Economic activity in the manufacturing sector expanded in July for the second consecutive month, and the overall economy grew for the 50th consecutive month, say the nation’s supply executives in the latest Manufacturing ISM Report On Business®.

The PMI™ registered 55.4 percent, an increase of 4.5 percentage points from June’s reading of 50.9 percent. June’s PMI™ reading reflects the highest of the year. The New Orders Index increased in July by 6.4 percentage points to 58.3 percent, and the Production Index increased by 11.6 percentage points to 65 percent. The Employment Index registered 54.4 percent, an increase of 5.7 percentage points compared to June’s reading of 48.7 percent. The Prices Index registered 49 percent, decreasing 3.5 percentage points from June. Comments from the panel generally indicate stable demand and slowly improving business conditions.

Of the 18 manufacturing industries, 13 are reporting growth in July in the following order: Furniture & Related Products; Textile Mills; Printing & Related Support Activities; Paper Products; Wood Products; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Food, Beverage & Tobacco Products; Primary Metals; Transportation Equipment; Chemical Products; and Fabricated Metal Products.


**PMI™ at 55.4%**

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

**MANUFACTURING AT A GLANCE**

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<th>RATE OF CHANGE</th>
<th>TRENDS* (MONTHS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PMI™</td>
<td>55.4</td>
<td>50.9</td>
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<td>48.7</td>
<td>+5.7</td>
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<tr>
<td>Supplier Deliveries</td>
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<td>From Unchanged</td>
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<td>Customers’ Inventories</td>
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<td>Slower</td>
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<tr>
<td>Prices</td>
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<tr>
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<td>56.0</td>
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<td>Growing</td>
<td>Faster</td>
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</tr>
</tbody>
</table>

**OVERALL ECONOMY**

Growing Faster 50

**MANUFACTURING SECTOR**

Growing Faster 2

**COMMODITIES REPORTED**

**Commodities Up in Price:** Caustic Soda (4); Corrugated Boxes (12); Corrugated Packaging (3); Oil; Oil Based Products; Plastic Resin; Polypropylene (2)*; Stainless Steel; Steel*; and Steel – Hot Rolled.

**Commodities Down in Price:** Aluminum; Copper; Natural Gas; Polypropylene (3)*; Steel (4)*; and Sugar (3).

**Commodities in Short Supply:** Fabricated Parts is the only commodity listed in short supply.

**PMI™ in Excess of 42.2 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the July PMI™ indicates growth for the 50th consecutive month in the overall economy, and indicates expansion in the manufacturing sector for the second consecutive month. The past relationship between the PMI™ and the overall economy indicates that the average PMI™ for January through July (52.1 percent) corresponds to a 3.1 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI™ for July (55.4 percent) is annualized, it corresponds to a 4.1 percent increase in real GDP annually.
PRODUCTION
ISM’s Production Index registered 65 percent in July. The 13 industries reporting growth in production during the month of July — listed in order — are: Textile Mills; Paper Products; Wood Products; Printing & Related Support Activities; Nonmetallic Mineral Products; Furniture & Related Products; Petroleum & Coal Products; Computer & Electronic Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Primary Metals; Electrical Equipment, Appliances & Components; and Fabricated Metal Products.

NEW ORDERS
ISM’s New Orders Index registered 58.3 percent in July, an increase of 6.4 percentage points compared to the June reading of 51.9 percent. Nine industries reported growth in new orders in July: Textile Mills; Printing & Related Support Activities; Nonmetallic Mineral Products; Furniture & Related Products; Paper Products; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Computer & Electronic Products; and Fabricated Metal Products.

EMPLOYMENT
ISM’s Employment Index registered 54.4 percent in July, which is 5.7 percentage points higher than the 48.7 percent reported in June. Of the 18 manufacturing industries, nine reported growth in employment in July in the following order: Furniture & Related Products; Wood Products; Printing & Related Support Activities; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Primary Metals; Fabricated Metal Products; Paper Products; and Machinery.

SUPPLIER DELIVERIES
The delivery performance of suppliers to manufacturing organizations was slower in July relative to June as the Supplier Deliveries Index registered 52.1 percent. This month’s reading is 2.1 percentage points higher than the 50 percent reported in June. The six industries reporting slower supplier deliveries in July are: Electrical Equipment, Appliances & Components; Furniture & Related Products; Computer & Electronic Products; Chemical Products; Machinery; and Fabricated Metal Products.

INVENTORIES
The Inventories Index registered 47 percent in July, which is 3.5 percentage points lower than the 50.5 percent reported in June. This month’s reading indicates that respondents are reporting inventories contracted in July, following one month of growth. The five industries reporting higher inventories in July are: Transportation Equipment; Paper Products; Furniture & Related Products; Chemical Products; and Computer & Electronic Products.

CUSTOMERS’ INVENTORIES
The ISM Customers’ Inventories Index registered 47.5 percent in July. This month’s reading indicates that customers’ inventories are considered too low, but higher than reported in June. The five manufacturing industries reporting customers’ inventories as being too high during the month of July are: Apparel, Leather & Allied Products; Petroleum & Coal Products; Miscellaneous Manufacturing; Chemical Products; and Fabricated Metal Products.

PRICES
The ISM Prices Index registered 49 percent in July, which is a decrease of 3.5 percentage points compared to the June reading of 52.5 percent. Of the 18 manufacturing industries, six reported paying increased prices during the month of July in the following order: Textile Mills; Furniture & Related Products; Plastics & Rubber Products; Miscellaneous Manufacturing; Chemical Products; and Machinery.

BACKLOG OF ORDERS
ISM’s Backlog of Orders Index registered 45 percent in July, which is 1.5 percentage points lower than the 46.5 percent reported in June. This is the third consecutive month of contracting order backlogs. The four industries reporting increased order backlogs in July are: Textile Mills; Furniture & Related Products; Plastics & Rubber Products; and Computer & Electronic Products.

NEW EXPORT ORDERS
ISM’s New Export Orders Index registered 53.5 percent in July. The nine industries reporting growth in new export orders in July — listed in order — are: Miscellaneous Manufacturing; Furniture & Related Products; Food, Beverage & Tobacco Products; Petroleum & Coal Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Chemical Products; and Machinery.

IMPORTS
ISM’s Imports Index registered 57.5 percent in July. The 11 industries reporting growth in imports during the month of July — listed in order — are: Fabricated Metal Products; Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Paper Products; Machinery; Transportation Equipment; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Chemical Products; and Furniture & Related Products.
Economic activity in the non-manufacturing sector grew in July for the 43rd consecutive month, say the nation’s purchasing and supply executives in the latest Non-Manufacturing ISM Report On Business®.

The NMI™ registered 56 percent in July, 3.8 percentage points higher than the 52.2 percent registered in June. This indicates continued growth at a faster rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index increased substantially to 60.4 percent, which is 8.7 percentage points higher than the 51.7 percent reported in June. The New Orders Index increased significantly by 6.9 percentage points to 57.7 percent, and the Employment Index decreased 1.5 percentage points to 53.2 percent. The Prices Index increased 7.6 percentage points to 60.1 percent. Respondents’ comments are mostly positive about business conditions and the overall economy.

The 16 non-manufacturing industries reporting growth in July — listed in order — are: Arts, Entertainment & Recreation; Construction; Information; Wholesale Trade; Retail Trade; Finance & Insurance; Real Estate, Rental & Leasing; Agriculture, Forestry, Fishing & Hunting; Utilities; Educational Services; Other Services; Management of Companies & Support Services; Professional, Scientific & Technical Services; Accommodation & Food Services; Public Administration; and Transportation & Warehousing.

In July, the NMI™ registered 56 percent, indicating continued growth in the non-manufacturing sector for the 43rd 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**

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<th>JUN INDEX</th>
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<th>DIRECTION</th>
<th>RATE OF CHANGE</th>
<th>TREND* (MONTHS)</th>
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</thead>
<tbody>
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<td>Faster</td>
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<td>Employment</td>
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<td>Growing</td>
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<td>Supplier Deliveries</td>
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<tr>
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<td>Growing</td>
<td>Slower</td>
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<tr>
<td>Prices</td>
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<td>+7.6</td>
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<td>Backlog of Orders</td>
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<td>From Growing</td>
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<tr>
<td>New Export Orders</td>
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<td>47.5</td>
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<td>Slower</td>
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<tr>
<td>Imports</td>
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<td>53.5</td>
<td>-3.0</td>
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<td>Slower</td>
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<tr>
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<td>61.5</td>
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<td>Faster</td>
<td>194</td>
</tr>
</tbody>
</table>

*Number of months moving in current direction.


**Commodities Reported**

- **Commodities Up in Price:** Airfares (3); Beef (8); Corrugated Boxes (2); Corrugated Packaging; #1 Diesel Fuel (3); Fuel (7); Gasoline (3); Hotel Rates; Insurance; Paper Products; Pharmacy Drugs (2); Pharmacy Supplies (2); Procurement Personnel; and Software Maintenance.
- **Commodities Down in Price:** Computers and Peripherals is the only commodity reported down in price.
- **Commodities in Short Supply:** Helium (2) is the only commodity reported in short supply.

Note: The number of consecutive months the commodity is listed is indicated after each item.
BUSINESS ACTIVITY
ISM’s Non-Manufacturing Business Activity Index in July registered 60.4 percent, 8.7 percentage points higher than the 51.7 percent registered in June. Twelve industries reported growth of business activity in July: Arts, Entertainment & Recreation; Information; Utilities; Retail Trade; Construction; Wholesale Trade; Real Estate, Rental & Leasing; Finance & Insurance; Management of Companies & Support Services; Professional, Scientific & Technical Services; Accommodation & Food Services; and Public Administration.

NEW ORDERS
ISM’s Non-Manufacturing New Orders Index registered 57.7 percent in July, an increase of 6.9 percentage points from the 50.8 percent reported in June. The nine industries reporting growth of new orders in July — listed in order — are: Retail Trade; Information; Arts, Entertainment & Recreation; Construction; Wholesale Trade; Real Estate, Rental & Leasing; Utilities; Management of Companies & Support Services; and Finance & Insurance.

EMPLOYMENT
ISM’s Non-Manufacturing Employment Index registered 53.2 percent in July. The 12 industries reporting an increase in employment in July — listed in order — are: Arts, Entertainment & Recreation; Agriculture, Forestry, Fishing & Hunting; Construction; Wholesale Trade; Finance & Insurance; Information; Educational Services; Other Services*; Transportation & Warehousing; Accommodation & Food Services; Health Care & Social Assistance; and Public Administration.

SUPPLIER DELIVERIES
ISM’s Supplier Deliveries Index registered 52.5 percent in July. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries. The eight industries reporting slower deliveries in July — listed in order — are: Educational Services; Construction; Information; Wholesale Trade; Professional, Scientific & Technical Services; Finance & Insurance; Public Administration; and Health Care & Social Assistance.

INVENTORIES
ISM’s Non-Manufacturing Inventories Index registered 53.5 percent in July, which is 1 percentage point lower than the 54.5 percent reported in June. The 10 industries reporting an increase in inventories in July — listed in order — are: Arts, Entertainment & Recreation; Mining; Accommodation & Food Services; Real Estate, Rental & Leasing; Management of Companies & Support Services; Finance & Insurance; Wholesale Trade; Transportation & Warehousing; Utilities; and Construction.

PRICES
ISM’s Non-Manufacturing Prices Index for July registered 60.1 percent. Thirteen non-manufacturing industries reported an increase in prices paid in July, in the following order: Agriculture, Forestry, Fishing & Hunting; Educational Services; Accommodation & Food Services; Utilities; Arts, Entertainment & Recreation; Retail Trade; Management of Companies & Support Services; Transportation & Warehousing; Public Administration; Wholesale Trade; Professional, Scientific & Technical Services; Finance & Insurance; and Health Care & Social Assistance.

BACKLOG OF ORDERS
ISM’s Non-Manufacturing Backlog of Orders contracted in July after five consecutive months of growth. The index registered 46.5 percent, which is 5.5 percentage points lower than the 52 percent that was reported in June. The two industries reporting an increase in order backlogs in July are: Construction; and Transportation & Warehousing.

NEW EXPORT ORDERS
The ISM New Export Orders Index for July registered 49.5 percent, which is 2 percentage points higher than the 47.5 percent reported in June. The seven industries reporting an increase in new export orders in July — listed in order — are: Utilities; Construction; Arts, Entertainment & Recreation; Retail Trade; Transportation & Warehousing; Management of Companies & Support Services; and Information.

IMPORTS
The ISM Non-Manufacturing Imports Index grew in July for the second consecutive month. This month’s reading at 50.5 percent is 3 percentage points lower than the 53.5 percent reported in June. The six industries reporting an increase in imports for the month of July — listed in order — are: Arts, Entertainment & Recreation; Utilities; Transportation & Warehousing; Management of Companies & Support Services; Other Services*; and Retail Trade.

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