

ISM® REPORT ON BUSINESS® MANUFACTURING

OCTOBER 2017

Analysis by **Timothy R. Fiore, CPSM, C.P.M.**, Chair of the Institute for Supply Management® Manufacturing Business Survey Committee

Economic activity in the manufacturing sector expanded in October, and the overall economy grew for the 101st consecutive month, say the nation's supply executives in the latest Manufacturing ISM® *Report On Business*®.

The October PMI® registered 58.7 percent. The New Orders Index registered 63.4 percent, a decrease of 1.2 percentage points from the September reading of 64.6 percent.

The Production Index registered 61 percent, a 1.2 percentage point decrease compared to the September reading of 62.2 percent. The Prices Index registered 68.5 percent in October, a 3 percentage point decrease from the September level of 71.5, indicating higher raw materials prices for the 20th consecutive month. Comments from the panel reflect expanding business conditions, with new orders, production, employment, order

backlogs and export orders all continuing to grow in October, supplier deliveries continuing to slow (improving) and inventories contracting during the period. Prices continue to remain under pressure. The Customers' Inventories Index remains at low levels.

Of the 18 manufacturing industries, 16 reported growth in October, in the following order: Paper Products; Nonmetallic Mineral Products; Machinery; Transportation Equipment; Wood Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing[‡]; Petroleum & Coal Products; Plastics & Rubber Products; Textile Mills; Chemical Products; Computer & Electronic Products; Fabricated Metal Products; Furniture & Related Products; Electrical Equipment, Appliances & Components; and Primary Metals.

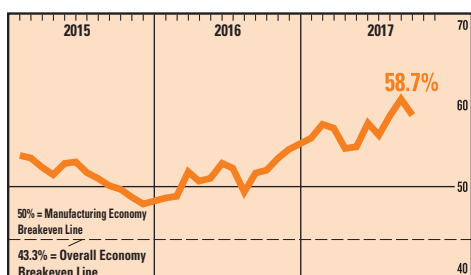
[‡]Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies).

PMI® @ 58.7%

MANUFACTURING AT A GLANCE

| Index | Oct Index | Sep Index | % Point Change | Direction | Rate of Change | Trend* (months) |
|-----------------------------|-----------|-----------|----------------|----------------|----------------|-----------------|
| PMI® | 58.7 | 60.8 | -2.1 | Growing | Slower | 14 |
| New Orders | 63.4 | 64.6 | -1.2 | Growing | Slower | 14 |
| Production | 61.0 | 62.2 | -1.2 | Growing | Slower | 14 |
| Employment | 59.8 | 60.3 | -0.5 | Growing | Slower | 13 |
| Supplier Deliveries | 61.4 | 64.4 | -3.0 | Slowing | Slower | 18 |
| Inventories | 48.0 | 52.5 | -4.5 | Contracting | From Growing | 1 |
| Customers' Inventories | 43.5 | 42.0 | +1.5 | Too Low | Slower | 4 |
| Prices | 68.5 | 71.5 | -3.0 | Increasing | Slower | 20 |
| Backlog of Orders | 55.0 | 58.0 | -3.0 | Growing | Slower | 9 |
| New Export Orders | 56.5 | 57.0 | -0.5 | Growing | Slower | 20 |
| Imports | 54.0 | 54.0 | 0.0 | Growing | Same | 9 |
| OVERALL ECONOMY | | | | Growing | Slower | 101 |
| Manufacturing Sector | | | | Growing | Slower | 14 |

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



PMI®

Manufacturing expanded in October as the PMI® registered 58.7 percent, a decrease of 2.1 percentage points from the September reading of 60.8 percent. This indicates growth in manufacturing for the 14th consecutive month and continues expansion consistent with pre-hurricane levels. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.

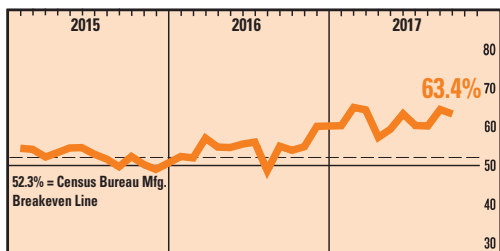
COMMODITIES REPORTED

Commodities Up in Price: Aluminum (12); Brass (2); Caustic Soda (4); Chemicals; Corrugate (13); Corrugated Boxes; Distillates; Diesel; Freight (2); Glycols; HDPE (2); Hydrochloric Acid (2); LDPE (2); Memory – Computer (4); Plasticizers; Plastic Resins (3); Polyethylene (2); Polypropylene (2); Polyvinyl Chloride (2); Resin Based Products; Solvents (3); Stainless Steel; Steel – Hot Rolled* (11); Sulfuric Acid; Titanium Dioxide; and Vitamins.

Commodities Down in Price: Steel – Scrap; and Steel – Hot Rolled*.

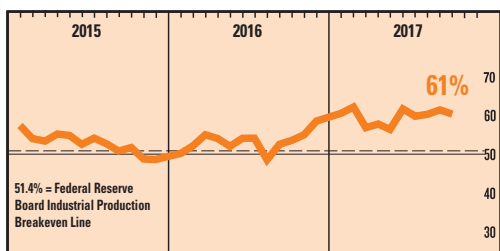
Commodities in Short Supply: Capacitors (4); Electric Components (5); HDPE (2); Integrated Circuits; Methacrylates (3); Plasticizers; and Polyethylene Resin.

*Indicates both up and down in price. Note: The number of consecutive months the commodity is listed is indicated after each item.



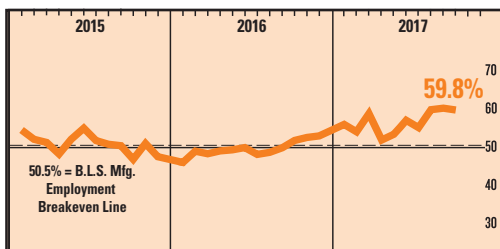
New Orders

ISM's New Orders Index registered 63.4 percent. Twelve of 18 industries reported growth in new orders in October, listed in the following order: Paper Products; Apparel, Leather & Allied Products; Wood Products; Machinery; Miscellaneous Manufacturing[‡]; Food, Beverage & Tobacco Products; Nonmetallic Mineral Products; Transportation Equipment; Chemical Products; Computer & Electronic Products; Petroleum & Coal Products; and Primary Metals.



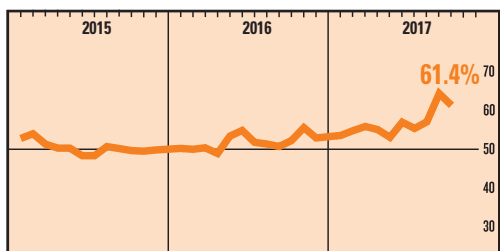
Production

ISM's Production Index registered 61 percent. The 15 industries reporting growth in production during the month of October — listed in order — are: Paper Products; Apparel, Leather & Allied Products; Wood Products; Nonmetallic Mineral Products; Transportation Equipment; Miscellaneous Manufacturing[‡]; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Furniture & Related Products; Chemical Products; Machinery; Petroleum & Coal Products; Plastics & Rubber Products; Computer & Electronic Products; and Fabricated Metal Products.



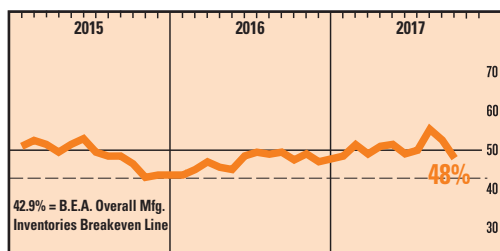
Employment

ISM's Employment Index registered 59.8 percent. Of the 18 manufacturing industries, the 15 reporting employment growth in October — listed in order — are: Textile Mills; Printing & Related Support Activities; Nonmetallic Mineral Products; Paper Products; Food, Beverage & Tobacco Products; Machinery; Petroleum & Coal Products; Plastics & Rubber Products; Furniture & Related Products; Fabricated Metal Products; Transportation Equipment; Primary Metals; Chemical Products; Computer & Electronic Products; and Miscellaneous Manufacturing[‡].



Supplier Deliveries

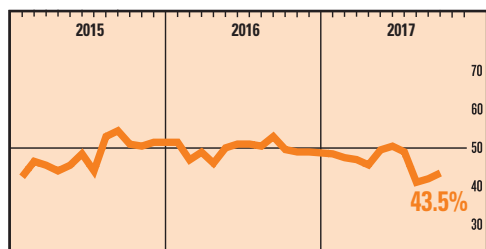
The delivery performance of suppliers to manufacturing organizations was slower in October, as the Supplier Deliveries Index registered 61.4 percent. The 12 industries reporting slower supplier deliveries in October — listed in order — are: Plastics & Rubber Products; Machinery; Paper Products; Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Fabricated Metal Products; Computer & Electronic Products; Transportation Equipment; Food, Beverage & Tobacco Products; Chemical Products; and Primary Metals.



Inventories

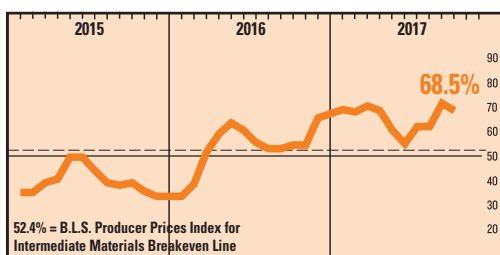
The Inventories Index registered 48 percent. The six industries reporting higher inventories in October — listed in order — are: Nonmetallic Mineral Products; Machinery; Furniture & Related Products; Transportation Equipment; Miscellaneous Manufacturing[‡]; and Primary Metals.

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



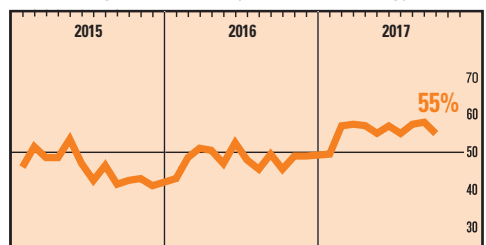
Customers' Inventories

ISM's Customers' Inventories Index registered 43.5 percent in October, which is 1.5 percentage points higher than the 42 percent reported for September, indicating that customers' inventory levels are still considered too low in October. Two manufacturing industries — Furniture & Related Products; and Fabricated Metal Products — reported customers' inventories as being too high during the month of October.



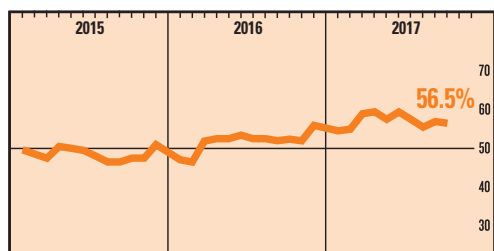
Prices

The ISM Prices Index registered 68.5 percent. Fourteen industries reported paying increased prices for raw materials in October, in the following order: Textile Mills; Apparel, Leather & Allied Products; Paper Products; Plastics & Rubber Products; Petroleum & Coal Products; Nonmetallic Mineral Products; Chemical Products; Food, Beverage & Tobacco Products; Machinery; Miscellaneous Manufacturing[‡]; Transportation Equipment; Computer & Electronic Products; Furniture & Related Products; and Primary Metals.



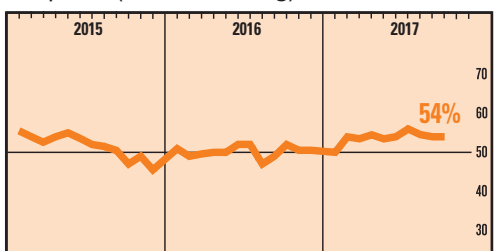
Backlog of Orders

ISM's Backlog of Orders Index registered 55 percent. The nine industries reporting growth in order backlogs in October — listed in order — are: Textile Mills; Paper Products; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Machinery; Plastics & Rubber Products; Miscellaneous Manufacturing[‡]; Chemical Products; and Transportation Equipment.



New Export Orders

ISM's New Export Orders Index registered 56.5 percent. The eight industries reporting growth in new export orders in October — listed in order — are: Paper Products; Machinery; Transportation Equipment; Furniture & Related Products; Computer & Electronic Products; Food, Beverage & Tobacco Products; Chemical Products; and Miscellaneous Manufacturing[‡].



Imports

ISM's Imports Index registered 54 percent. The 11 industries reporting growth in imports during the month of October — listed in order — are: Textile Mills; Apparel, Leather & Allied Products; Paper Products; Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Furniture & Related Products; Machinery; Food, Beverage & Tobacco Products; Computer & Electronic Products; Transportation Equipment; and Miscellaneous Manufacturing[‡].

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