Economic activity in the manufacturing sector expanded in October for the second consecutive month following three months of slight contraction, and the overall economy grew for the 41st consecutive month, say the nation’s supply executives in the latest Manufacturing ISM Report On Business®.

The PMI™ registered 51.7 percent, an increase of 0.2 percentage point from September’s reading of 51.5 percent, indicating growth in manufacturing at a slightly faster rate. The New Orders Index registered 54.2 percent, an increase of 1.9 percentage points from September, indicating growth in new orders for the second consecutive month. The Production Index registered 52.4 percent, an increase of 2.9 percentage points. The Employment Index registered 52.1 percent, a decrease of 2.6 percentage points, and the Prices Index registered 55 percent, reflecting a decrease of 3 percentage points. Comments from the panel this month reflect continued concern over a fragile global economy and soft orders across several manufacturing sectors.

Of the 18 manufacturing industries, eight are reporting growth in October in the following order: Petroleum & Coal Products; Furniture & Related Products; Apparel, Leather & Allied Products; Paper Products; Miscellaneous Manufacturing‡; Food, Beverage & Tobacco Products; Plastics & Rubber Products; and Chemical Products. 

PMI™ at 51.7% 

New Orders, Production and Employment Growing; Supplier Deliveries Faster; Inventories Unchanged

**MANUFACTURING AT A GLANCE**

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**OVERALL ECONOMY**

Growing Faster 41

**MANUFACTURING SECTOR**

Growing Faster 2

**COMMODITIES REPORTED**

**Commodities Up in Price:** Aluminum; Aluminum Products; Caustic Soda (3); Corrugated Boxes/Packaging (3); Fuel (3); Gasoline (2); Linerboard; and Stainless Steel.

**Commodities Down in Price:** Polypropylene Resins; Steel (8); Steel — Hot Rolled; Steel — Scrap; and Steel Products (2).

**Commodities in Short Supply:** No commodities are reported in short supply.

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

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

Commodities reported: 8, 3, 2, 3, 2, 3, 3, 3, 3, 2, 3.

PMI™ in excess of 42.6 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the October PMI™ indicates growth for the 41st consecutive month in the overall economy, and indicates growth in the manufacturing sector for the second consecutive month following three consecutive months of slight contraction. The past relationship between the PMI™ and the overall economy indicates that the average PMI™ for January through October (52 percent) corresponds to a 3.2 percent increase in real gross domestic product (GDP). In addition, if the PMI™ for October (51.7 percent) is annualized, it corresponds to a 3.1 percent increase in real GDP annually.
PRODUCTION
ISM’s Production Index registered 52.4 percent in October, which is an increase of 2.9 percentage points when compared to the 49.5 percent reported in September. The six industries reporting growth in production during the month of October — listed in order — are: Furniture & Related Products; Apparel, Leather & Allied Products; Paper Products; Petroleum & Coal Products; Computer & Electronic Products; and Miscellaneous Manufacturing.

NEW ORDERS
ISM’s New Orders Index registered 54.2 percent in October, an increase of 1.9 percentage points when compared to the September reading of 52.3 percent. This represents the second consecutive month of growth in new orders following three consecutive months of contraction. The five industries reporting growth in new orders in October are: Furniture & Related Products; Food, Beverage & Tobacco Products; Paper Products; Computer & Electronic Products; and Miscellaneous Manufacturing.

EMPLOYMENT
ISM’s Employment Index registered 52.1 percent in October, which is 2.6 percentage points lower than the 54.7 percent reported in September. Of the 18 manufacturing industries, eight reported growth in employment in October in the following order: Apparel, Leather & Allied Products; Petroleum & Coal Products; Food, Beverage & Tobacco Products; Paper Products; Miscellaneous Manufacturing; Chemical Products; Transportation Equipment; and Primary Metals.

SUPPLIER DELIVERIES
The delivery performance of suppliers to manufacturing organizations was faster in October as the Supplier Deliveries Index registered 49.6 percent. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries. The four industries reporting slower supplier deliveries in October are: Electrical Equipment, Appliances & Components; Petroleum & Coal Products; Chemical Products; and Transportation Equipment.

INVENTORIES
The Inventories Index registered 50 percent in October. This month’s reading indicates that respondents are reporting inventories as being too high during October, in the following order: Apparel, Leather & Allied Products; Chemical Products; Food, Beverage & Tobacco Products; and Electrical Equipment, Appliances & Components.

CUSTOMERS’ INVENTORIES
ISM’s Customers’ Inventories Index registered 49 percent in October. Customers’ inventories have registered at or below 50 percent for 43 consecutive months. A reading below 50 percent indicates customers’ inventories are considered too low. Six manufacturing industries reported customers’ inventories as being too high during October, in the following order: Primary Metals; Nonmetallic Mineral Products; Apparel, Leather & Allied Products; Plastics & Rubber Products; Chemical Products; and Fabricated Metal Products.

PRICES
The ISM Prices Index registered 55 percent in October, which is a decrease of 3 percentage points compared to the September reading of 58 percent. Eight manufacturing industries reported paying increased prices during the month of October, in the following order: Furniture & Related Products; Food, Beverage & Tobacco Products; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Plastics & Rubber Products; Chemical Products; and Transportation Equipment.

BACKLOG OF ORDERS
ISM’s Backlog of Orders Index registered 41.5 percent in October, which is 2.5 percentage points lower than the 44 percent reported in September. This is the seventh consecutive month of contraction in order backlogs. The two industries reporting increased order backlogs in October are: Apparel, Leather & Allied Products; and Furniture & Related Products.

NEW EXPORT ORDERS
ISM’s New Export Orders Index registered 48 percent in October, which is 0.5 percentage point lower than the 48.5 percent reported in September. This month’s reading represents the fifth month of contraction in the index since June 2009. The five industries reporting growth in new export orders in October are: Wood Products; Nonmetallic Mineral Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; and Computer & Electronic Products.

IMPORTS
ISM’s Imports Index registered 47.5 percent in October, which is 2 percentage points lower than the 49.5 percent reported in September. This month’s reading reflects the third consecutive month of contraction in imports since November 2011. The five industries reporting growth in imports during the month of October are: Petroleum & Coal Products; Plastics & Rubber Products; Computer & Electronic Products; Food, Beverage & Tobacco Products; and Fabricated Metal Products.
Economic activity in the non-manufacturing sector grew in October for the 34th consecutive month, say the nation’s purchasing and supply executives in the latest Non-Manufacturing ISM Report On Business®.

The NMI™ registered 54.2 percent in October, 0.9 percentage point lower than the 55.1 percent registered in September. This indicates continued growth this month at a slightly slower rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index registered 55.4 percent, which is 4.5 percentage points lower than the 59.9 percent reported in September, reflecting growth for the 39th consecutive month. The New Orders Index decreased by 2.9 percentage points to 54.8 percent. The Employment Index increased by 3.8 percentage points to 54.9 percent, and the Prices Index decreased 2.5 percentage points to 65.6 percent. The majority of the respondents’ comments reflect a positive but guarded outlook on business conditions and the economy.

The 13 non-manufacturing industries reporting growth in October — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Construction; Other Services; Management of Companies & Support Services; Finance & Insurance; Professional, Scientific & Technical Services; Accommodation & Food Services; Transportation & Warehousing; Real Estate, Rental & Leasing; Health Care & Social Assistance; Information; Educational Services; and Retail Trade.

In October, the NMI™ registered 54.2 percent, indicating continued growth in the non-manufacturing sector for the 34th 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.
BUSINESS ACTIVITY
ISM’s Non-Manufacturing Business Activity Index in October registered 55.4 percent, 4.5 percentage points lower than the 59.9 percent registered in September. Ten industries reported growth of business activity in October: Agriculture, Forestry, Fishing & Hunting; Construction; Finance & Insurance; Other Services; Professional, Scientific & Technical Services; Information; Health Care & Social Assistance; Accommodation & Food Services; Management of Companies & Support Services; and Educational Services.

NEW ORDERS
ISM’s Non-Manufacturing New Orders Index registered 54.8 percent in October, a decrease of 2.9 percentage points from the 57.7 percent reported in September. Ten industries reported growth of new orders in October: Construction; Agriculture, Forestry, Fishing & Hunting; Professional, Scientific & Technical Services; Other Services; Finance & Insurance; Health Care & Social Assistance; Management of Companies & Support Services; Accommodation & Food Services; Educational Services; and Public Administration.

EMPLOYMENT
ISM’s Non-Manufacturing Employment Index registered 54.9 percent in October, which reflects an increase of 3.8 percentage points when compared to the 51.1 percent registered in September. The seven industries reporting an increase in employment in October — listed in order — are: Management of Companies & Support Services; Other Services; Agriculture, Forestry, Fishing & Hunting; Retail Trade; Construction; Health Care & Social Assistance; and Finance & Insurance.

SUPPLIER DELIVERIES
The Supplier Deliveries Index registered 51.5 percent in October, which is the same percentage that was reported in both September and August, indicating that supplier deliveries were slower in October for the third consecutive month. Eight industries reported slower deliveries in October: Utilities; Agriculture, Forestry, Fishing & Hunting; Educational Services; Management of Companies & Support Services; Transportation & Warehousing; Real Estate, Rental & Leasing; Accommodation & Food Services; and Information.

INVENTORIES
ISM’s Non-Manufacturing Inventories Index registered 46.5 percent in October, which is 2 percentage points lower than the 48.5 percent reported in September. The seven industries reporting an increase in inventories in October — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Mining; Utilities; Management of Companies & Support Services; Transportation & Warehousing; Retail Trade; and Accommodation & Food Services.

PRICES
ISM’s Non-Manufacturing Prices Index for October registered 65.6 percent. Fourteen non-manufacturing industries reported an increase in prices paid, in the following order: Accommodation & Food Services; Educational Services; Management of Companies & Support Services; Agriculture, Forestry, Fishing & Hunting; Mining; Retail Trade; Information; Arts, Entertainment & Recreation; Utilities; Wholesale Trade; Public Administration; Professional, Scientific & Technical Services; Health Care & Social Assistance; and Finance & Insurance.

BACKLOG OF ORDERS
ISM’s Non-Manufacturing Backlog of Orders Index registered 49 percent in October, which is 1 percentage point higher than the 48 percent reported in September. The six industries reporting an increase in order backlogs in October — listed in order — are: Construction; Educational Services; Management of Companies & Support Services; Finance & Insurance; Professional, Scientific & Technical Services; and Transportation & Warehousing.

NEW EXPORT ORDERS
The ISM New Export Orders Index for October registered 47.5 percent, which is 3 percentage points lower than the 50.5 percent reported in September. The four industries reporting an increase in new export orders in October are: Construction; Information; Public Administration; and Accommodation & Food Services.

IMPORTS
The ISM Non-Manufacturing Imports Index contracted in October for the third time in the last four months. This month’s reading at 49.5 percent is 0.5 percentage point lower than the 50 percent reported in September. The three industries reporting an increase in imports for the month of October are: Public Administration; Agriculture, Forestry, Fishing & Hunting; and Retail Trade.

INVENTORY SENTIMENT
The ISM Non-Manufacturing Inventory Sentiment Index in October registered 64 percent. The 12 industries reporting a feeling that their inventories are too high in October — listed in order — are: Wholesale Trade; Mining; Utilities; Arts, Entertainment & Recreation; Finance & Insurance; Management of Companies & Support Services; Retail Trade; Accommodation & Food Services; Information; Professional, Scientific & Technical Services; Public Administration; and Health Care & Social Assistance.