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.

### MANUFACTURING AT A GLANCE

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<th>INDEX</th>
<th>MAY INDEX</th>
<th>APR. INDEX</th>
<th>% POINT CHANGE</th>
<th>DIRECTION</th>
<th>RATE OF CHANGE</th>
<th>TREND*</th>
</tr>
</thead>
<tbody>
<tr>
<td>PMI™</td>
<td>49.0</td>
<td>50.7</td>
<td>-1.7</td>
<td>Contracting</td>
<td>From Growing</td>
<td>I</td>
</tr>
<tr>
<td>New Orders</td>
<td>48.8</td>
<td>52.3</td>
<td>-3.5</td>
<td>Contracting</td>
<td>From Growing</td>
<td>I</td>
</tr>
<tr>
<td>Production</td>
<td>48.6</td>
<td>53.5</td>
<td>-4.9</td>
<td>Contracting</td>
<td>From Growing</td>
<td>I</td>
</tr>
<tr>
<td>Employment</td>
<td>50.1</td>
<td>50.2</td>
<td>-0.1</td>
<td>Growing</td>
<td>Slower</td>
<td>44</td>
</tr>
<tr>
<td>Supplier Deliveries</td>
<td>48.7</td>
<td>50.9</td>
<td>-2.2</td>
<td>Faster</td>
<td>From Slowing</td>
<td>I</td>
</tr>
<tr>
<td>Inventories</td>
<td>49.0</td>
<td>46.5</td>
<td>+2.5</td>
<td>Contracting</td>
<td>Slower</td>
<td>3</td>
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<tr>
<td>Customers' Inventories</td>
<td>46.0</td>
<td>44.5</td>
<td>+1.5</td>
<td>Too Low</td>
<td>Slower</td>
<td>18</td>
</tr>
<tr>
<td>Prices</td>
<td>49.5</td>
<td>50.0</td>
<td>-0.5</td>
<td>Decreasing</td>
<td>From Unchanged</td>
<td>I</td>
</tr>
<tr>
<td>Backlog of Orders</td>
<td>48.0</td>
<td>53.0</td>
<td>-5.0</td>
<td>Contracting</td>
<td>From Growing</td>
<td>I</td>
</tr>
<tr>
<td>Exports</td>
<td>51.0</td>
<td>54.0</td>
<td>-3.0</td>
<td>Growing</td>
<td>Slower</td>
<td>6</td>
</tr>
<tr>
<td>Imports</td>
<td>54.5</td>
<td>55.0</td>
<td>-0.5</td>
<td>Growing</td>
<td>Slower</td>
<td>4</td>
</tr>
</tbody>
</table>

| OVERALL ECONOMY        | Growing    | Slower   | 48       |
| MANUFACTURING SECTOR   | Contracting| From Growing| I |

*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 Indeess.

### 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.

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

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.
**PRODUCTION**

ISM’s Production Index registered 48.6 percent in May, which is a decrease of 4.9 percentage points when compared to the 53.5 percent reported in April. Nine industries reported growth in production during May in the following order: Printing & Related Support Activities; Wood Products; Nonmetallic Mineral Products; Fabricated Metal Products; Furniture & Related Products; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Transportation Equipment; and Machinery.

**CUSTOMERS’ INVENTORIES**

The ISM Customers’ Inventories Index registered 46 percent in May. A reading below 50 percent indicates customers’ inventories are considered too low. The four manufacturing industries reporting customers’ inventories as being too high during the month of May are: Apparel, Leather & Allied Products; Petroleum & Coal Products; Miscellaneous Manufacturing‡; and Food, Beverage & Tobacco Products.

**NEW ORDERS**

ISM’s New Orders Index registered 48.8 percent in May, a decrease of 3.5 percentage points when compared to the April reading of 52.3 percent. The seven industries reporting growth in new orders in May — listed in order — are: Printing & Related Support Activities; Nonmetallic Mineral Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Wood Products; Furniture & Related Products; and Machinery.

**PRICES**

The ISM Prices Index registered 49.5 percent in May. This also indicates that raw materials prices decreased in May for the first time since July 2012. Of the 18 manufacturing industries, seven reported paying increased prices during the month of May in the following order: Nonmetallic Mineral Products; Furniture & Related Products; Wood Products; Chemical Products; Transportation Equipment; Miscellaneous Manufacturing‡; and Food, Beverage & Tobacco Products.

**EMPLOYMENT**

ISM’s Employment Index registered 50.1 percent in May. Of the 18 manufacturing industries, 12 reported growth in employment in May in the following order: Printing & Related Support Activities; Plastics & Rubber Products; Apparel, Leather & Allied Products; Fabricated Metal Products; Wood Products; Furniture & Related Products; Paper Products; Petroleum & Coal Products; Primary Metals; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; and Machinery.

**BACKLOG OF ORDERS**

ISM’s Backlog of Orders Index registered 48 percent in May, which is 5 percentage points lower than the 53 percent reported in April. The eight industries reporting increased order backlogs in May — listed in order — are: Nonmetallic Mineral Products; Furniture & Related Products; Wood Products; Fabricated Metal Products; Furniture & Related Products; Transportation Equipment; and Chemical Products.

**SUPPLIER DELIVERIES**

ISM’s Supplier Deliveries Index registered 48.7 percent in May, which is 2.2 percentage points lower than the 50.9 percent reported in April. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries. The five industries reporting slower supplier deliveries in May are: Furniture & Related Products; Machinery; Petroleum & Coal Products; Fabricated Metal Products; and Electrical Equipment, Appliances & Components.

**NEW EXPORT ORDERS**

ISM’s New Export Orders Index registered 51 percent in May, which is 3 percentage points lower than the 54 percent reported in April. The four industries reporting growth in new export orders in May are: Fabricated Metal Products; Food, Beverage & Tobacco Products; Machinery; and Electrical Equipment, Appliances & Components.

**INVENTORIES**

The Inventories Index registered 49 percent in May, which is 2.5 percentage points higher than the 46.5 percent reported in April. The seven industries reporting higher inventories in May — listed in order — are: Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Paper Products; Fabricated Metal Products; Computer & Electronic Products; Food, Beverage & Tobacco Products; and Machinery.

**IMPORTS**

ISM’s Imports Index registered 54.5 percent in May. This month’s reading represents the sixth consecutive month that the Imports Index has registered at or above 50 percent. The six industries reporting growth in imports during the month of May — listed in order — are: Machinery; Fabricated Metal Products; Furniture & Related Products; Miscellaneous Manufacturing‡; Food, Beverage & Tobacco Products; and Transportation Equipment.
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.

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.

### Non-Manufacturing at a Glance

<table>
<thead>
<tr>
<th>Index</th>
<th>May Index</th>
<th>Apr Index</th>
<th>% Point Change</th>
<th>Direction</th>
<th>Rate of Change</th>
<th>Trend* (Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NMI™</td>
<td>53.7</td>
<td>53.1</td>
<td>+0.6</td>
<td>Growing</td>
<td>Faster</td>
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<tr>
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<td>55.0</td>
<td>+1.5</td>
<td>Growing</td>
<td>Faster</td>
<td>46</td>
</tr>
<tr>
<td>New Orders</td>
<td>56.0</td>
<td>54.5</td>
<td>+1.5</td>
<td>Growing</td>
<td>Faster</td>
<td>46</td>
</tr>
<tr>
<td>Employment</td>
<td>50.1</td>
<td>52.0</td>
<td>-1.9</td>
<td>Growing</td>
<td>Slower</td>
<td>10</td>
</tr>
<tr>
<td>Supplier Deliveries</td>
<td>52.0</td>
<td>51.0</td>
<td>+1.0</td>
<td>Slowing</td>
<td>Faster</td>
<td>5</td>
</tr>
<tr>
<td>Inventories</td>
<td>51.5</td>
<td>56.0</td>
<td>-4.5</td>
<td>Growing</td>
<td>Slower</td>
<td>4</td>
</tr>
<tr>
<td>Prices</td>
<td>51.1</td>
<td>51.2</td>
<td>-0.1</td>
<td>Increasing</td>
<td>Slower</td>
<td>4</td>
</tr>
<tr>
<td>Backlog of Orders</td>
<td>51.5</td>
<td>51.5</td>
<td>0.0</td>
<td>Growing</td>
<td>Same</td>
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</tr>
<tr>
<td>New Export Orders</td>
<td>50.0</td>
<td>53.5</td>
<td>-3.5</td>
<td>Unchanged</td>
<td>From Growing</td>
<td>1</td>
</tr>
<tr>
<td>Imports</td>
<td>49.5</td>
<td>58.5</td>
<td>-9.0</td>
<td>Contracting</td>
<td>From Growing</td>
<td>1</td>
</tr>
<tr>
<td>Inventory Sentiment</td>
<td>62.5</td>
<td>60.5</td>
<td>+2.0</td>
<td>Too High</td>
<td>Faster</td>
<td>192</td>
</tr>
</tbody>
</table>

*Number of months moving in current direction.

### 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.

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

ISMR: Please cite this data with the source: "ISM Report On Business® May 2013".

ISCP Report On Business
MAY 2013 — NON-MANUFACTURING

Business Activity
ISM’s Non-Manufacturing Business Activity Index in May registered 56.5 percent. The 13 industries reporting growth of business activity in May — listed in order — are: Accommodation & Food Services; Management of Companies & Support Services; Construction; Transportation & Warehousing; Arts, Entertainment & Recreation; Agriculture, Forestry, Fishing & Hunting; Wholesale Trade; Utilities; Public Administration; Educational Services; Finance & Insurance; Information; and Professional, Scientific & Technical Services.

New Orders
ISM’s Non-Manufacturing New Orders Index registered 56 percent in May. The 14 industries reporting growth of new orders in May — listed in order — are: Transportation & Warehousing; Information; Arts, Entertainment & Recreation; Management of Companies & Support Services; Accommodation & Food Services; Agriculture, Forestry, Fishing & Hunting; Utilities; Wholesale Trade; Retail Trade; Public Administration; Educational Services; Construction; Finance & Insurance; and Professional, Scientific & Technical Services.

Employment
ISM’s Non-Manufacturing Employment Index registered 56.1 percent in May. The 11 industries reporting an increase in employment in May — listed in order — are: Educational Services; Transportation & Warehousing; Public Administration; Arts, Entertainment & Recreation; Accommodation & Food Services; Wholesale Trade; Professional, Scientific & Technical Services; Construction; Retail Trade; Finance & Insurance; and Other Services.

Supplier Deliveries
The Supplier Deliveries Index registered 52 percent in May, indicating that supplier deliveries were slower in May for the fifth consecutive month. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries. The six industries reporting slower deliveries in May — listed in order — are: Educational Services; Other Services; Professional, Scientific & Technical Services; Accommodation & Food Services; Wholesale Trade; and Retail Trade.

Inventories
ISM’s Non-Manufacturing Inventories Index registered 51.5 percent in May, which is 4.5 percentage points lower than the 56 percent reported in April. The nine industries reporting an increase in inventories in May — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Mining; Utilities; Arts, Entertainment & Recreation; Retail Trade; Management of Companies & Support Services; Real Estate, Rental & Leasing; Public Administration; and Construction.

Prices
ISM’s Non-Manufacturing Prices Index for May registered 51.1 percent. Ten non-manufacturing industries reported an increase in prices paid during the month of May, in the following order: Accommodation & Food Services; Educational Services; Agriculture, Forestry, Fishing & Hunting; Mining; Wholesale Trade; Management of Companies & Support Services; Public Administration; Construction; Professional, Scientific & Technical Services; and Retail Trade.

Backlog of Orders
ISM’s Non-Manufacturing Backlog of Orders Index registered 51.5 percent in May, which is the same reading that was reported in April. The six industries reporting an increase in order backlogs in May — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Utilities; Construction; Real Estate, Rental & Leasing; Professional, Scientific & Technical Services; and Professional, Scientific & Technical Services.

New Export Orders
The ISM New Export Orders Index for May remained unchanged. The index registered 50 percent, which is 3.5 percentage points lower than the 53.5 percent reported in April. The six industries reporting an increase in new export orders in May — listed in order — are: Mining; Arts, Entertainment & Recreation; Retail Trade; Information; Accommodation & Food Services; and Wholesale Trade.

Imports
The ISM Non-Manufacturing Imports Index contracted in May after four consecutive months of growth. This month’s reading at 49.5 percent is 9 percentage points lower than the 58.5 percent reported in April. The five industries reporting an increase in imports for the month of May are: Information; Finance & Insurance; Arts, Entertainment & Recreation; Accommodation & Food Services; and Wholesale Trade.

Inventory Sentiment
ISM’s Non-Manufacturing Inventory Sentiment Index in May registered 62.5 percent. This indicates that respondents believe their inventories are still too high at this time. Eleven industries reported a feeling that their inventories are too high in May: Mining; Other Services; Arts, Entertainment & Recreation; Finance & Insurance; Management of Companies & Support Services; Wholesale Trade; Utilities; Transportation & Warehousing; Retail Trade; Public Administration; and Professional, Scientific & Technical Services.