

ISM® REPORT ON BUSINESS® MANUFACTURING

JANUARY 2018

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 January, and the overall economy grew for the 105th consecutive month, say the nation's supply executives in the latest Manufacturing ISM® Report On Business®.

The January PMI® registered 59.1 percent. The New Orders Index registered 65.4 percent, a decrease of 2 percentage points from the seasonally adjusted December reading of 67.4 percent. The Prices Index registered 72.7 percent in January, a 4.4 percentage point increase from the December reading of 68.3 percent, indicating higher raw materials prices for the 23rd consecutive month. Comments from the panel reflect expanding business conditions, with new orders and production maintaining high levels of expansion; employment expanding at a slower rate; order backlogs expanding at a faster rate; and export orders and

imports continuing to grow faster in January. Supplier deliveries continued to slow (improving) at a faster rate. Price increases occurred across all industry sectors. The Customers' Inventories Index indicates levels are still too low. Capital expenditure lead times increased 8 percent during the month of January. Of the 18 manufacturing industries, 14 reported growth in the following order: Textile Mills; Fabricated Metal Products; Plastics & Rubber Products; Primary Metals; Machinery; Transportation Equipment; Apparel, Leather & Allied Products; Chemical Products; Computer & Electronic Products; Paper Products; Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; and Food, Beverage & Tobacco Products.

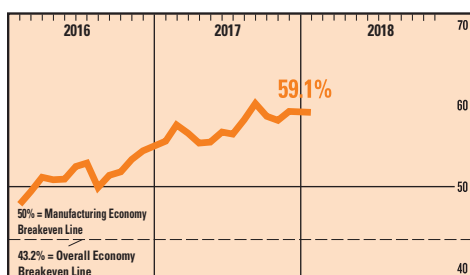
PMI® @ 59.1%

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

MANUFACTURING AT A GLANCE

Index	Jan Index	Dec Index	% Point Change	Direction	Rate of Change	Trend* (months)
PMI®	59.1	59.3	-0.2	Growing	Slower	17
New Orders	65.4	67.4	-2.0	Growing	Slower	25
Production	64.5	65.2	-0.7	Growing	Slower	17
Employment	54.2	58.1	-3.9	Growing	Slower	16
Supplier Deliveries	59.1	57.2	+1.9	Slowing	Faster	16
Inventories	52.3	48.5	+3.8	Growing	From Contracting	1
Customers' Inventories	45.6	42.9	+2.7	Too Low	Slower	16
Prices	72.7	68.3	+4.4	Increasing	Faster	23
Backlog of Orders	56.2	54.9	+1.3	Growing	Faster	12
New Export Orders	59.8	57.6	+2.2	Growing	Faster	23
Imports	58.4	56.5	+1.9	Growing	Faster	12
OVERALL ECONOMY				Growing	Slower	105
Manufacturing Sector				Growing	Slower	17

*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 January as the PMI® registered 59.1 percent, a decrease of 0.2 percentage point from the seasonally adjusted December reading of 59.3 percent. This indicates growth in manufacturing for the 17th consecutive month at strong levels led by continued expansion in new order and production activity, with employment growing at a slower rate and supplier deliveries continuing to struggle. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.

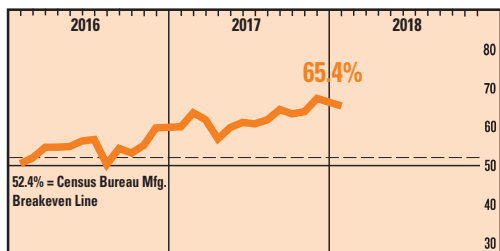
COMMODITIES REPORTED

Commodities Up in Price: Aluminum (15); Ammonia; Brass; Caustic Soda (7); Copper (3); Corrugate (16); Crude Oil; Electrical Components (2); Emulsions; Hardwood Lumber; Natural Gas; Nickel; Paper; Polycarbonate; Polyethylene; Polypropylene (5); Polyurethane; Pulp; Resins; Steel (2); Steel — Scrap (2); Steel — Cold Rolled; Steel — Galvanized; Steel — Hot Rolled (14); Stainless Steel (2); Sulfur; Sulfuric Acid; Titanium Dioxide (4); and Vitamins.

Commodities Down in Price: None.

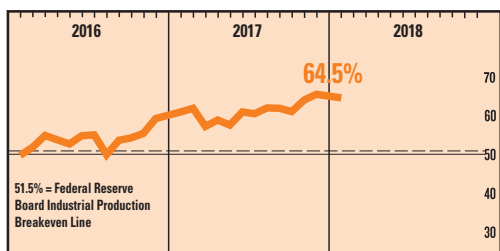
Commodities in Short Supply: Capacitors (7); Electrical Components (2); Integrated Circuits; Memory; Resistors (3); Silicone; and Titanium Dioxide (3).

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



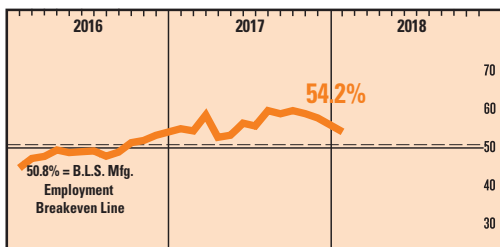
New Orders

ISM's New Orders Index registered 65.4 percent. Thirteen of 18 industries reported growth in new orders in January, listed in the following order: Textile Mills; Fabricated Metal Products; Apparel, Leather & Allied Products; Machinery; Primary Metals; Computer & Electronic Products; Transportation Equipment; Plastics & Rubber Products; Miscellaneous Manufacturing[‡]; Chemical Products; Paper Products; Food, Beverage & Tobacco Products; and Electrical Equipment, Appliances & Components.



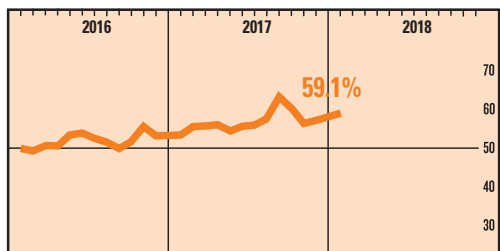
Production

ISM's Production Index registered 64.5 percent. The 11 industries reporting growth in production during the month of January — listed in order — are: Apparel, Leather & Allied Products; Plastics & Rubber Products; Fabricated Metal Products; Primary Metals; Chemical Products; Paper Products; Transportation Equipment; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Machinery; and Miscellaneous Manufacturing[‡].



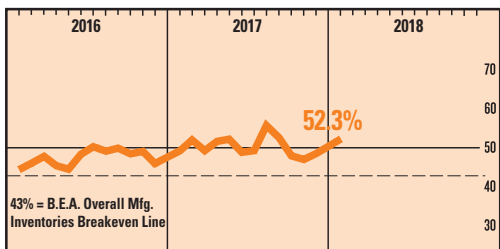
Employment

ISM's Employment Index registered 54.2 percent. Of the 18 manufacturing industries, the seven reporting employment growth in January — listed in order — are: Machinery; Fabricated Metal Products; Petroleum & Coal Products; Primary Metals; Nonmetallic Mineral Products; Computer & Electronic Products; and Transportation Equipment.



Supplier Deliveries

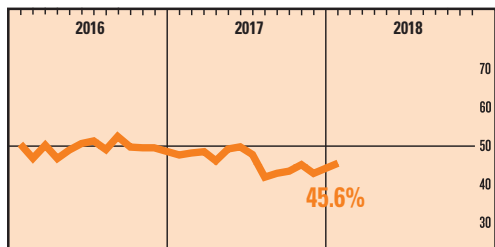
The delivery performance of suppliers to manufacturing organizations was slower in January, as the Supplier Deliveries Index registered 59.1 percent. The 12 industries reporting slower supplier deliveries in January — listed in order — are: Textile Mills; Apparel, Leather & Allied Products; Petroleum & Coal Products; Machinery; Nonmetallic Mineral Products; Paper Products; Chemical Products; Plastics & Rubber Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; and Transportation Equipment.



Inventories

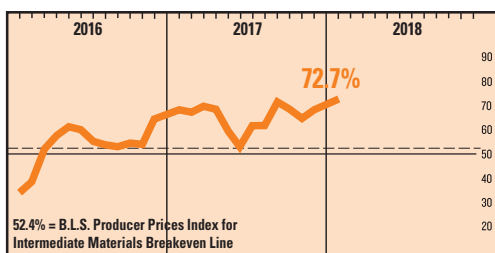
The Inventories Index registered 52.3 percent. The eight industries reporting higher inventories in January — listed in order — are: Textile Mills; Plastics & Rubber Products; Primary Metals; Fabricated Metal Products; Transportation Equipment; Chemical Products; Computer & Electronic Products; and Electrical Equipment, Appliances & Components.

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



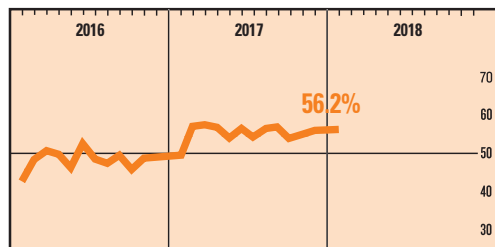
Customers' Inventories

ISM's Customers' Inventories Index registered 45.6 percent in January, which is 2.7 percentage points higher than the 42.9 percent reported for December, indicating that customers' inventory levels were still considered too low in January. Two manufacturing industries — Furniture & Related Products; and Transportation Equipment — reported customers' inventories as being too high during the month of January.



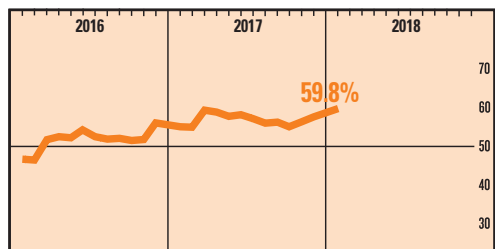
Prices

The ISM Prices Index registered 72.7 percent. All eighteen industries reported paying increased prices for raw materials in January, in the following order: Textile Mills; Apparel, Leather & Allied Products; Wood Products; Nonmetallic Mineral Products; Fabricated Metal Products; Furniture & Related Products; Chemical Products; Paper Products; Machinery; Primary Metals; Electrical Equipment, Appliances & Components; Petroleum & Coal Products; Plastics & Rubber Products; Miscellaneous Manufacturing[‡]; Transportation Equipment; Food, Beverage & Tobacco Products; Printing & Related Support Activities; and Computer & Electronic Products.



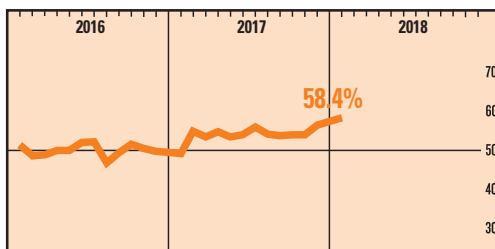
Backlog of Orders

ISM's Backlog of Orders Index registered 56.2 percent. The 12 industries reporting growth in order backlogs in January — listed in order — are: Textile Mills; Primary Metals; Apparel, Leather & Allied Products; Plastics & Rubber Products; Petroleum & Coal Products; Transportation Equipment; Machinery; Fabricated Metal Products; Paper Products; Chemical Products; Computer & Electronic Products; and Electrical Equipment, Appliances & Components.



New Export Orders

ISM's New Export Orders Index registered 59.8 percent. The 13 industries reporting growth in new export orders in January — listed in order — are: Textile Mills; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Transportation Equipment; Miscellaneous Manufacturing[‡]; Chemical Products; Plastics & Rubber Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Food, Beverage & Tobacco Products; Machinery; and Paper Products.



Imports

ISM's Imports Index registered 58.4 percent. The 12 industries reporting growth in imports during the month of January — listed in order — are: Primary Metals; Apparel, Leather & Allied Products; Machinery; Miscellaneous Manufacturing[‡]; Fabricated Metal Products; Computer & Electronic Products; Nonmetallic Mineral Products; Transportation Equipment; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Plastics & Rubber Products; and Chemical Products.

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