

PMI[™] at 49%

Economic activity in the manufacturing sector contracted in May for the first time since November 2012, and the overall economy grew for the 48th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM Report On Business[®]**.

The PMI[™] registered 49 percent, a decrease of 1.7 percentage points from April's reading of 50.7 percent, indicating contraction in manufacturing for the first time since November 2012 and only the second time since July 2009. This month's PMI[™] reading is at its lowest level since June 2009, when it registered 45.8 percent. The New Orders Index decreased in May by 3.5 percentage points to 48.8 percent, and the Production Index decreased by 4.9 percentage points to 48.6 percent. The Prices Index registered 49.5 percent, indicating that overall raw materials prices decreased from last month. Several comments from the panel indicate a flattening or softening in demand due to a sluggish economy, both domestically and globally.

Of the 18 manufacturing industries, 10 are reporting growth in May in the following order: Printing & Related Support Activities; Nonmetallic Mineral Products; Fabricated Metal Products; Wood Products; Furniture & Related Products; Apparel, Leather & Allied Products; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Machinery; and Paper Products. **ISM**

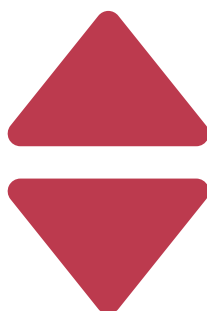
Analysis by Bradley J. Holcomb, CPSM, CPSD, chair of the Institute for Supply Management[™] Manufacturing Business Survey Committee.

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

MANUFACTURING AT A GLANCE

INDEX	MAY INDEX	APR INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
PMI [™]	49.0	50.7	-1.7	Contracting	From Growing	1
New Orders	48.8	52.3	-3.5	Contracting	From Growing	1
Production	48.6	53.5	-4.9	Contracting	From Growing	1
Employment	50.1	50.2	-0.1	Growing	Slower	44
Supplier Deliveries	48.7	50.9	-2.2	Faster	From Slowing	1
Inventories	49.0	46.5	+2.5	Contracting	Slower	3
Customers' Inventories	46.0	44.5	+1.5	Too Low	Slower	18
Prices	49.5	50.0	-0.5	Decreasing	From Unchanged	1
Backlog of Orders	48.0	53.0	-5.0	Contracting	From Growing	1
Exports	51.0	54.0	-3.0	Growing	Slower	6
Imports	54.5	55.0	-0.5	Growing	Slower	4
OVERALL ECONOMY				Growing	Slower	48
MANUFACTURING SECTOR				Contracting	From Growing	1

*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.



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

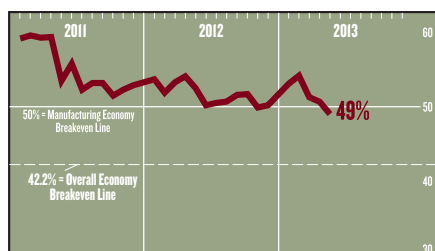
COMMODITIES REPORTED

Commodities Up in Price: Caustic Soda (2); Corrugated Boxes (10); Corrugated Packaging; Lumber (5); and Natural Gas (2).

Commodities Down in Price: Polypropylene; Stainless Steel; Steel (2); Steel — Hot Rolled; and Sugar.

Commodities in Short Supply: Lumber — Hardwood, Pine and Plywood 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 42.2 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the May PMI[™] indicates growth for the 48th consecutive month in the overall economy, and indicates contraction in the manufacturing sector for the first time since November 2012. The past relationship between the PMI[™] and the overall economy indicates that the average PMI[™] for January through May (51.7 percent) corresponds to a 3 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI[™] for May (49 percent) is annualized, it corresponds to a 2.1 percent increase in real GDP annually.

NMI[™] at 53.7%

Economic activity in the non-manufacturing sector grew in May for the 41st consecutive month, say the nation's purchasing and supply executives in the latest Non-Manufacturing ISM Report On Business[®].

The NMI[™] registered 53.7 percent in May, 0.6 percentage point higher than the 53.1 percent registered in April. This indicates continued growth at a slightly faster rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index registered 56.5 percent, which is 1.5 percentage points higher than the 55 percent reported in April, reflecting growth for the 46th consecutive month. The New Orders Index increased by 1.5 percentage points to 56 percent, and the Employment Index decreased 1.9 percentage points to 50.1 percent, indicating growth in employment for the 10th consecutive month. The majority of respondents' comments are optimistic about business conditions. However, there is a degree of uncertainty about the long-term outlook.

The 13 non-manufacturing industries reporting growth in May — listed in order — are: Accommodation & Food Services; Transportation & Warehousing; Arts, Entertainment & Recreation; Educational Services; Management of Companies & Support Services; Wholesale Trade; Construction; Public Administration; Information; Retail Trade; Professional, Scientific & Technical Services; Finance & Insurance; and Utilities. **ISM**

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

NMI[™]

In May, the NMI[™] registered 53.7 percent, indicating continued growth in the non-manufacturing sector for the 41st 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 Index at 56.5%; New Orders Index at 56%; Employment Index at 50.1%

NON-MANUFACTURING AT A GLANCE

INDEX	MAY INDEX	APR INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
NMI [™]	53.7	53.1	+0.6	Growing	Faster	41
Business Activity	56.5	55.0	+1.5	Growing	Faster	46
New Orders	56.0	54.5	+1.5	Growing	Faster	46
Employment	50.1	52.0	-1.9	Growing	Slower	10
Supplier Deliveries	52.0	51.0	+1.0	Slowing	Faster	5
Inventories	51.5	56.0	-4.5	Growing	Slower	4
Prices	51.1	51.2	-0.1	Increasing	Slower	44
Backlog of Orders	51.5	51.5	0.0	Growing	Same	4
New Export Orders	50.0	53.5	-3.5	Unchanged	From Growing	1
Imports	49.5	58.5	-9.0	Contracting	From Growing	1
Inventory Sentiment	62.5	60.5	+2.0	Too High	Faster	192

*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.

*Reported as both up and down in price.

COMMODITIES REPORTED

Commodities Up in Price: Airfares; Beef (6); #1 Diesel Fuel; #2 Diesel Fuel; Construction Subcontractors; Consulting Services; Fuel (5); Gasoline*; Lab Services; Labor; Petroleum Based Products; Reagents; and Shrimp.

Commodities Down in Price: Copper Cable; Gasoline* (3); Lumber — Pine, Spruce and Treated; Paper; and Produce.

Commodities in Short Supply: Medical Supplies is the only commodity reported in short supply.

*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).

