

## PMI<sup>™</sup> at 49.8%

**E**conomic activity in the manufacturing sector contracted in July for the second time since July 2009; however, the overall economy grew for the 38th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM Report On Business<sup>®</sup>**.

The PMI registered 49.8 percent, an increase of 0.1 percentage point from June's reading of 49.7 percent, indicating contraction in the manufacturing sector for the second consecutive month, following 34 consecutive months of expansion. The New Orders Index registered 48 percent, an increase of 0.2 percentage point from June and indicating contraction in new orders for the second consecutive month, but at a slightly slower rate. Both the Production Index and the Employment Index remained in growth territory, registering 51.3 percent and 52 percent, respectively. The Prices Index for raw materials registered 39.5 percent, an increase of 2.5 percentage points from the June reading of 37 percent. A growing number of comments from the panel this month reflect a slowdown in their businesses and general concern over increasing economic uncertainty.

Of the 18 manufacturing industries, seven are reporting growth in July in the following order: Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Primary Metals; Petroleum & Coal Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; and Furniture & Related Products. **ISM**

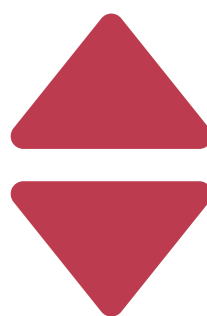
Analysis by **Bradley J. Holcomb, CPSM, CPSD**, chair of the Institute for Supply Management<sup>™</sup> Manufacturing Business Survey Committee.

## New Orders and Inventories Contracting; Production and Employment Growing; Supplier Deliveries Faster

### MANUFACTURING AT A GLANCE

INDEX	JUL INDEX	JUN INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
PMI	49.8	49.7	+0.1	Contracting	Slower	2
New Orders	48.0	47.8	+0.2	Contracting	Slower	2
Production	51.3	51.0	+0.3	Growing	Faster	38
Employment	52.0	56.6	-4.6	Growing	Slower	34
Supplier Deliveries	48.7	48.9	-0.2	Faster	Faster	6
Inventories	49.0	44.0	+5.0	Contracting	Slower	4
Customers' Inventories	49.5	48.5	+1.0	Too Low	Slower	8
Prices	39.5	37.0	+2.5	Decreasing	Slower	3
Backlog of Orders	43.0	44.5	-1.5	Contracting	Faster	4
Exports	46.5	47.5	-1.0	Contracting	Faster	2
Imports	50.5	53.5	-3.0	Growing	Slower	8
<b>OVERALL ECONOMY</b>				<b>Growing</b>	<b>Faster</b>	<b>38</b>
<b>MANUFACTURING SECTOR</b>				<b>Contracting</b>	<b>Slower</b>	<b>2</b>

\*Number of months moving in current direction.  
Manufacturing ISM Report On Business<sup>®</sup> data is seasonally adjusted for the New Orders, Production, Employment and Supplier Deliveries Indexes.



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

*\*Reported as both up and down in price.*

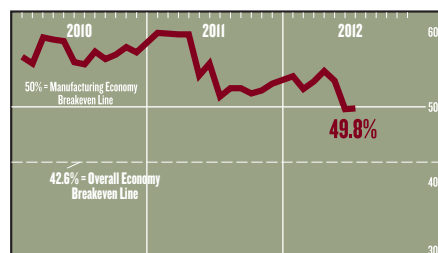
### COMMODITIES REPORTED

**Commodities Up in Price:** Corn; Dairy Products; Natural Gas (3); Soybean Oil; Steel\*; Steel — Carbon Sheet\* (2); Steel — Hot Rolled; and Wheat.

**Commodities Down in Price:** Copper (2); Fuel Oil; HDPE (2); Oils (2); Plastic Products (3); Polyethylene Resin; Polypropylene Resin (2); Rubber; Stainless Steel; Steel\* (5); Steel — Carbon Sheet\* (2); Steel — Cold Rolled (2); and Steel Products.

**Commodities in Short Supply:** Guar (2) is the only commodity reported in short supply.

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



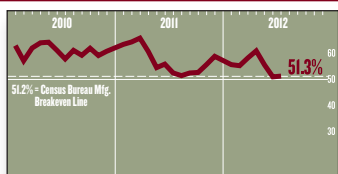
### PMI

**A** PMI in excess of 42.6 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the July PMI indicates growth for the 38th consecutive month in the overall economy, but indicates contraction in the manufacturing sector for the second time since July 2009, when the PMI registered 49.2 percent. The past relationship between the PMI and the overall economy indicates that the average PMI for January through July (52.5 percent) corresponds to a 3.3 percent increase in real gross domestic product (GDP). In addition, if the PMI for July (49.8 percent) is annualized, it corresponds to a 2.4 percent increase in real GDP annually.

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

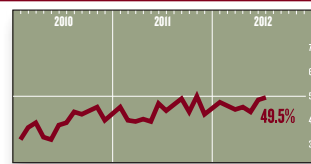
## PRODUCTION

ISM's Production Index registered 51.3 percent in July, which is an increase of 0.3 percentage point when compared to the 51 percent reported in June. This indicates growth for the 38th consecutive month. The four industries reporting growth in production during the month of July are: Plastics & Rubber Products; Fabricated Metal Products; Primary Metals; and Food, Beverage & Tobacco Products.



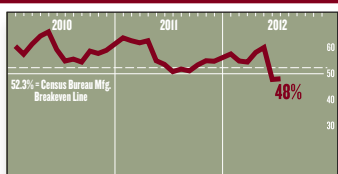
## CUSTOMERS' INVENTORIES

The ISM Customers' Inventories Index registered 49.5 percent in July. A reading below 50 percent indicates customers' inventories are considered too low. The six manufacturing industries reporting customers' inventories as being too high during July — listed in order — are: Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Primary Metals; Food, Beverage & Tobacco Products; and Computer & Electronic Products.



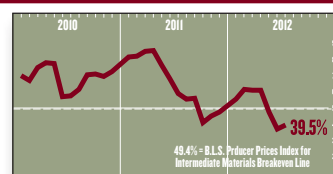
## NEW ORDERS

ISM's New Orders Index registered 48 percent in July. This represents a contraction in new orders for the second time since April 2009, when the New Orders Index registered 46.8 percent. The three industries reporting growth in new orders in July are: Plastics & Rubber Products; Food, Beverage & Tobacco Products; and Primary Metals.



## PRICES

The ISM Prices Index registered 39.5 percent in July. This is the third consecutive month the index has reflected a decrease in the price of raw materials since December 2011. Of the 18 manufacturing industries, four reported paying increased prices during the month of July: Printing & Related Support Activities; Furniture & Related Products; Primary Metals; and Food, Beverage & Tobacco Products.



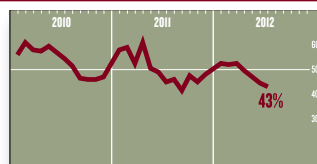
## EMPLOYMENT

ISM's Employment Index registered 52 percent in July, which is 4.6 percentage points lower than the 56.6 percent reported in June. Of the 18 manufacturing industries, nine reported growth in employment in July in the following order: Petroleum & Coal Products; Primary Metals; Furniture & Related Products; Electrical Equipment, Appliances & Components; Machinery; Fabricated Metal Products; Miscellaneous Manufacturing‡; Chemical Products; and Computer & Electronic Products.



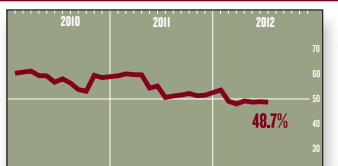
## BACKLOG OF ORDERS

ISM's Backlog of Orders Index registered 43 percent in July, which is 1.5 percentage points lower than the 44.5 percent reported in June. The three industries reporting increased order backlogs in July are: Primary Metals; Electrical Equipment, Appliances & Components; and Chemical Products.



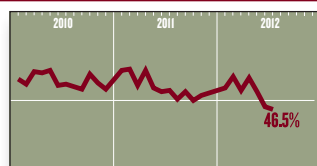
## SUPPLIER DELIVERIES

The delivery performance of suppliers to manufacturing organizations was faster in July as the Supplier Deliveries Index registered 48.7 percent. This is the sixth consecutive month supplier deliveries have been faster than the previous month, following 31 consecutive months in which supplier deliveries slowed. The five industries reporting slower supplier deliveries in July are: Electrical Equipment, Appliances & Components; Paper Products; Primary Metals; Transportation Equipment; and Miscellaneous Manufacturing‡.



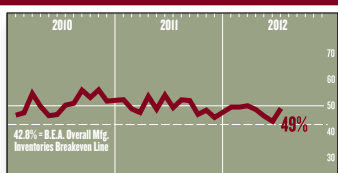
## NEW EXPORT ORDERS

ISM's New Export Orders Index registered 46.5 percent in July, which is 1 percentage point lower than the 47.5 percent reported in June, and represents the second month of contraction in the index since June 2009, when the index registered 49.5 percent. The four industries reporting growth in new export orders in July are: Fabricated Metal Products; Electrical Equipment, Appliances & Components; Chemical Products; and Computer & Electronic Products.



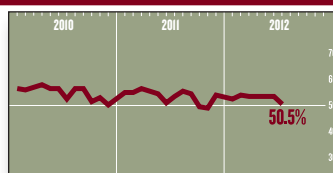
## INVENTORIES

The Inventories Index registered 49 percent in July, which is 5 percentage points higher than the 44 percent reported in June. The seven industries reporting higher inventories in July — listed in order — are: Petroleum & Coal Products; Machinery; Furniture & Related Products; Paper Products; Computer & Electronic Products; Fabricated Metal Products; and Electrical Equipment, Appliances & Components.



## IMPORTS

ISM's Imports Index registered 50.5 percent in July, which is 3 percentage points lower than the 53.5 percent reported in June. This month's reading reflects eight months of growth following only two months of contraction in the past 34 months. The five industries reporting growth in imports during the month of July are: Food, Beverage & Tobacco Products; Miscellaneous Manufacturing‡; Fabricated Metal Products; Transportation Equipment; and Chemical Products.



## NMI<sup>™</sup> at 52.6%

**Business Activity Index at 57.2%; New Orders Index at 54.3%;  
Employment Index at 49.3%**

**E**conomic activity in the non-manufacturing sector grew in July for the 31st consecutive month, say the nation's purchasing and supply executives in the latest Non-Manufacturing ISM Report On Business<sup>®</sup>.

The NMI registered 52.6 percent in July, 0.5 percentage point higher than the 52.1 percent registered in June. This indicates continued growth this month at a slightly faster rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index registered 57.2 percent, which is 5.5 percentage points higher than the 51.7 percent reported in June, reflecting growth for the 36th consecutive month. The New Orders Index increased by 1 percentage point to 54.3 percent. The Employment Index decreased by 3 percentage points to 49.3 percent, indicating contraction in employment for the first time since December 2011. The Prices Index increased 6 percentage points to 54.9 percent, indicating higher month-over-month prices when compared to June. Respondents' comments are mixed and vary by industry and company.

The 11 non-manufacturing industries reporting growth in July — listed in order — are: Accommodation & Food Services; Retail Trade; Utilities; Other Services<sup>±</sup>; Educational Services; Arts, Entertainment & Recreation; Information; Real Estate, Rental & Leasing; Finance & Insurance; Public Administration; and Management of Companies & Support Services. **ISM**

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

### NON-MANUFACTURING AT A GLANCE

INDEX	JUL INDEX	JUN INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
NMI	52.6	52.1	+0.5	Growing	Faster	31
Business Activity	57.2	51.7	+5.5	Growing	Faster	36
New Orders	54.3	53.3	+1.0	Growing	Faster	36
Employment	49.3	52.3	-3.0	Contracting	From Growing	1
Supplier Deliveries	49.5	51.0	-1.5	Faster	From Slowing	1
Inventories	54.5	53.0	+1.5	Growing	Faster	6
Prices	54.9	48.9	+6.0	Increasing	From Decreasing	1
Backlog of Orders	44.5	47.5	-3.0	Contracting	Faster	2
New Export Orders	51.0	49.5	+1.5	Growing	From Contracting	1
Imports	44.5	53.5	-9.0	Contracting	From Growing	1
Inventory Sentiment	59.0	64.5	-5.5	Too High	Slower	182

\*Number of months moving in current direction.  
Non-Manufacturing ISM Report On Business<sup>®</sup> 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.

<sup>±</sup>Reported as both up and down in price.

### COMMODITIES REPORTED

**Commodities Up in Price:** Airfares (7); Beef; Carpet; Copier Paper; Dairy; Food & Beverage; Fuel\*; Gasoline\* (7); Natural Gas\*; Polyethylene; and Textile Products.

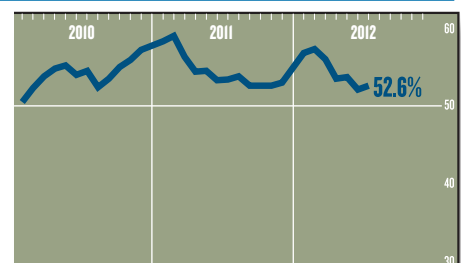
**Commodities Down in Price:** #1 Diesel Fuel (3); #2 Diesel Fuel (3); Fuel\* (2); Gasoline\* (3); Natural Gas\*; Poly Film Products; PVC Products; and Steel Products (3).

**Commodities in Short Supply:** Computer Servers is the only commodity reported in short supply.

<sup>±</sup>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 July, the NMI registered 52.6 percent, indicating continued growth in the non-manufacturing sector for the 31st 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.

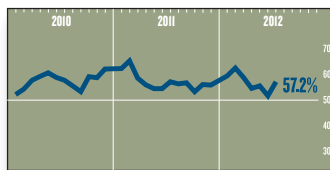


†Other Services (services such as Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services,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

## BUSINESS ACTIVITY

ISM's Non-Manufacturing Business Activity Index in July registered 57.2 percent. The 12

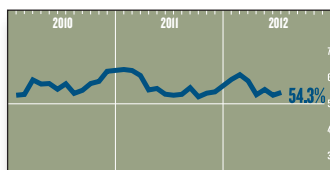
industries reporting growth of business activity in July — listed in order — are: Accommodation & Food Services; Utilities; Arts, Entertainment & Recreation; Retail Trade; Educational Services; Finance & Insurance; Management of Companies & Support Services; Real Estate, Rental & Leasing; Information; Public Administration; Professional, Scientific & Technical Services; and Health Care & Social Assistance.



## NEW ORDERS

ISM's Non-Manufacturing New Orders Index registered 54.3 percent in July, an increase of 1 percentage point from the 53.3 percent reported in June. The 10

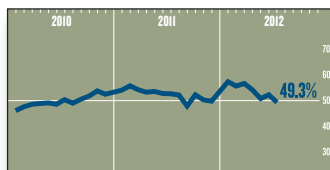
industries reporting growth of new orders in July — listed in order — are: Retail Trade; Accommodation & Food Services; Educational Services; Utilities; Real Estate, Rental & Leasing; Other Services†; Information; Management of Companies & Support Services; Finance & Insurance; and Health Care & Social Assistance.



## EMPLOYMENT

ISM's Non-Manufacturing Employment Index registered 49.3 percent in July. This reflects a decrease of 3 percentage points when compared to the

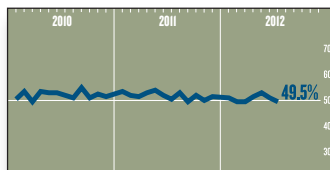
52.3 percent registered in June. The nine industries reporting an increase in employment in July — listed in order — are: Other Services†; Accommodation & Food Services; Arts, Entertainment & Recreation; Utilities; Wholesale Trade; Public Administration; Information; Professional, Scientific & Technical Services; and Retail Trade.



## SUPPLIER DELIVERIES

The Supplier Deliveries Index registered 49.5 percent in July, 1.5 percentage points lower than the 51 percent registered in June,

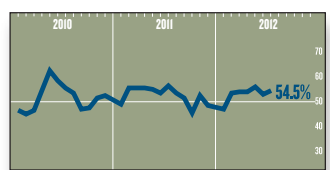
indicating that supplier deliveries were faster in July. A reading above 50 percent indicates slower deliveries, and below 50 percent indicates faster deliveries. The five industries reporting slower deliveries in July are: Educational Services; Accommodation & Food Services; Other Services†; Retail Trade; and Information.



## INVENTORIES

ISM's Non-Manufacturing Inventories Index registered 54.5 percent in July, which is 1.5 percentage points higher than the 53 percent reported in June. The 11

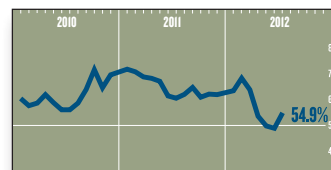
industries reporting an increase in inventories in July — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Retail Trade; Mining; Other Services†; Utilities; Accommodation & Food Services; Arts, Entertainment & Recreation; Wholesale Trade; Transportation & Warehousing; Construction; and Management of Companies & Support Services.



## PRICES

ISM's Non-Manufacturing Prices Index for July registered 54.9 percent, 6 percentage points higher than the 48.9 percent reported in June. Ten non-manufacturing

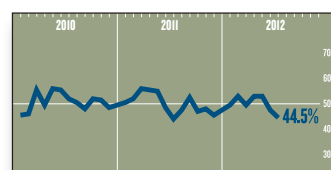
industries reported an increase in prices paid during the month of July: Educational Services; Other Services†; Retail Trade; Management of Companies & Support Services; Arts, Entertainment & Recreation; Wholesale Trade; Health Care & Social Assistance; Transportation & Warehousing; Finance & Insurance; and Professional, Scientific & Technical Services.



## BACKLOG OF ORDERS

ISM's Non-Manufacturing Backlog of Orders Index contracted in July for the second consecutive month following

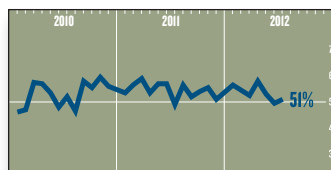
two months of growth. The index registered 44.5 percent, which is 3 percentage points lower than the 47.5 percent reported in June. The three industries reporting an increase in order backlogs in July are: Arts, Entertainment & Recreation; Construction; and Finance & Insurance.



## NEW EXPORT ORDERS

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

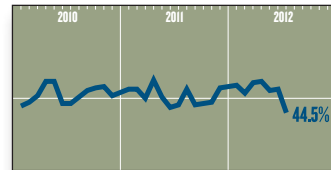
cally based personnel grew in July following one month of contraction. The New Export Orders Index for July registered 51 percent. The five industries reporting an increase in new export orders in July are: Other Services†; Retail Trade; Public Administration; Transportation & Warehousing; and Professional, Scientific & Technical Services.



## IMPORTS

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

44.5 percent, which is 9 percentage points lower than the 53.5 percent reported in June. This is the lowest reading registered by the index since March 2009, when the index registered 37 percent. The two industries reporting an increase in the use of imports in July are: Arts, Entertainment & Recreation; and Retail Trade.



## INVENTORY SENTIMENT

The ISM Non-Manufacturing Inventory Sentiment Index in July registered 59 percent. The 11

industries reporting a feeling that their inventories are too high in July — listed in order — are: Mining; Real Estate, Rental & Leasing; Wholesale Trade; Finance & Insurance; Transportation & Warehousing; Arts, Entertainment & Recreation; Utilities; Professional, Scientific & Technical Services; Retail Trade; Public Administration; and Health Care & Social Assistance.

