

PMI at 53.5%

Economic activity in the manufacturing sector expanded in May for the 22nd consecutive month, and the overall economy grew for the 24th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM Report On Business®**.

The PMI registered 53.5 percent and indicates expansion in the manufacturing sector for the 22nd consecutive month. This month's index, however, registered 6.9 percentage points below the April reading of 60.4 percent, and is the first reading below 60 percent for 2011, as well as the lowest PMI reported for the past 12 months. Slower growth in new orders and production are the primary contributors to this month's lower PMI reading. Manufacturing employment continues to show good momentum for the year, as the Employment Index registered 58.2 percent, which is 4.5 percentage points lower than the 62.7 percent reported in April. Manufacturers continue to experience significant cost pressures from commodities and other inputs.

Of the 18 manufacturing industries, 14 are reporting growth in May, in the following order: Nonmetallic Mineral Products; Petroleum & Coal Products; Machinery; Transportation Equipment; Computer & Electronic Products; Textile Mills; Electrical Equipment, Appliances & Components; Primary Metals; Miscellaneous Manufacturing[#]; Paper Products; Chemical Products; Plastics & Rubber Products; Apparel, Leather & Allied Products; and Fabricated Metal Products. **ISM**

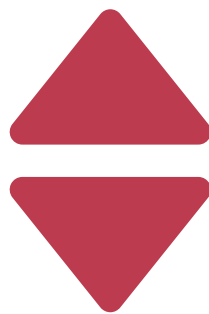
Analysis by **Bradley J. Holcomb, CPSM, CPSD**, chair of the Institute for Supply Management's Manufacturing Business Survey Committee.

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

MANUFACTURING AT A GLANCE

| INDEX | MAY INDEX | APR. INDEX | % POINT CHANGE | DIRECTION | RATE OF CHANGE | TREND* (MONTHS) |
|-----------------------------|-----------|------------|----------------|----------------|----------------|-----------------|
| PMI | 53.5 | 60.4 | -6.9 | Growing | Slower | 22 |
| New Orders | 51.0 | 61.7 | -10.7 | Growing | Slower | 23 |
| Production | 54.0 | 63.8 | -9.8 | Growing | Slower | 24 |
| Employment | 58.2 | 62.7 | -4.5 | Growing | Slower | 20 |
| Supplier Deliveries | 55.7 | 60.2 | -4.5 | Slowing | Slower | 24 |
| Inventories | 48.7 | 53.6 | -4.9 | Contracting | From Growing | 1 |
| Customers' Inventories | 39.5 | 40.5 | -1.0 | Too Low | Faster | 26 |
| Prices | 76.5 | 85.5 | -9.0 | Increasing | Slower | 23 |
| Backlog of Orders | 50.5 | 61.0 | -10.5 | Growing | Slower | 5 |
| Exports | 55.0 | 62.0 | -7.0 | Growing | Slower | 23 |
| Imports | 54.5 | 55.5 | -1.0 | Growing | Slower | 21 |
| OVERALL ECONOMY | | | | Growing | Slower | 24 |
| MANUFACTURING SECTOR | | | | Growing | Slower | 22 |

*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.

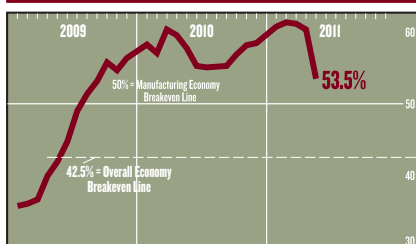
COMMODITIES REPORTED

Commodities Up in Price: Adhesives; Aluminum (9); Aluminum Products (5); Brass Products; Butadiene; Caustic Soda (3); Chemicals (3); Cocoa/Cocoa Powder (4); Copper* (10); Copper Based Products (7); Diesel (6); Electric/Electronic Components (3); Foam; Fuel Oils (5); Fuel Surcharges (3); Gasoline; Glycol Ether; High Density Polyethylene (3); Nickel Products; Oils and Lubricants (2); Packaging Materials; Paper; Petroleum Based Products; Plastics (5); Plastic Products (5); Polypropylene (5); Polypropylene Resins; Propylene Glycol; Resins (3); Rubber Products (4); Shrink Wrap Film; Silver (3); Stainless Steel (7); Steel* (9); Steel — Cold Rolled (2); Steel Products (6); and Titanium Dioxide (2).

Commodities Down in Price: Copper*; and Steel*.

Commodities in Short Supply: Electric/Electronic Components (5); Nylon/Nylon Polymer; Resins; Rubber Products; and Titanium Dioxide (3).

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



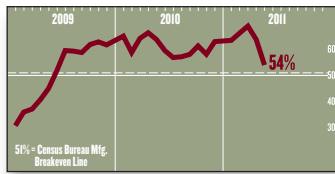
PMI

A PMI in excess of 42.5 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the PMI indicates growth for the 24th consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 22nd consecutive month. The past relationship between the PMI and the overall economy indicates that the average PMI for January through May (59.5 percent) corresponds to a 5.9 percent increase in real gross domestic product (GDP). In addition, if the PMI for May (53.5 percent) is annualized, it corresponds to a 3.8 percent increase in real GDP annually.

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

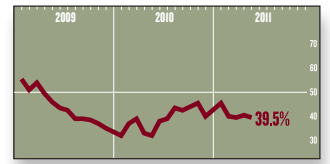
PRODUCTION

ISM's Production Index registered 54 percent in May. The 12 industries reporting growth in production during the month of May — listed in order — are: Plastics & Rubber Products; Nonmetallic Mineral Products; Petroleum & Coal Products; Paper Products; Electrical Equipment, Appliances & Components; Apparel, Leather & Allied Products; Machinery; Primary Metals; Miscellaneous Manufacturing‡; Fabricated Metal Products; Transportation Equipment; and Computer & Electronic Products.



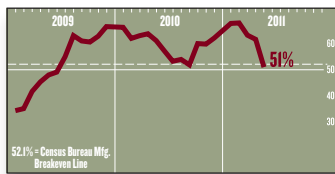
CUSTOMERS' INVENTORIES

The ISM Customers' Inventories Index registered 39.5 percent in May. This is the 26th consecutive month the Customers' Inventories Index has been below 50 percent, indicating that respondents believe their customers' inventories are too low at this time. The only manufacturing industry reporting customers' inventories as being too high during May is Food, Beverage & Tobacco Products.



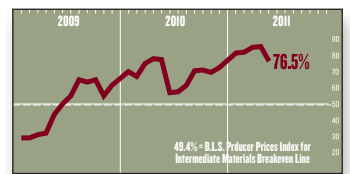
NEW ORDERS

ISM's New Orders Index registered 51 percent in May, which is a decrease of 10.7 percentage points when compared to the 61.7 percent reported in April. Eleven industries reported growth in new orders in the following order: Nonmetallic Mineral Products; Petroleum & Coal Products; Paper Products; Transportation Equipment; Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Primary Metals; Miscellaneous Manufacturing‡; Chemical Products; Machinery; and Fabricated Metal Products.



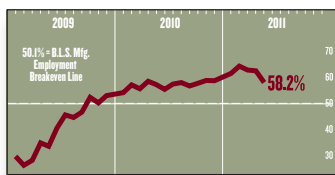
PRICES

ISM's Prices Index registered 76.5 percent in May. Fifteen industries reported paying increased prices in the following order: Nonmetallic Mineral Products; Chemical Products; Paper Products; Machinery; Apparel, Leather & Allied Products; Furniture & Related Products; Miscellaneous Manufacturing‡; Food, Beverage & Tobacco Products; Computer & Electronic Products; Textile Mills; Plastics & Rubber Products; Transportation Equipment; Petroleum & Coal Products; Fabricated Metal Products; and Electrical Equipment, Appliances & Components.



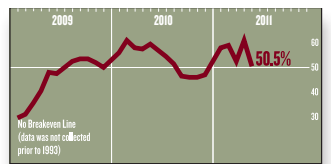
EMPLOYMENT

ISM's Employment Index registered 58.2 percent in May, which is 4.5 percentage points lower than the 62.7 percent reported in April. Of the 18 manufacturing industries, 11 reported growth in employment in May in the following order: Textile Mills; Nonmetallic Mineral Products; Computer & Electronic Products; Transportation Equipment; Machinery; Primary Metals; Plastics & Rubber Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing‡; Chemical Products; and Fabricated Metal Products.



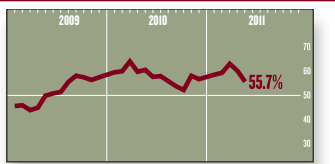
BACKLOG OF ORDERS

ISM's Backlog of Orders Index registered 50.5 percent in May, which is 10.5 percentage points lower than the 61 percent reported in April. The five industries reporting increased order backlogs in May are: Primary Metals; Electrical Equipment, Appliances & Components; Chemical Products; Machinery; and Transportation Equipment.



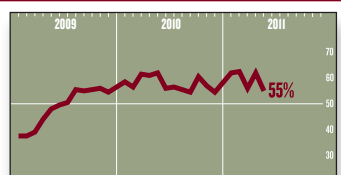
SUPPLIER DELIVERIES

The delivery performance of suppliers to manufacturing organizations was slower in May as the Supplier Deliveries Index registered 55.7 percent. A reading above 50 percent indicates slower deliveries. The seven industries reporting slower supplier deliveries in May — listed in order — are: Textile Mills; Machinery; Chemical Products; Transportation Equipment; Electrical Equipment, Appliances & Components; Computer & Electronic Products; and Miscellaneous Manufacturing‡.



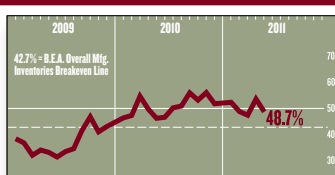
NEW EXPORT ORDERS

ISM's New Export Orders Index registered 55 percent in May, which is 7 percentage points lower than the 62 percent reported in April. The eight industries reporting growth in new export orders in May — listed in order — are: Paper Products; Petroleum & Coal Products; Primary Metals; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Chemical Products; and Machinery.



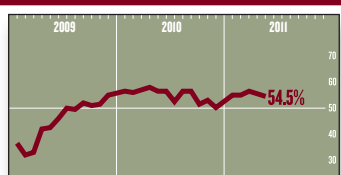
INVENTORIES

Manufacturers' inventories contracted in May for the third time in the past four months. The Inventories Index registered 48.7 percent, 4.9 percentage points lower than the 53.6 percent reported in April. The three industries reporting higher inventories in May are: Computer & Electronic Products; Miscellaneous Manufacturing‡; and Machinery.



IMPORTS

Imports of materials by manufacturers continued to expand in May as the Imports Index registered 54.5 percent. The nine industries reporting growth in imports during the month of May — listed in order — are: Petroleum & Coal Products; Primary Metals; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Miscellaneous Manufacturing‡; Machinery; Transportation Equipment; Chemical Products; and Fabricated Metal Products.



NMI at 54.6%

**Business Activity Index at 53.6%; New Orders Index at 56.8%;
Employment Index at 54%**

Economic activity in the non-manufacturing sector grew in May for the 18th consecutive month, say the nation's purchasing and supply executives in the latest *Non-Manufacturing ISM Report On Business*®.

The NMI registered 54.6 percent in May, 1.8 percentage points higher than the 52.8 percent registered in April, and indicating continued growth at a faster rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index decreased 0.1 percentage point to 53.6 percent. The New Orders Index increased by 4.1 percentage points to 56.8 percent, and the Employment Index increased 2.1 percentage points to 54 percent. Respondents' comments are mostly positive about overall business conditions. There is a sentiment that there is a degree of stability in the economy; however, a continued concern exists over fuel costs and various volatile commodities.

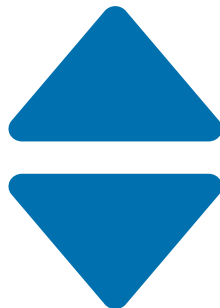
The 16 industries reporting growth in May based on the NMI composite index — listed in order — are: Mining; Utilities; Arts, Entertainment & Recreation; Other Services[†]; Agriculture, Forestry, Fishing & Hunting; Real Estate, Rental & Leasing; Management of Companies & Support Services; Transportation & Warehousing; Construction; Accommodation & Food Services; Health Care & Social Assistance; Information; Public Administration; Finance & Insurance; Professional, Scientific & Technical Services; and Wholesale Trade. **ISM**

Analysis by **Anthony Nieves, C.P.M., CFPM**, chair of the Institute for Supply Management™ Non-Manufacturing Business Survey Committee.

NON-MANUFACTURING AT A GLANCE

| INDEX | MAY INDEX | APR. INDEX | % POINT CHANGE | DIRECTION | RATE OF CHANGE | TREND* (MONTHS) |
|---------------------|-----------|------------|----------------|------------|----------------|-----------------|
| NMI | 54.6 | 52.8 | +1.8 | Growing | Faster | 18 |
| Business Activity | 53.6 | 53.7 | -0.1 | Growing | Slower | 22 |
| New Orders | 56.8 | 52.7 | +4.1 | Growing | Faster | 22 |
| Employment | 54.0 | 51.9 | +2.1 | Growing | Faster | 9 |
| Supplier Deliveries | 54.0 | 53.0 | +1.0 | Slowing | Faster | 14 |
| Inventories | 55.0 | 55.5 | -0.5 | Growing | Slower | 4 |
| Prices | 69.6 | 70.1 | -0.5 | Increasing | Slower | 22 |
| Backlog of Orders | 55.0 | 55.5 | -0.5 | Growing | Slower | 5 |
| New Export Orders | 57.0 | 53.5 | +3.5 | Growing | Faster | 9 |
| Imports | 50.5 | 57.0 | -6.5 | Growing | Slower | 2 |
| Inventory Sentiment | 55.0 | 57.5 | -2.5 | Too High | Slower | 168 |

*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.

COMMODITIES REPORTED

Commodities Up in Price: Adhesives; Air Freight (2); Aircraft Parts; Airfares (6); Aluminum; Beef (2); Can Liners (2); Chemicals; Chemical Products; Coffee; Conveyor Products; Copper (4); Copper Products (6); Copper Wire; Cotton Products (9); #1 Diesel Fuel (8); #2 Diesel Fuel (11); Food Products; Fuel (17); Fuel Products; Fuel Surcharges (5); Gasoline (8); HDPE; LDPE; Latex Gloves (5); Ocean Freight; Oil; Oil Products (2); Packaging Materials (3); Paper (7); Paper Products; Petroleum Products (5); Petroleum Resin Products; Plastics (2); Plastic Products (3); Polyethylene Bags (6); Polyethylene Resins; Rubber Based Products; Steel (6); Steel Pipe and Fittings (2); Steel Products (6); Textiles (2); Transportation Costs (2); and Transportation Services.

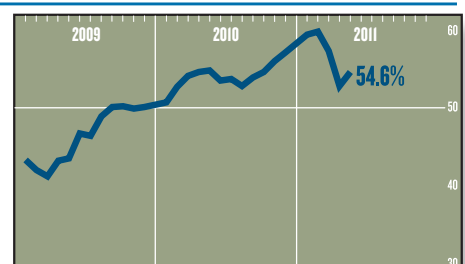
Commodities Down in Price: No commodities are reported down in price.

Commodities in Short Supply: Heavy Truck Transmissions; and Medications.

†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

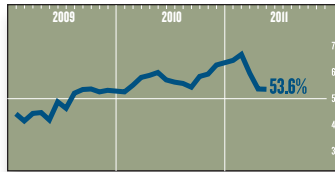
In May, the NMI registered 54.6 percent, indicating continued growth in the non-manufacturing sector for the 18th consecutive month. A reading above 50 percent indicates the non-manufacturing sector economy is generally expanding; below 50 percent indicates the non-manufacturing sector is generally contracting.



±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

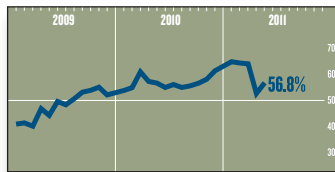
ISM's Non-Manufacturing Business Activity Index in May registered 53.6 percent. The 14 industries reporting growth of business activity in May



— listed in order — are: Agriculture, Forestry, Fishing & Hunting; Utilities; Real Estate, Rental & Leasing; Construction; Management of Companies & Support Services; Other Services[±]; Transportation & Warehousing; Arts, Entertainment & Recreation; Finance & Insurance; Public Administration; Mining; Health Care & Social Assistance; Accommodation & Food Services; and Information.

NEW ORDERS

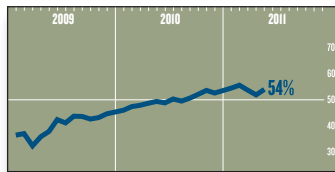
ISM's Non-Manufacturing New Orders Index registered 56.8 percent in May. Fifteen industries reported growth of new orders in the following order: Agriculture, Forestry, Fishing & Hunting; Utilities; Real Estate, Rental & Leasing; Mining; Management of Companies & Support Services; Other Services[±]; Professional, Scientific & Technical Services; Transportation & Warehousing; Construction; Arts, Entertainment & Recreation; Finance & Insurance; Health Care & Social Assistance; Accommodation & Food Services; Public Administration; and Information.



— listed in order — are: Agriculture, Forestry, Fishing & Hunting; Utilities; Real Estate, Rental & Leasing; Mining; Management of Companies & Support Services; Other Services[±]; Professional, Scientific & Technical Services; Transportation & Warehousing; Construction; Arts, Entertainment & Recreation; Finance & Insurance; Health Care & Social Assistance; Accommodation & Food Services; Public Administration; and Information.

EMPLOYMENT

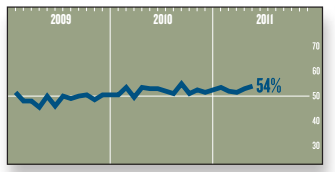
ISM's Non-Manufacturing Employment Index registered 54 percent in May. The 13 industries reporting an increase in employment in May — listed in order



— are: Mining; Arts, Entertainment & Recreation; Retail Trade; Agriculture, Forestry, Fishing & Hunting; Information; Transportation & Warehousing; Utilities; Management of Companies & Support Services; Wholesale Trade; Accommodation & Food Services; Finance & Insurance; Public Administration; and Health Care & Social Assistance.

SUPPLIER DELIVERIES

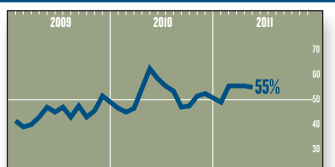
The Supplier Deliveries Index registered 54 percent in May. A reading above 50 percent indicates slower deliveries. The



nine industries reporting slower deliveries in May — listed in order — are: Mining; Other Services[±]; Utilities; Construction; Accommodation & Food Services; Wholesale Trade; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Transportation & Warehousing.

INVENTORIES

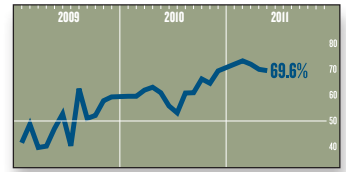
ISM's Non-Manufacturing Inventories Index registered 55 percent in May, 0.5 percentage point lower than the 55.5 percent reading that was reported in



April, March and February. The eight industries reporting an increase in inventories in May — listed in order — are: Real Estate, Rental & Leasing; Agriculture, Forestry, Fishing & Hunting; Utilities; Wholesale Trade; Arts, Entertainment & Recreation; Transportation & Warehousing; Public Administration; and Construction.

PRICES

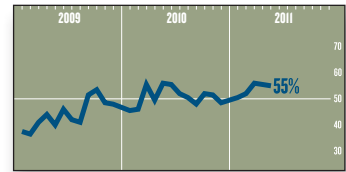
ISM's Non-Manufacturing Prices Index for May registered 69.6 percent. Prices increased the greatest in the following industries in the month of May:



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

BACKLOG OF ORDERS

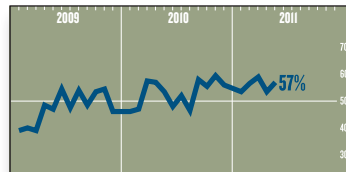
ISM's Non-Manufacturing Backlog of Orders Index registered 55 percent in May, 0.5 percentage point lower than the



55.5 percent reported in April. The eight industries reporting an increase in order backlogs in May — listed in order — are: Utilities; Real Estate, Rental & Leasing; Management of Companies & Support Services; Professional, Scientific & Technical Services; Wholesale Trade; Transportation & Warehousing; Construction; and Finance & Insurance.

NEW EXPORT ORDERS

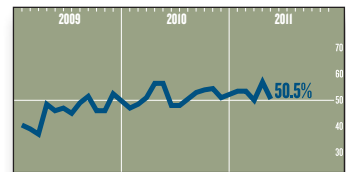
ISM's New Export Orders Index for May registered 57 percent, which is 3.5 percentage points higher than the 53.5 percent



registered in April and is the ninth consecutive month of growth in the index. The six industries reporting an increase in new export orders in May — listed in order — are: Arts, Entertainment & Recreation; Construction; Mining; Accommodation & Food Services; Public Administration; and Professional, Scientific & Technical Services.

IMPORTS

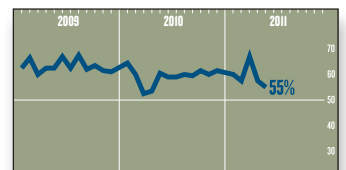
The ISM Non-Manufacturing Imports Index registered 50.5 percent in May, which is 6.5 percentage points lower than the 57 percent reported in April. Sixty



percent of respondents reported that they do not use, or do not track, the use of imported materials. The four industries reporting an increase in the use of imports in May are: Arts, Entertainment & Recreation; Other Services[±]; Mining; and Accommodation & Food Services.

INVENTORY SENTIMENT

The ISM Non-Manufacturing Inventory Sentiment Index in May registered 55 percent, which is



2.5 percentage points lower than the 57.5 percent reported in April. This indicates that respondents believe their inventories are still too high at this time. The five industries reporting a feeling that their inventories are too high in May are: Other Services[±]; Information; Finance & Insurance; Retail Trade; and Wholesale Trade.