

PMI at 56.2%

Economic activity in the manufacturing sector expanded in June for the 11th consecutive month, and the overall economy grew for the 14th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM Report On Business®**.

The manufacturing sector continued to grow during June; however, the rate of growth as indicated by the PMI slowed when compared to May. The lower reading for the PMI came from a slowing in the New Orders and Production Indexes. We are now 11 months into the manufacturing recovery, and given the robust nature of recent growth, it is not surprising that we would see a slower rate of growth at this time. The sector appears to be solidly entrenched in the recovery. Comments from the respondents remain generally positive, but expectations have been that the second half of the year will not be as strong in terms of the rate of growth, and June appears to validate that forecast.

Thirteen of the 18 manufacturing industries are reporting growth in June, in the following order: Plastics & Rubber Products; Transportation Equipment; Printing & Related Support Activities; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Paper Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Furniture & Related Products; Petroleum & Coal Products; Non-metallic Mineral Products; Miscellaneous Manufacturing‡; and Chemical Products. **ISM**

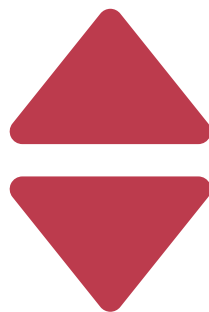
Analysis by **Norbert J. Ore, CPSM, C.P.M.**, chair of the Institute for Supply Management™ Manufacturing Business Survey Committee.

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

MANUFACTURING AT A GLANCE

INDEX	JUNE INDEX	MAY INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
PMI	56.2	59.7	-3.5	Growing	Slower	11
New Orders	58.5	65.7	-7.2	Growing	Slower	12
Production	61.4	66.6	-5.2	Growing	Slower	13
Employment	57.8	59.8	-2.0	Growing	Slower	7
Supplier Deliveries	57.3	61.0	-3.7	Slowing	Slower	13
Inventories	45.8	45.6	+0.2	Contracting	Slower	3
Customers' Inventories	38.0	32.0	+6.0	Too Low	Slower	15
Prices	57.0	77.5	-20.5	Increasing	Slower	12
Backlog of Orders	57.0	59.5	-2.5	Growing	Slower	6
Exports	56.0	62.0	-6.0	Growing	Slower	12
Imports	56.5	56.5	0.0	Growing	Unchanged	10
OVERALL ECONOMY				Growing	Slower	14
MANUFACTURING SECTOR				Growing	Slower	11

*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.

*Reported as both up and down in price.

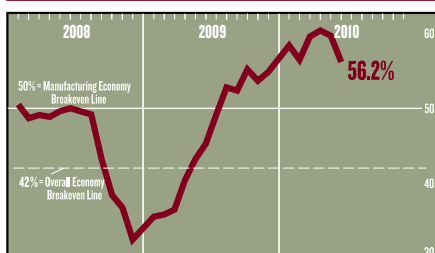
COMMODITIES REPORTED

Commodities Up in Price: Corrugated Containers (4); Plastic Products; and Steel* (12).

Commodities Down in Price: Aluminum; Copper (2); Polypropylene Resins; and Steel*.

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

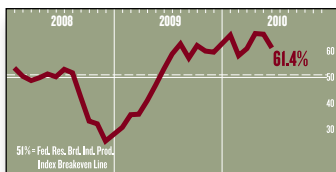
A PMI in excess of 42 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the PMI indicates growth for the 14th consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 11th consecutive month. The past relationship between the PMI and the overall economy indicates that the average PMI for January through June (58.5 percent) corresponds to a 5.5 percent increase in real gross domestic product (GDP). In addition, if the PMI for June (56.2 percent) is annualized, it corresponds to a 4.8 percent increase in real GDP annually.

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

PRODUCTION

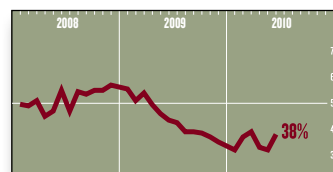
ISM's Production Index registered 61.4 percent in June. The 10 industries reporting growth in production during the month of June — listed in order — are:

Plastics & Rubber Products; Printing & Related Support Activities; Computer & Electronic Products; Transportation Equipment; Fabricated Metal Products; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Furniture & Related Products; Chemical Products; and Machinery.



CUSTOMERS' INVENTORIES

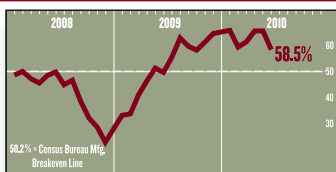
The ISM Customers' Inventories Index registered 38 percent in June, 6 percentage points higher than in May when the index registered 32 percent, and the 15th consecutive month the Customers' Inventories Index has been below 50 percent. The index indicates that respondents believe their customers' inventories are too low at this time. None of the 18 manufacturing industries reported customers' inventories as being too high during June.



NEW ORDERS

ISM's New Orders Index registered 58.5 percent in June. The 13 industries reporting growth in new orders in June — listed in order — are:

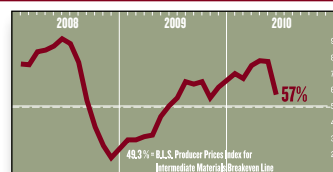
Plastics & Rubber Products; Petroleum & Coal Products; Primary Metals; Computer & Electronic Products; Fabricated Metal Products; Paper Products; Food, Beverage & Tobacco Products; Nonmetallic Mineral Products; Furniture & Related Products; Printing & Related Support Activities; Transportation Equipment; Chemical Products; and Electrical Equipment, Appliances & Components.



PRICES

The ISM Prices Index registered 57 percent in June, 20.5 percentage points lower than the 77.5 percent reported in May. Nine industries reported paying

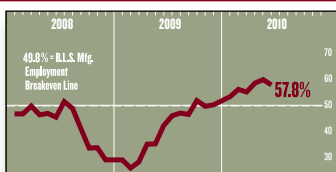
increased prices during the month of June: Paper Products; Apparel, Leather & Allied Products; Fabricated Metal Products; Computer & Electronic Products; Furniture & Related Products; Printing & Related Support Activities; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; and Chemical Products.



EMPLOYMENT

ISM's Employment Index registered 57.8 percent in June. Ten of the 18 manufacturing industries reported growth in employment in June in the following

order: Transportation Equipment; Petroleum & Coal Products; Paper Products; Miscellaneous Manufacturing*; Electrical Equipment, Appliances & Components; Furniture & Related Products; Fabricated Metal Products; Printing & Related Support Activities; Food, Beverage & Tobacco Products; and Computer & Electronic Products.



BACKLOG OF ORDERS

ISM's Backlog of Orders Index registered 57 percent in June, 2.5 percentage points lower than the 59.5 percent reported

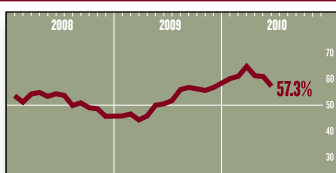
in May. The nine industries reporting increased order backlogs in June — listed in order — are: Electrical Equipment, Appliances & Components; Plastics & Rubber Products; Computer & Electronic Products; Nonmetallic Mineral Products; Paper Products; Transportation Equipment; Chemical Products; Fabricated Metal Products; and Machinery.



SUPPLIER DELIVERIES

The ISM Supplier Deliveries Index registered 57.3 percent in June. Eleven industries reported slower supplier deliveries in June:

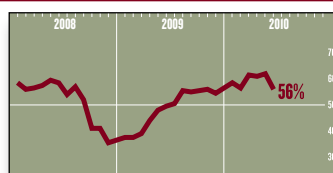
Plastics & Rubber Products; Miscellaneous Manufacturing*; Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Machinery; Computer & Electronic Products; Printing & Related Support Activities; Paper Products; Transportation Equipment; Fabricated Metal Products; and Food, Beverage & Tobacco Products.



NEW EXPORT ORDERS

ISM's New Export Orders Index registered 56 percent in June, which is 6 percentage points lower than the 62 percent

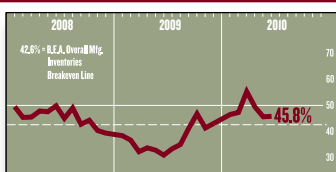
reported in May. The eight industries reporting growth in new export orders in June — listed in order — are: Petroleum & Coal Products; Primary Metals; Paper Products; Computer & Electronic Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Chemical Products; and Food, Beverage & Tobacco Products.



INVENTORIES

Manufacturers' inventories contracted in June for the third consecutive month as the Inventories Index registered 45.8 percent. The index is 0.2 percentage

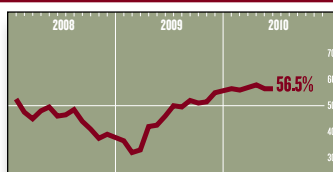
point higher than the 45.6 percent reported in May. The five industries reporting higher inventories in June are: Transportation Equipment; Printing & Related Support Activities; Paper Products; Food, Beverage & Tobacco Products; and Electrical Equipment, Appliances & Components.



IMPORTS

Imports of materials by manufacturers expanded in June as the Imports Index registered 56.5 percent, the same as reported in May. The nine industries

reporting growth in imports during the month of June — listed in order — are: Petroleum & Coal Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Transportation Equipment; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Machinery; Chemical Products; and Computer & Electronic Products.



NMI at 53.8%

**Business Activity Index at 58.1%; New Orders Index at 54.4%;
Employment Index at 49.7%**

Economic activity in the non-manufacturing sector grew in June for the sixth consecutive month, say the nation's purchasing and supply executives in the latest Non-Manufacturing ISM Report On Business®.

The NMI registered 53.8 percent in June, 1.6 percentage points lower than the 55.4 percent registered in May, indicating continued growth in the non-manufacturing sector, but at a slightly slower rate. The Non-Manufacturing Business Activity Index decreased 3 percentage points to 58.1 percent. The New Orders Index decreased 2.7 percentage points to 54.4 percent, and the Employment Index decreased 0.7 percentage point to 49.7 percent. The Prices Index decreased 6.8 percentage points to 53.8 percent in June. Respondents' comments are mostly positive about business conditions; however, there is concern about the effect of employment on the economic recovery.

The 15 industries reporting growth in June based on the NMI composite index — listed in order — are: Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Agriculture, Forestry, Fishing & Hunting; Information; Mining; Accommodation & Food Services; Transportation & Warehousing; Wholesale Trade; Management of Companies & Support Services; Public Administration; Construction; Utilities; Health Care & Social Assistance; Retail Trade; and Professional, Scientific & Technical Services. **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 Worldwide.

NON-MANUFACTURING AT A GLANCE

INDEX	JUNE INDEX	MAY INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
NMI	53.8	55.4	-1.6	Growing	Slower	6
Business Activity	58.1	61.1	-3.0	Growing	Slower	7
New Orders	54.4	57.1	-2.7	Growing	Slower	10
Employment	49.7	50.4	-0.7	Contracting	From Growing	1
Supplier Deliveries	53.0	53.0	0.0	Slowing	Same	3
Inventories	58.5	62.5	-4.0	Growing	Slower	3
Prices	53.8	60.6	-6.8	Increasing	Slower	11
Backlog of Orders	55.5	56.0	-0.5	Growing	Slower	2
New Export Orders	48.0	53.5	-5.5	Contracting	From Growing	1
Imports	48.0	56.5	-8.5	Contracting	From Growing	1
Inventory Sentiment	59.0	60.5	-1.5	Too High	Slower	157

*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: Beef (3); Copier Paper; Corrugated Products (4); Cotton Products (2); Fiberglass Insulation; Food & Beverage; Fuel* (6); Medical Supplies; Paper Products; Pork (2); Services; Steel (2); and Steel Products (5).

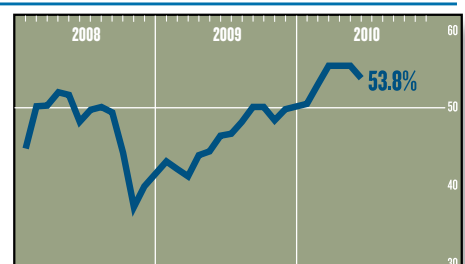
Commodities Down in Price: Copper Products; Diesel Fuel; Fuel*; Gasoline; and Poly Products.

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

*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 June, the NMI registered 53.8 percent, indicating continued growth in the non-manufacturing sector for the sixth consecutive month, but at a slightly slower rate than in May. 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.

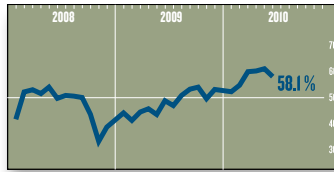


±Other Services (services such as Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services,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

BUSINESS ACTIVITY

ISM's Non-Manufacturing Business Activity Index in June registered 58.1 percent. Fourteen industries reported growth of business activity:

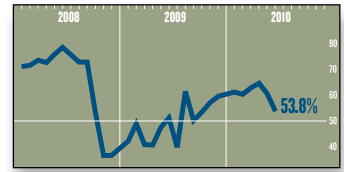
Real Estate, Rental & Leasing; Information; Accommodation & Food Services; Agriculture, Forestry, Fishing & Hunting; Mining; Arts, Entertainment & Recreation; Public Administration; Transportation & Warehousing; Wholesale Trade; Utilities; Management of Companies & Support Services; Professional, Scientific & Technical Services; Educational Services; and Health Care & Social Assistance.



PRICES

ISM's Non-Manufacturing Prices Index for June registered 53.8 percent. Ten industries reported an increase in prices paid in June, in the following order:

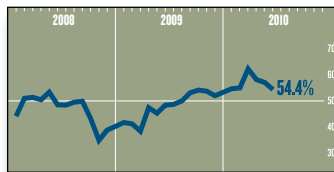
Construction; Accommodation & Food Services; Arts, Entertainment & Recreation; Wholesale Trade; Retail Trade; Utilities; Health Care & Social Assistance; Public Administration; Professional, Scientific & Technical Services; and Educational Services.



NEW ORDERS

ISM's Non-Manufacturing New Orders Index grew in June for the 10th consecutive month. The index registered 54.4 percent.

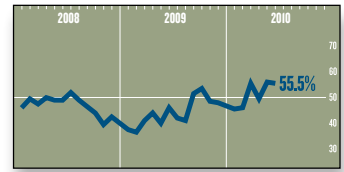
The 10 industries reporting growth of new orders in June — listed in order — are: Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Agriculture, Forestry, Fishing & Hunting; Mining; Information; Transportation & Warehousing; Accommodation & Food Services; Management of Companies & Support Services; Wholesale Trade; and Public Administration.



BACKLOG OF ORDERS

ISM's Non-Manufacturing Backlog of Orders Index grew in June for the second consecutive month. The index registered

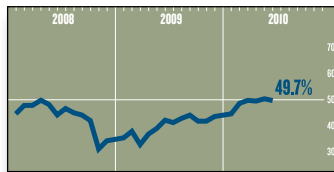
55.5 percent. The eight industries reporting an increase in order backlogs in June — listed in order — are: Information; Management of Companies & Support Services; Other Services[±]; Construction; Transportation & Warehousing; Public Administration; Accommodation & Food Services; and Finance & Insurance.



EMPLOYMENT

Employment activity in the non-manufacturing sector contracted in June after one month of growth. ISM's Non-Manufacturing Employment Index for

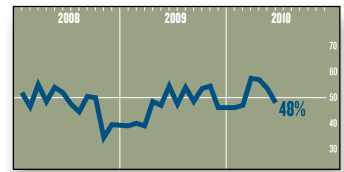
June registered 49.7 percent. The eight industries reporting an increase in employment in June — listed in order — are: Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Retail Trade; Management of Companies & Support Services; Wholesale Trade; Transportation & Warehousing; Health Care & Social Assistance; and Information.



NEW EXPORT ORDERS

Orders and requests for services and other non-manufacturing activities to be provided outside of the United States by domesti-

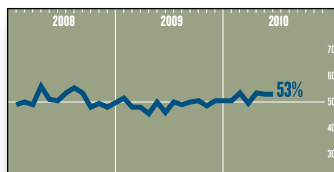
cally based personnel contracted in June after three consecutive months of growth. The New Export Orders Index for June registered 48 percent. The four industries reporting an increase in new export orders in June are: Construction; Management of Companies & Support Services; Information; and Arts, Entertainment & Recreation.



SUPPLIER DELIVERIES

The Supplier Deliveries Index registered 53 percent in June, the same rate as registered in May, and indicating that supplier deliveries

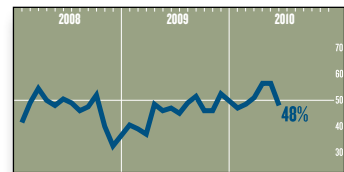
continued to slow in June. A reading above 50 percent indicates slower deliveries. Nine industries reported slower deliveries in June in the following order: Agriculture, Forestry, Fishing & Hunting; Construction; Other Services[±]; Utilities; Information; Accommodation & Food Services; Professional, Scientific & Technical Services; Wholesale Trade; and Transportation & Warehousing.



IMPORTS

ISM's Non-Manufacturing Imports Index contracted in June after three consecutive months of growth. The index registered

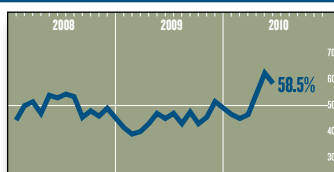
48 percent, which is 8.5 percentage points lower than the 56.5 percent reported in May. The three industries reporting an increase in the use of imports in June are: Information; Professional, Scientific & Technical Services; and Arts, Entertainment & Recreation.



INVENTORIES

ISM's Non-Manufacturing Inventories Index registered 58.5 percent in June, indicating that inventory levels grew in June for the third consecutive month.

The eight industries reporting an increase in inventories in June — listed in order — are: Real Estate, Rental & Leasing; Other Services[±]; Utilities; Information; Management of Companies & Support Services; Arts, Entertainment & Recreation; Professional, Scientific & Technical Services; and Wholesale Trade.



INVENTORY SENTIMENT

The ISM Non-Manufacturing Inventory Sentiment Index in June registered 59 percent. The eight industries reporting a feeling that

their inventories are too high in June — listed in order — are: Professional, Scientific & Technical Services; Construction; Finance & Insurance; Accommodation & Food Services; Public Administration; Information; Wholesale Trade; and Health Care & Social Assistance.

