

## PMI at 55.3%

**E**conomic activity in the manufacturing sector expanded in June for the 23rd consecutive month, and the overall economy grew for the 25th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM Report On Business®**.

The PMI registered 55.3 percent, an increase of 1.8 percentage points from May, indicating expansion in the manufacturing sector for the 23rd consecutive month. New orders and production were both modestly up from last month, and employment showed continued strength with an increase of 1.7 percentage points to 59.9 percent. The rate of increase in prices slowed for the second consecutive month, dropping 8.5 percentage points in June to 68 percent. This follows a similar reduction of 9 percentage points in the Prices Index in May, and is the lowest figure since August 2010 when the index registered 61.5 percent. While the rate of price increases has slowed and the list of commodities up in price has shortened, commodity and input prices continue to be a concern across several industries.

Of the 18 manufacturing industries, 12 are reporting growth in June, in the following order: Miscellaneous Manufacturing<sup>‡</sup>; Printing & Related Support Activities; Computer & Electronic Products; Paper Products; Textile Mills; Petroleum & Coal Products; Nonmetallic Mineral Products; Transportation Equipment; Chemical Products; Fabricated Metal Products; Machinery; and Electrical Equipment, Appliances & Components. **ISM**

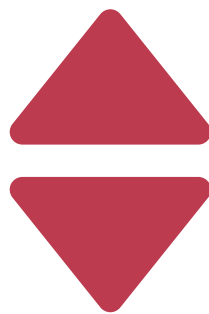
Analysis by **Bradley J. Holcomb, CPSM, CPSD**, chair of the Institute for Supply Management's Manufacturing Business Survey Committee.

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

### MANUFACTURING AT A GLANCE

INDEX	JUN INDEX	MAY INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
PMI	55.3	53.5	+1.8	Growing	Faster	23
New Orders	51.6	51.0	+0.6	Growing	Faster	24
Production	54.5	54.0	+0.5	Growing	Faster	25
Employment	59.9	58.2	+1.7	Growing	Faster	21
Supplier Deliveries	56.3	55.7	+0.6	Slowing	Faster	25
Inventories	54.1	48.7	+5.4	Growing	From Contracting	1
Customers' Inventories	47.0	39.5	+7.5	Too Low	Slower	27
Prices	68.0	76.5	-8.5	Increasing	Slower	24
Backlog of Orders	49.0	50.5	-1.5	Contracting	From Growing	1
Exports	53.5	55.0	-1.5	Growing	Slower	24
Imports	51.0	54.5	-3.5	Growing	Slower	22
<b>OVERALL ECONOMY</b>				<b>Growing</b>	<b>Faster</b>	<b>25</b>
<b>MANUFACTURING SECTOR</b>				<b>Growing</b>	<b>Faster</b>	<b>23</b>

\*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.

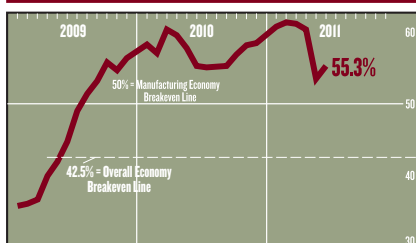
### COMMODITIES REPORTED

**Commodities Up in Price:** Aluminum (10); Castings; Caustic Soda (4); Copper\* (11); Copper Based Products\* (8); Corn; Natural Gas; Packaging Materials (2); Plastic Products (6); Plastics (6); Polyethylene; Polypropylene (6); Resins (4); Rubber Products (5); Soybean Oil; Steel\* (10); Steel Products (7); Steel Tube; and Titanium Dioxide (3).

**Commodities Down in Price:** Copper\* (2); Copper Based Products\*; Nickel; Stainless Steel; and Steel\* (2).

**Commodities in Short Supply:** Capacitors; Electric/Electronic Components (6); and Rubber Products (2).

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



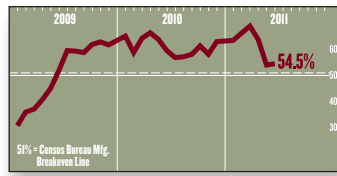
### PMI

**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 25th consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 23rd consecutive month. The past relationship between the PMI and the overall economy indicates that the average PMI for January through June (58.8 percent) corresponds to a 5.7 percent increase in real gross domestic product (GDP). In addition, if the PMI for June (55.3 percent) is annualized, it corresponds to a 4.5 percent increase in real GDP annually.

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

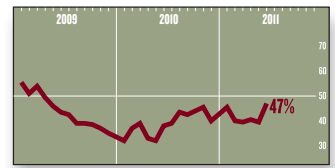
## PRODUCTION

ISM's Production Index registered 54.5 percent in June. The 10 industries reporting growth in production during the month of June — listed in order — are: Paper Products; Printing & Related Support Activities; Miscellaneous Manufacturing‡; Fabricated Metal Products; Nonmetallic Mineral Products; Machinery; Electrical Equipment, Appliances & Components; Chemical Products; Computer & Electronic Products; and Transportation Equipment.



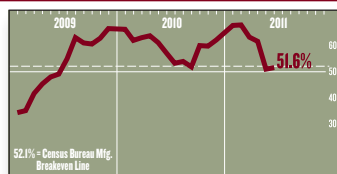
## CUSTOMERS' INVENTORIES

The ISM Customers' Inventories Index registered 47 percent in June. This is the 27th 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 four manufacturing industries reporting customers' inventories as being too high during June are: Plastics & Rubber Products; Fabricated Metal Products; Chemical Products; and Food, Beverage & Tobacco Products.



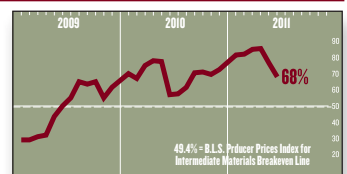
## NEW ORDERS

ISM's New Orders Index registered 51.6 percent in June. The 10 industries reporting growth in new orders in June — listed in order — are: Textile Mills; Petroleum & Coal Products; Paper Products; Miscellaneous Manufacturing‡; Printing & Related Support Activities; Electrical Equipment, Appliances & Components; Transportation Equipment; Fabricated Metal Products; Chemical Products; and Computer & Electronic Products.



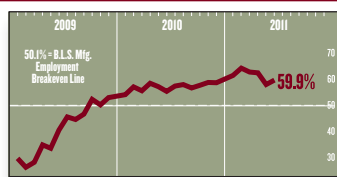
## PRICES

ISM's Prices Index registered 68 percent in June. Thirteen manufacturing industries reported paying increased prices during the month of June, in the following order: Textile Mills; Food, Beverage & Tobacco Products; Apparel, Leather & Allied Products; Paper Products; Furniture & Related Products; Chemical Products; Petroleum & Coal Products; Machinery; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Miscellaneous Manufacturing‡; Nonmetallic Mineral Products; and Transportation Equipment.



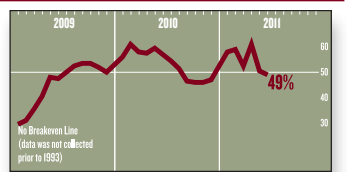
## EMPLOYMENT

ISM's Employment Index registered 59.9 percent in June, which is 1.7 percentage points higher than the 58.2 percent reported in May. Of the 18 manufacturing industries, 11 reported growth in employment in June in the following order: Textile Mills; Nonmetallic Mineral Products; Printing & Related Support Activities; Miscellaneous Manufacturing‡; Computer & Electronic Products; Transportation Equipment; Chemical Products; Machinery; Fabricated Metal Products; Food, Beverage & Tobacco Products; and Paper Products.



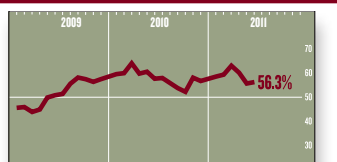
## BACKLOG OF ORDERS

ISM's Backlog of Orders Index registered 49 percent in June, which is 1.5 percentage points lower than the 50.5 percent reported in May. The seven industries reporting increased order backlogs in June — listed in order — are: Petroleum & Coal Products; Printing & Related Support Activities; Paper Products; Electrical Equipment, Appliances & Components; Chemical Products; Miscellaneous Manufacturing‡; and Computer & Electronic Products.



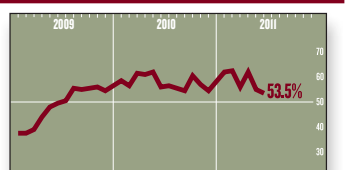
## SUPPLIER DELIVERIES

The delivery performance of suppliers to manufacturing organizations was slower in June as the Supplier Deliveries Index registered 56.3 percent. A reading above 50 percent indicates slower deliveries. The eight industries reporting slower supplier deliveries in June — listed in order — are: Petroleum & Coal Products; Transportation Equipment; Miscellaneous Manufacturing‡; Machinery; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Chemical Products; and Fabricated Metal Products.



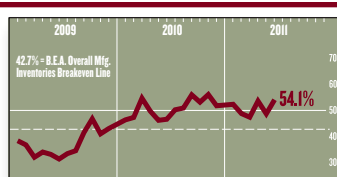
## NEW EXPORT ORDERS

ISM's New Export Orders Index registered 53.5 percent in June, which is 1.5 percentage points lower than the 55 percent reported in May. This is the 24th consecutive month of growth in the New Export Orders Index. The five industries reporting growth in new export orders in June are: Paper Products; Fabricated Metal Products; Miscellaneous Manufacturing‡; Chemical Products; and Computer & Electronic Products.



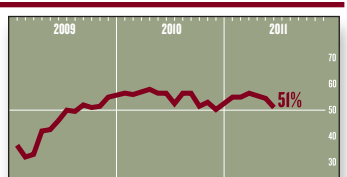
## INVENTORIES

ISM's Inventories Index registered 54.1 percent in June, 5.4 percentage points higher than the 48.7 percent reported in May. The six industries reporting higher inventories in June — listed in order — are: Computer & Electronic Products; Electrical Equipment, Appliances & Components; Machinery; Chemical Products; Fabricated Metal Products; and Miscellaneous Manufacturing‡.



## IMPORTS

Imports of materials by manufacturers continued to expand in June as the Imports Index registered 51 percent, 3.5 percentage points lower than the 54.5 percent reported in May. This is the 22nd consecutive month of growth in imports. The four industries reporting growth in imports during the month of June are: Nonmetallic Mineral Products; Miscellaneous Manufacturing‡; Machinery; and Fabricated Metal Products.



## NMI at 53.3%

**Business Activity Index at 53.4%; New Orders Index at 53.6%;  
Employment Index at 54.1%**

**E**conomic activity in the non-manufacturing sector grew in June for the 19th consecutive month, say the nation's purchasing and supply executives in the latest *Non-Manufacturing ISM Report On Business*®.

The NMI registered 53.3 percent in June, 1.3 percentage points lower than the 54.6 percent registered in May, and indicating continued growth at a slower rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index decreased 0.2 percentage point to 53.4 percent, reflecting growth for the 23rd consecutive month, but at a slightly slower rate than in May. The New Orders Index decreased by 3.2 percentage points to 53.6 percent, and the Employment Index increased 0.1 percentage point to 54.1 percent. The Prices Index decreased 8.7 percentage points to 60.9 percent. Respondents' comments are mixed about the business climate and vary by industry and company. The most prominent concern remains about the volatility of prices.

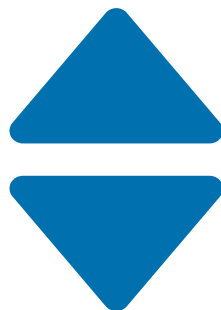
The 15 non-manufacturing industries reporting growth in June based on the NMI composite index — listed in order — are: Real Estate, Rental & Leasing; Transportation & Warehousing; Wholesale Trade; Professional, Scientific & Technical Services; Mining; Construction; Other Services\*<sup>†</sup>; Educational Services; Arts, Entertainment & Recreation; Public Administration; Management of Companies & Support Services; Accommodation & Food Services; Information; Utilities; and Retail Trade.

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	JUN INDEX	MAY INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
NMI	53.3	54.6	-1.3	Growing	Slower	19
Business Activity	53.4	53.6	-0.2	Growing	Slower	23
New Orders	53.6	56.8	-3.2	Growing	Slower	23
Employment	54.1	54.0	+0.1	Growing	Faster	10
Supplier Deliveries	52.0	54.0	-2.0	Slowing	Slower	15
Inventories	53.5	55.0	-1.5	Growing	Slower	5
Prices	60.9	69.6	-8.7	Increasing	Slower	23
Backlog of Orders	48.5	55.0	-6.5	Contracting	From Growing	1
New Export Orders	57.0	57.0	0.0	Growing	Same	10
Imports	46.5	50.5	-4.0	Contracting	From Growing	1
Inventory Sentiment	58.5	55.0	+3.5	Too High	Faster	169

\*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.

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

### COMMODITIES REPORTED

**Commodities Up in Price:** Airfares (7); Can Liners (3); Cheese; Chemicals (2); Copy Paper; Cotton Products (10); #1 Diesel Fuel\* (9); #2 Diesel Fuel\* (12); Food & Beverage; Food Products (2); Fuel (18); Fuel Surcharges (6); Gasoline\* (9); Gloves; Latex Gloves (6); Paper (8); Petroleum Products (6); Plastic Products (4); Plastics (3); and Polyethylene Film.

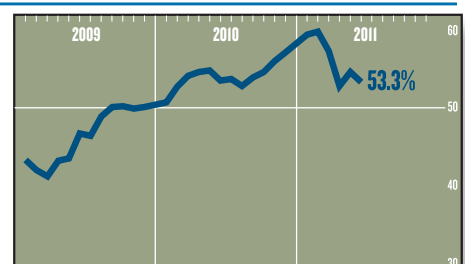
**Commodities Down in Price:** Cotton; #1 Diesel Fuel\*; #2 Diesel Fuel\*; and Gasoline\*.

**Commodities in Short Supply:** Fiber Optic Products; Medical Supplies; Plastic Products; Plenum Cable; and Tires.

<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 June, the NMI registered 53.3 percent, indicating continued growth in the non-manufacturing sector for the 19th 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.

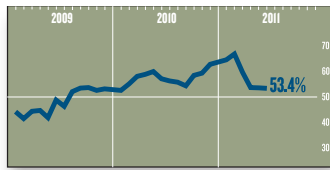


±Other Services (services such as Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services,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

## BUSINESS ACTIVITY

ISM's Non-Manufacturing Business Activity Index in June registered 53.4 percent, a decrease of 0.2

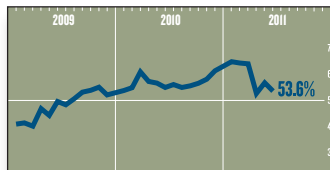
percentage point when compared to the 53.6 percent registered in May. The 10 industries reporting growth of business activity in June — listed in order — are: Transportation & Warehousing; Arts, Entertainment & Recreation; Educational Services; Other Services<sup>±</sup>; Public Administration; Wholesale Trade; Construction; Professional, Scientific & Technical Services; Management of Companies & Support Services; and Information.



## NEW ORDERS

ISM's Non-Manufacturing New Orders Index registered 53.6 percent in June. The 11 industries reporting growth of new orders in June — listed in order — are:

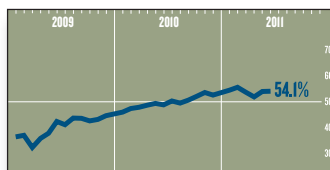
Real Estate, Rental & Leasing; Transportation & Warehousing; Educational Services; Arts, Entertainment & Recreation; Wholesale Trade; Accommodation & Food Services; Professional, Scientific & Technical Services; Mining; Other Services<sup>±</sup>; Public Administration; and Management of Companies & Support Services.



## EMPLOYMENT

ISM's Non-Manufacturing Employment Index registered 54.1 percent in June. The 14 industries reporting an increase in employment in June — listed in order

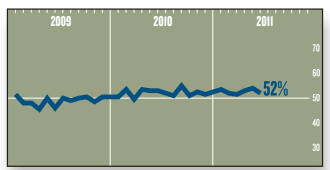
— are: Real Estate, Rental & Leasing; Mining; Agriculture, Forestry, Fishing & Hunting; Management of Companies & Support Services; Public Administration; Construction; Professional, Scientific & Technical Services; Accommodation & Food Services; Retail Trade; Transportation & Warehousing; Wholesale Trade; Information; Finance & Insurance; and Other Services<sup>±</sup>.



## SUPPLIER DELIVERIES

The Supplier Deliveries Index registered 52 percent in June, 2 percentage points lower than the 54

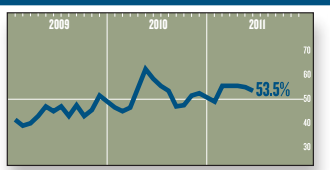
percent registered in May, indicating that supplier deliveries continued to slow in June. A reading above 50 percent indicates slower deliveries. The seven industries reporting slower deliveries in June — listed in order — are: Retail Trade; Construction; Wholesale Trade; Utilities; Educational Services; Other Services<sup>±</sup>; and Professional, Scientific & Technical Services.



## INVENTORIES

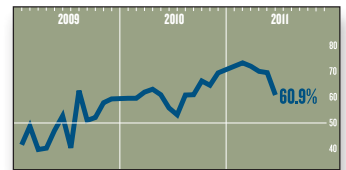
ISM's Non-Manufacturing Inventories Index registered 53.5 percent in June, 1.5 percentage points lower than the 55 percent reading that was reported in May.

The nine industries reporting an increase in inventories in June — listed in order — are: Real Estate, Rental & Leasing; Utilities; Wholesale Trade; Transportation & Warehousing; Management of Companies & Support Services; Accommodation & Food Services; Arts, Entertainment & Recreation; Mining; and Information.



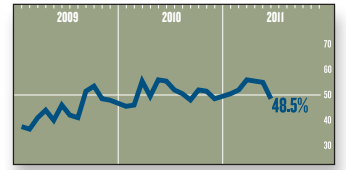
## PRICES

ISM's Non-Manufacturing Prices Index for June registered 60.9 percent. Sixteen industries reported an increase in prices paid, in the following order: Real Estate, Rental & Leasing; Accommodation & Food Services; Arts, Entertainment & Recreation; Mining; Wholesale Trade; Professional, Scientific & Technical Services; Management of Companies & Support Services; Transportation & Warehousing; Health Care & Social Assistance; Finance & Insurance; Utilities; Educational Services; Other Services<sup>±</sup>; Retail Trade; Construction; and Public Administration.



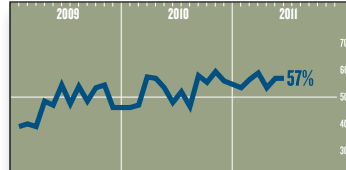
## BACKLOG OF ORDERS

ISM's Non-Manufacturing Backlog of Orders Index contracted in June after five consecutive months of growth. The index registered 48.5 percent, 6.5 percentage points lower than the 55 percent reported in May. The five industries reporting an increase in order backlogs in June are: Construction; Retail Trade; Other Services<sup>±</sup>; Health Care & Social Assistance; and Wholesale Trade.



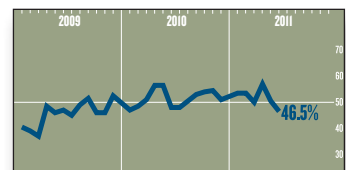
## NEW EXPORT ORDERS

ISM's New Export Orders Index for June registered 57 percent, which is the same as registered in May and is the 10th consecutive month of growth in the index. The seven industries reporting an increase in new export orders in June — listed in order — are: Arts, Entertainment & Recreation; Construction; Other Services<sup>±</sup>; Transportation & Warehousing; Finance & Insurance; Professional, Scientific & Technical Services; and Wholesale Trade.



## IMPORTS

The ISM Non-Manufacturing Imports Index contracted in June after 10 consecutive months of growth. The index registered 46.5 percent, which is 4 percentage points lower than the 50.5 percent reported in May. The three industries reporting an increase in the use of imports in June are: Transportation & Warehousing; Arts, Entertainment & Recreation; and Other Services<sup>±</sup>.



## INVENTORY SENTIMENT

The ISM Non-Manufacturing Inventory Sentiment Index in June registered 58.5 percent. This indicates that respondents

believe their inventories are still too high at this time. The six industries reporting a feeling that their inventories are too high in June — listed in order — are: Management of Companies & Support Services; Information; Finance & Insurance; Other Services<sup>±</sup>; Wholesale Trade; and Accommodation & Food Services.

