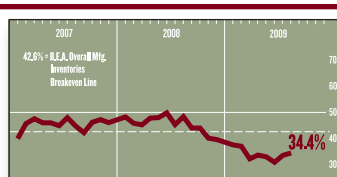
NEW EXPORT ORDERS

ISM's New Export Orders Index registered 55.5 percent in August, 5 percentage points higher than the 50.5 percent reported in July. The eight industries reporting growth in new export orders in August — listed in order — are: Apparel, Leather & Allied Products; Paper Products; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Chemical Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; and Miscellaneous Manufacturing[†].



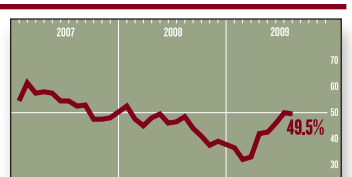
INVENTORIES

Manufacturers' inventories contracted in August as the Inventories Index registered 34.4 percent, which is 0.9 percentage point higher than July's reading of 33.5 percent. Three of the 18 manufacturing industries reported higher inventories in August: Nonmetallic Mineral Products; Furniture & Related Products; and Food, Beverage & Tobacco Products.



IMPORTS

Imports of materials by manufacturers contracted in August as the Imports Index registered 49.5 percent. Imports have contracted in 18 of the last 19 months. The seven industries reporting growth in imports during the month of August — listed in order — are: Apparel, Leather & Allied Products; Printing & Related Support Activities; Nonmetallic Mineral Products; Machinery; Miscellaneous Manufacturing[†]; Transportation Equipment; and Fabricated Metal Products.



NMI at 48.4%

**Business Activity Index at 51.3%; New Orders Index at 49.9%;
Employment Index at 43.5%**

Economic activity in the non-manufacturing sector contracted in August, say the nation's purchasing and supply executives in the latest *Non-Manufacturing ISM Report On Business*®.

The NMI (Non-Manufacturing Index) registered 48.4 percent in August, 2 percentage points higher than the 46.4 percent registered in July, indicating contraction in the non-manufacturing sector for the 11th consecutive month but at a slower rate. The Non-Manufacturing Business Activity Index increased 5.2 percentage points to 51.3 percent. This is the first time this index has reflected growth since September 2008. The New Orders Index increased 1.8 percentage points to 49.9 percent, and the Employment Index increased 2 percentage points to 43.5 percent. The Prices Index increased 21.8 percentage points to 63.1 percent in August, indicating a substantial increase in prices paid from July. According to the NMI, six non-manufacturing industries reported growth in August. Respondents' comments are mixed about business conditions and the overall economy; however, there is an increase in comments indicating that there are signs of improvement going forward.

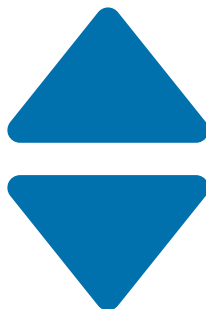
The six industries reporting growth in August based on the NMI composite index — listed in order — are: Real Estate, Rental & Leasing; Health Care & Social Assistance; Transportation & Warehousing; Utilities; Accommodation & Food Services; and Information. **ISM**

Analysis by Anthony Nieves, C.P.M., CFPM, chair of the Institute for Supply Management™ Non-Manufacturing Business Survey Committee; and senior vice president — supply management for Hilton Hotels Corporation.

NON-MANUFACTURING AT A GLANCE

INDEX	AUGUST INDEX	JULY INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
NMI	48.4	46.4	+2.0	Contracting	Slower	11
Business Activity	51.3	46.1	+5.2	Growing	From Contracting	1
New Orders	49.9	48.1	+1.8	Contracting	Slower	11
Employment	43.5	41.5	+2.0	Contracting	Slower	16
Supplier Deliveries	49.0	50.0	-1.0	Faster	From Unchanged	1
Inventories	43.0	47.0	-4.0	Contracting	Faster	12
Prices	63.1	41.3	+21.8	Increasing	From Decreasing	1
Backlog of Orders	41.0	42.0	-1.0	Contracting	Faster	13
New Export Orders	54.0	47.5	+6.5	Growing	From Contracting	1
Imports	49.0	45.0	+4.0	Contracting	Slower	10
Inventory Sentiment	67.5	62.5	+5.0	Too High	Faster	147

*Number of months moving in current direction.
Non-Manufacturing ISM Report On Business® data is seasonally adjusted for the Business Activity, New Orders, Prices and Employment Indexes.



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

*Reported as both up and down in price

COMMODITIES REPORTED

Commodities Up in Price: Airfares*; Beef; Cheese; Copper Wire; #1 Diesel Fuel; #2 Diesel Fuel; Fuel; Gasoline; and Polyethylene Film.

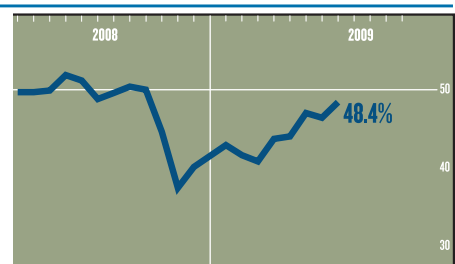
Commodities Down in Price: Airfares*; Juice; Natural Gas (4); and Office Supplies (2).

Commodities in Short Supply: No commodities were reported in short supply for the second consecutive month.

*Other Services (services such as Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services, and Dating Services).

NMI

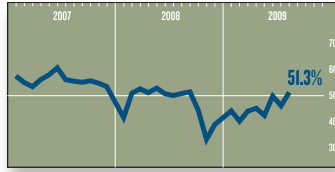
In August, the NMI registered 48.4 percent, indicating contraction in the non-manufacturing sector at a slower rate compared to July's reading of 46.4 percent. A reading above 50 percent indicates the non-manufacturing sector economy is generally expanding; below 50 percent indicates the non-manufacturing sector is generally contracting.



⁺Other Services (services such as Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services, and Dating Services).

BUSINESS ACTIVITY

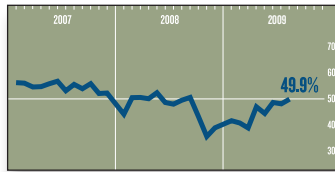
ISM's Non-Manufacturing Business Activity Index in August registered 51.3 percent, an increase of 5.2 percentage points



when compared to the 46.1 percent registered in July. The seven industries reporting growth of business activity in August — listed in order — are: Real Estate, Rental & Leasing; Transportation & Warehousing; Accommodation & Food Services; Information; Health Care & Social Assistance; Educational Services; and Public Administration.

NEW ORDERS

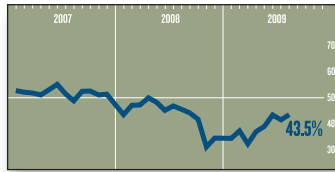
ISM's Non-Manufacturing New Orders Index contracted in August for the 11th consecutive month. The index registered 49.9 percent, which is an increase of



1.8 percentage points from the 48.1 percent registered in July. The seven industries reporting growth of new orders in August — listed in order — are: Real Estate, Rental & Leasing; Health Care & Social Assistance; Information; Educational Services; Retail Trade; Accommodation & Food Services; and Wholesale Trade.

EMPLOYMENT

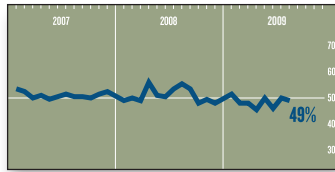
Employment activity in the non-manufacturing sector contracted in August for the 19th time in the last 20 months. ISM's Non-Manufacturing Employment Index for



August registered 43.5 percent. This reflects an increase of 2 percentage points when compared to the 41.5 percent registered in July. The two industries reporting an increase in employment in August are: Real Estate, Rental & Leasing; and Health Care & Social Assistance.

SUPPLIER DELIVERIES

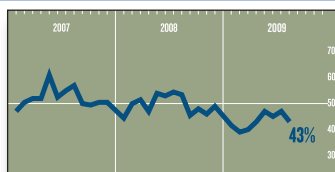
The Supplier Deliveries Index registered 49 percent in August, indicating supplier deliveries were faster in August when compared to July. A reading above 50 percent indicates slower deliveries. The



six industries reporting slower deliveries in August — listed in order — are: Utilities; Transportation & Warehousing; Arts, Entertainment & Recreation; Other Services⁺; Accommodation & Food Services; and Wholesale Trade.

INVENTORIES

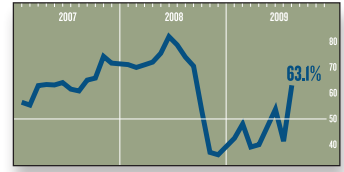
ISM's Non-Manufacturing Inventories Index registered 43 percent in August, indicating that inventory levels contracted in August for the 12th consecutive



month. Of the total respondents in August, 30 percent indicated they do not have inventories or do not measure them. The four industries reporting an increase in inventories in August are: Real Estate, Rental & Leasing; Utilities; Finance & Insurance; and Health Care & Social Assistance.

PRICES

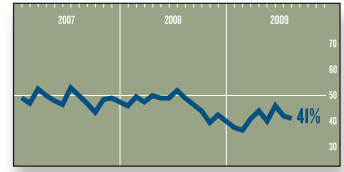
ISM's Non-Manufacturing Prices Index for August registered 63.1 percent, 21.8 percentage points higher than the 41.3 percent reported in July. Thirteen industries



reported an increase in prices paid: Management of Companies & Support Services; Retail Trade; Wholesale Trade; Utilities; Transportation & Warehousing; Health Care & Social Assistance; Arts, Entertainment & Recreation; Construction; Educational Services; Information; Accommodation & Food Services; Professional, Scientific & Technical Services; and Public Administration.

BACKLOG OF ORDERS

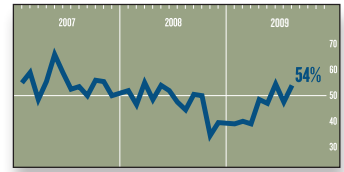
ISM's Non-Manufacturing Backlog of Orders Index contracted in August for the 13th consecutive month. The index



registered 41 percent, 1 percentage point lower than the 42 percent reported in July. The four industries reporting an increase in order backlogs in August are: Educational Services; Real Estate, Rental & Leasing; Transportation & Warehousing; and Accommodation & Food Services.

NEW EXPORT ORDERS

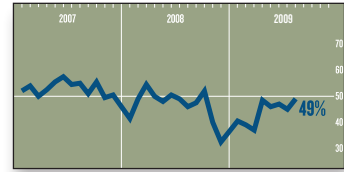
Orders and requests for services and other non-manufacturing activities to be provided outside of the United States by domestically based personnel grew in August. The New Export Orders Index for



August registered 54 percent. The five industries reporting an increase in new export orders in August are: Construction; Information; Real Estate, Rental & Leasing; Retail Trade; and Accommodation & Food Services.

IMPORTS

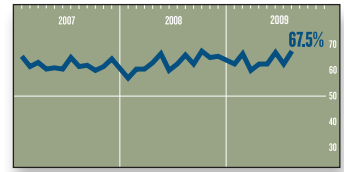
The ISM Non-Manufacturing Imports Index registered 49 percent in August. The index is 4 percentage points higher than July's index of 45 percent. In August,



61 percent of respondents reported that they do not use, or do not track, the use of imported materials. The three industries reporting an increase in the use of imports in August are: Educational Services; Retail Trade; and Accommodation & Food Services.

INVENTORY SENTIMENT

The ISM Non-Manufacturing Inventory Sentiment Index in August registered 67.5 percent.



The 12 industries reporting a feeling that their inventories are too high in August — listed in order — are: Mining; Other Services⁺; Information; Accommodation & Food Services; Real Estate, Rental & Leasing; Management of Companies & Support Services; Arts, Entertainment & Recreation; Wholesale Trade; Construction; Finance & Insurance; Professional, Scientific & Technical Services; and Retail Trade.