

## PMI at 55.5%

**E**conomic activity in the manufacturing sector expanded in July for the 12th consecutive month, and the overall economy grew for the 15th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM Report On Business®**.

Manufacturing continued to grow during July, but at a slightly slower rate than in June. Employment, supplier deliveries and inventories improved during the month and reduced the impact of a month-over-month deceleration in new orders and production. July marks 12 consecutive months of growth in manufacturing, and indications are that demand is still quite strong in 10 of 18 industries. The prices that manufacturers paid for their inputs were slightly higher but stable, with only a few items on the short supply list.

Ten of the 18 manufacturing industries are reporting growth in July, in the following order: Plastics & Rubber Products; Miscellaneous Manufacturing‡; Paper Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Primary Metals; Textile Mills; Computer & Electronic Products; Fabricated Metal Products; and Chemical Products. **ISM**

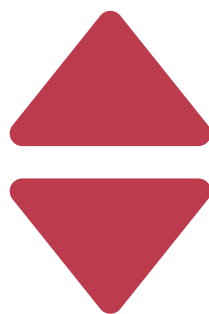
Analysis by **Norbert J. Ore, CPSM, C.P.M.**, chair of the Institute for Supply Management™ Manufacturing Business Survey Committee.

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

### MANUFACTURING AT A GLANCE

INDEX	JULY INDEX	JUNE INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
PMI	55.5	56.2	-0.7	Growing	Slower	12
New Orders	53.5	58.5	-5.0	Growing	Slower	13
Production	57.0	61.4	-4.4	Growing	Slower	14
Employment	58.6	57.8	+0.8	Growing	Faster	8
Supplier Deliveries	58.3	57.3	+1.0	Slowing	Faster	14
Inventories	50.2	45.8	+4.4	Growing	From Contracting	1
Customers' Inventories	39.0	38.0	+1.0	Too Low	Slower	16
Prices	57.5	57.0	+0.5	Increasing	Faster	13
Backlog of Orders	54.5	57.0	-2.5	Growing	Slower	7
Exports	56.5	56.0	+0.5	Growing	Faster	13
Imports	52.5	56.5	-4.0	Growing	Slower	11
<b>OVERALL ECONOMY</b>				<b>Growing</b>	<b>Slower</b>	<b>15</b>
<b>MANUFACTURING SECTOR</b>				<b>Growing</b>	<b>Slower</b>	<b>12</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.

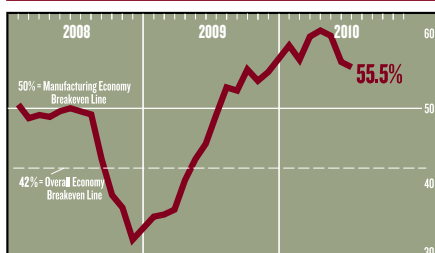
### COMMODITIES REPORTED

**Commodities Up in Price:** Capacitors; Corrugated Containers (5); Paper; Pulp; Steel\* (13); and Titanium.

**Commodities Down in Price:** Machined Steel Parts; Polyethylene, Polypropylene Resins (2); and Steel\*.

**Commodities in Short Supply:** Capacitors; Electrical Components; and Titanium Dioxide.

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



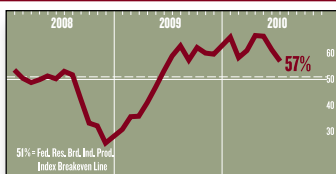
### PMI

**A** PMI in excess of 42 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the PMI indicates growth for the 15th consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 12th consecutive month. The past relationship between the PMI and the overall economy indicates that the average PMI for January through July (58 percent) corresponds to a 5.4 percent increase in real gross domestic product (GDP). In addition, if the PMI for July (55.5 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).

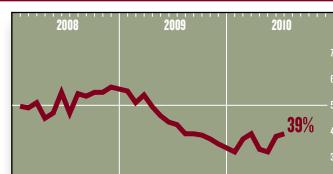
## PRODUCTION

ISM's Production Index registered 57 percent in July, which is a decrease of 4.4 percentage points from the June reading of 61.4 percent. The eight industries reporting growth in production during the month of July — listed in order — are: Paper Products; Plastics & Rubber Products; Miscellaneous Manufacturing‡; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Primary Metals; Transportation Equipment; and Computer & Electronic Products.



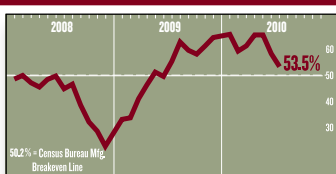
## CUSTOMERS' INVENTORIES

The ISM Customers' Inventories Index registered 39 percent in July, 1 percentage point higher than in June when the index registered 38 percent, and the 16th consecutive month the Customers' Inventories Index has been below 50 percent. The index indicates that respondents believe their customers' inventories are too low at this time. None of the 18 manufacturing industries reported customers' inventories as being too high during July.



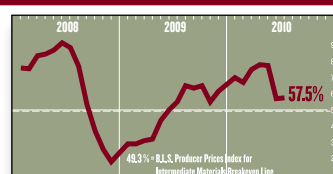
## NEW ORDERS

ISM's New Orders Index registered 53.5 percent in July, which is a decrease of 5 percentage points when compared to the 58.5 percent reported in June. The eight industries reporting growth in new orders in July — listed in order — are: Plastics & Rubber Products; Paper Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing‡; Primary Metals; Transportation Equipment; Food, Beverage & Tobacco Products; and Fabricated Metal Products.



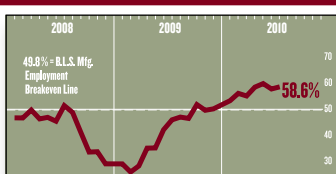
## PRICES

The ISM Prices Index registered 57.5 percent in July. The 10 industries reporting paying increased prices during the month of July — listed in order — are: Paper Products; Printing & Related Support Activities; Furniture & Related Products; Computer & Electronic Products; Food, Beverage & Tobacco Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Primary Metals; Chemical Products; and Transportation Equipment.



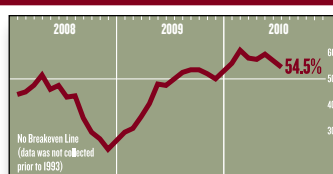
## EMPLOYMENT

ISM's Employment Index registered 58.6 percent in July. This is the eighth consecutive month of growth in manufacturing employment. Ten of the 18 manufacturing industries reported growth in employment in July in the following order: Textile Mills; Paper Products; Computer & Electronic Products; Miscellaneous Manufacturing‡; Transportation Equipment; Fabricated Metal Products; Primary Metals; Machinery; Electrical Equipment, Appliances & Components; and Chemical Products.



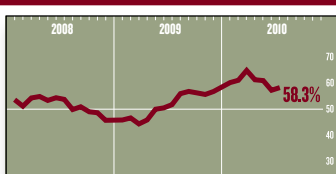
## BACKLOG OF ORDERS

ISM's Backlog of Orders Index registered 54.5 percent in July, 2.5 percentage points lower than the 57 percent reported in June. The six industries reporting increased order backlogs in July — listed in order — are: Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Primary Metals; Miscellaneous Manufacturing‡; Transportation Equipment; and Chemical Products.



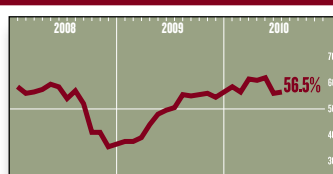
## SUPPLIER DELIVERIES

The ISM Supplier Deliveries Index registered 58.3 percent in July. The 11 industries reporting slower supplier deliveries in July — listed in order — are: Plastics & Rubber Products; Printing & Related Support Activities; Miscellaneous Manufacturing‡; Computer & Electronic Products; Transportation Equipment; Electrical Equipment, Appliances & Components; Machinery; Chemical Products; Primary Metals; Food, Beverage & Tobacco Products; and Fabricated Metal Products.



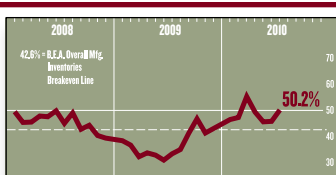
## NEW EXPORT ORDERS

ISM's New Export Orders Index registered 56.5 percent in July. This is the 13th consecutive month of growth in the New Export Orders Index. The seven industries reporting growth in new export orders in July — listed in order — are: Furniture & Related Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing‡; Paper Products; Chemical Products; Fabricated Metal Products; and Transportation Equipment.



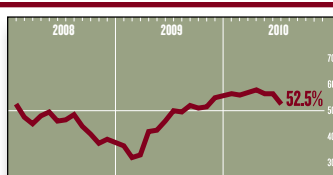
## INVENTORIES

ISM's Inventories Index registered 50.2 percent in July, indicating a slight increase when compared to June. The index is 4.4 percentage points higher than the 45.8 percent reported in June. The six industries reporting higher inventories in July — listed in order — are: Primary Metals; Plastics & Rubber Products; Transportation Equipment; Paper Products; Electrical Equipment, Appliances & Components; and Miscellaneous Manufacturing‡.



## IMPORTS

Imports of materials by manufacturers expanded in July as the Imports Index registered 52.5 percent, 4 percentage points lower than the 56.5 reported in June. This is the 11th consecutive month of growth in imports. The five industries reporting growth in imports during the month of July are: Transportation Equipment; Computer & Electronic Products; Miscellaneous Manufacturing‡; Electrical Equipment, Appliances & Components; and Fabricated Metal Products.



## NMI at 54.3%

**Business Activity Index at 57.4%; New Orders Index at 56.7%;  
Employment Index at 50.9%**

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

The NMI registered 54.3 percent in July, 0.5 percentage point higher than the 53.8 percent registered in June, indicating continued growth in the non-manufacturing sector at a slightly faster rate. The Non-Manufacturing Business Activity Index decreased 0.7 percentage point to 57.4 percent, reflecting growth for the eighth consecutive month. The New Orders Index increased 2.3 percentage points to 56.7 percent, and the Employment Index increased 1.2 percentage points to 50.9 percent, reflecting growth after one month of contraction. The Prices Index decreased 1.1 percentage points to 52.7 percent in July. Respondents' comments are mixed. They vary by industry and company, with a tilt toward cautious optimism about business conditions.

The 13 industries reporting growth in July based on the NMI composite index — listed in order — are: Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Management of Companies & Support Services; Agriculture, Forestry, Fishing & Hunting; Retail Trade; Information; Other Services<sup>†</sup>; Transportation & Warehousing; Public Administration; Mining; Health Care & Social Assistance; Educational Services; and Wholesale Trade. **ISM**

**Analysis by Anthony Nieves, C.P.M., CFPM**, chair of the Institute for Supply Management™ Non-Manufacturing Business Survey Committee; and senior vice president — supply management for Hilton Worldwide.

NON-MANUFACTURING AT A GLANCE						
INDEX	JULY INDEX	JUNE INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
NMI	54.3	53.8	+0.5	Growing	Faster	7
Business Activity	57.4	58.1	-0.7	Growing	Slower	8
New Orders	56.7	54.4	+2.3	Growing	Faster	11
Employment	50.9	49.7	+1.2	Growing	From Contracting	1
Supplier Deliveries	52.0	53.0	-1.0	Slowing	Slower	4
Inventories	55.5	58.5	-3.0	Growing	Slower	4
Prices	52.7	53.8	-1.1	Increasing	Slower	12
Backlog of Orders	52.0	55.5	-3.5	Growing	Slower	3
New Export Orders	52.0	48.0	+4.0	Growing	From Contracting	1
Imports	48.0	48.0	0.0	Contracting	Same	2
Inventory Sentiment	59.0	59.0	0.0	Too High	Same	158

\*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.

## COMMODITIES REPORTED

**Commodities Up in Price:** Beef (4); Cable Products; Carbon Pipe; Coated Groundwood; Corrugated Products (5); #2 Diesel Fuel; Freight Charges; Fuel (7); Gasoline; Labor; Pharmacy Products; and Telecom Products.

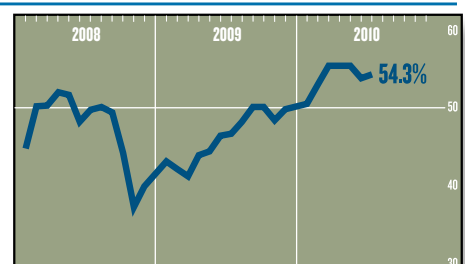
**Commodities Down in Price:** Soy Oil; and Telecom Services.

**Commodities in Short Supply:** Coated Freesheet; and Coated Groundwood.

†: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

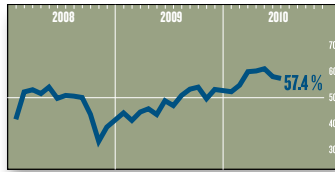
In July, the NMI registered 54.3 percent, indicating continued growth in the non-manufacturing sector for the seventh consecutive month. A reading above 50 percent indicates the non-manufacturing sector economy is generally expanding; below 50 percent indicates the non-manufacturing sector is generally 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

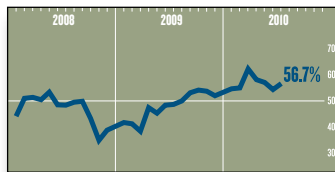
ISM's Non-Manufacturing Business Activity Index in July registered 57.4 percent. The 13 industries reporting growth of business activity in



July — listed in order — are: Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Management of Companies & Support Services; Agriculture, Forestry, Fishing & Hunting; Retail Trade; Educational Services; Other Services<sup>†</sup>; Information; Transportation & Warehousing; Public Administration; Accommodation & Food Services; Health Care & Social Assistance; and Finance & Insurance.

## NEW ORDERS

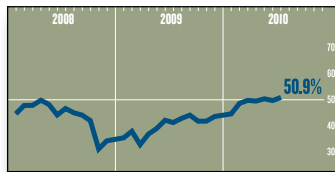
ISM's Non-Manufacturing New Orders Index registered 56.7 percent in July, which is an increase of 2.3 percentage points from the 54.4 percent reported in June. The 12



industries reporting growth of new orders in July — listed in order — are: Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Agriculture, Forestry, Fishing & Hunting; Transportation & Warehousing; Retail Trade; Management of Companies & Support Services; Other Services<sup>†</sup>; Information; Health Care & Social Assistance; Educational Services; Public Administration; and Finance & Insurance.

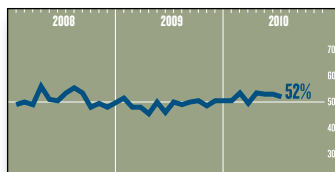
## EMPLOYMENT

ISM's Non-Manufacturing Employment Index for July registered 50.9 percent. This reflects an increase of 1.2 percentage points when compared to the 49.7 percent registered in June. The nine industries reporting an increase in employment in July — listed in order — are: Information; Management of Companies & Support Services; Wholesale Trade; Arts, Entertainment & Recreation; Other Services<sup>†</sup>; Professional, Scientific & Technical Services; Retail Trade; Public Administration; and Transportation & Warehousing.



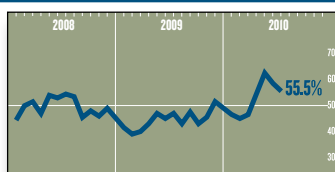
## SUPPLIER DELIVERIES

The Supplier Deliveries Index registered 52 percent in July, 1 percentage point lower than the 53 percent registered in June, indicating that supplier deliveries continued to slow in July. A reading above 50 percent indicates slower deliveries. The four industries reporting slower deliveries in July are: Mining; Construction; Wholesale Trade; and Transportation & Warehousing.



## INVENTORIES

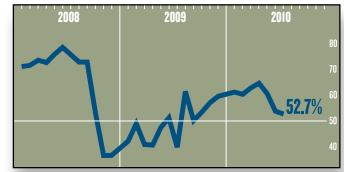
ISM's Non-Manufacturing Inventories Index registered 55.5 percent in July, indicating that inventory levels grew in July for the fourth consecutive month.



The 11 industries reporting an increase in inventories in July — listed in order — are: Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Mining; Other Services<sup>†</sup>; Utilities; Information; Health Care & Social Assistance; Retail Trade; Accommodation & Food Services; Wholesale Trade; and Professional, Scientific & Technical Services.

## PRICES

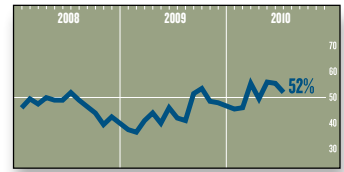
ISM's Non-Manufacturing Prices Index for July registered 52.7 percent, 1.1 percentage points lower than the 53.8 percent reported in June. In



July, nine industries reported an increase in prices paid, in the following order: Construction; Accommodation & Food Services; Transportation & Warehousing; Professional, Scientific & Technical Services; Utilities; Health Care & Social Assistance; Retail Trade; Information; and Public Administration.

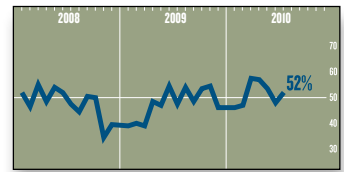
## BACKLOG OF ORDERS

ISM's Non-Manufacturing Backlog of Orders Index grew in July for the third consecutive month. The index registered 52 percent, 3.5 percentage points lower than the 55.5 percent reported in June. The five industries reporting an increase in order backlogs in July are: Real Estate, Rental & Leasing; Transportation & Warehousing; Accommodation & Food Services; Finance & Insurance; and Professional, Scientific & Technical Services.



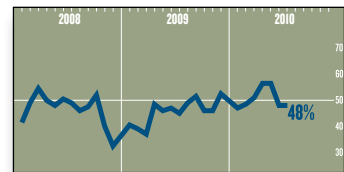
## NEW EXPORT ORDERS

The ISM New Export Orders Index for July registered 52 percent, which is 4 percentage points higher than the 48 percent registered in June. The four industries reporting an increase in new export orders in July are: Arts, Entertainment & Recreation; Professional, Scientific & Technical Services; Transportation & Warehousing; and Information.



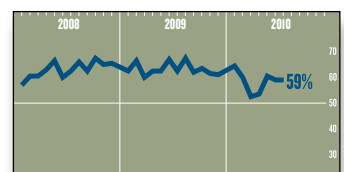
## IMPORTS

ISM's Non-Manufacturing Imports Index contracted for the second consecutive month in July. The index registered 48 percent, which is the same percentage reported in June. The three industries reporting an increase in the use of imports in July are: Arts, Entertainment & Recreation; Other Services<sup>†</sup>; and Accommodation & Food Services.



## INVENTORY SENTIMENT

The ISM Non-Manufacturing Inventory Sentiment Index in July registered 59 percent. The nine



industries reporting a feeling that their inventories are too high in July — listed in order — are: Finance & Insurance; Management of Companies & Support Services; Mining; Arts, Entertainment & Recreation; Accommodation & Food Services; Professional, Scientific & Technical Services; Information; Health Care & Social Assistance; and Wholesale Trade.