

Data for this report was collected in May 2009.

PMI at 42.8%; New Orders Growing; Production, Employment and Inventories Contracting; Prices Falling; Supplier Deliveries Faster

Economic activity in the manufacturing sector failed to grow in May for the 16th consecutive month, while the overall economy grew for the first time following seven months of decline, say the nation's supply executives in the latest **Manufacturing ISM Report On Business®**.

While employment and inventories continue to decline at a rapid rate and the sector continued to contract during

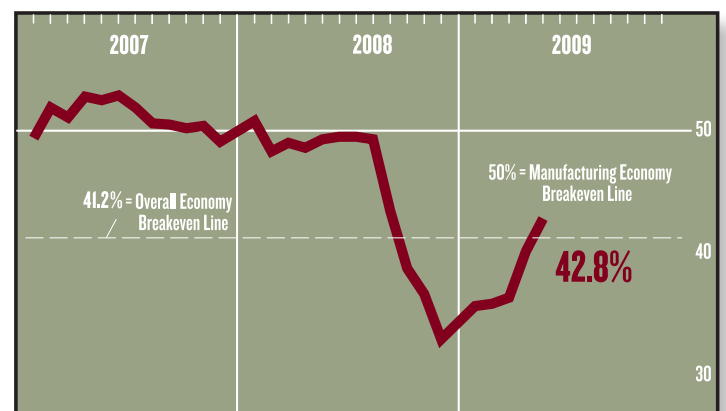
the month, there are signs of improvement. May is the first month of growth in the New Orders Index since November 2007, with nine of 18 industries reporting growth. New orders are considered a leading indicator, and the index has risen rapidly after bottoming at 23.1 percent in December 2008. Also, the Customers' Inventories Index remained below 50 percent for the second consecutive month, offering encouragement that supply chains are starting to free

themselves of excess inventories.

Five of the 18 manufacturing industries reported growth in May. These industries — listed in order — are: Nonmetallic

Mineral Products; Plastics & Rubber Products; Machinery; Food, Beverage & Tobacco Products; and Printing & Related Support Activities. **ISM**

PMI



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

NMI at 44%; Business Activity Index at 42.4%; New Orders Index at 44.4%; Employment Index at 39%

Economic activity in the non-manufacturing sector contracted in May, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM Report On Business®**.

The NMI (Non-Manufacturing Index) registered 44 percent in May, 0.3 percentage point higher than the 43.7 percent registered in April, indicating contraction in the non-manufacturing sector for the eighth consecutive month, but at a

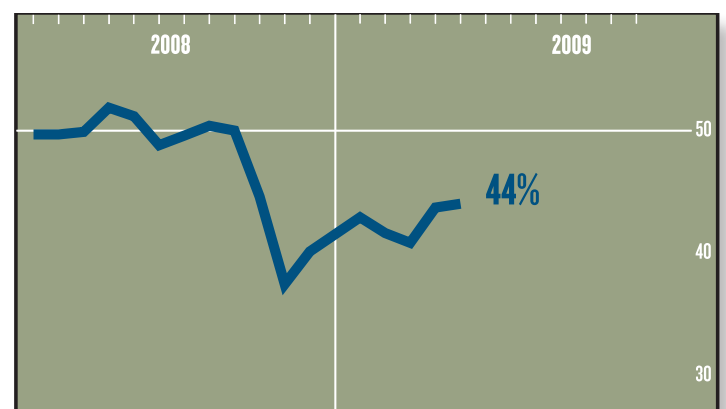
slightly slower rate. The Non-Manufacturing Business Activity Index decreased 2.8 percentage points to 42.4 percent. The New Orders Index decreased 2.6 percentage points to 44.4 percent, and the Employment Index increased 2 percentage points to 39 percent. The Prices Index increased 6.9 percentage points to 46.9 percent in May, indicating a slower decrease in prices from April. Respondents' comments remain mixed and vary by industry and company. Some respondents indicate that there

are signs of stabilization, while others continue to have a negative outlook on the economy.

The six industries reporting growth in May based on the NMI composite index — listed in

order — are: Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Utilities; Retail Trade; Construction; and Accommodation & Food Services. **ISM**

NMI

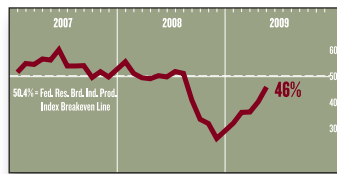


Analysis by **Anthony Nieves, C.P.M., CFPM**, chair of the Institute for Supply Management™ Non-Manufacturing Business Survey Committee; and senior vice president — supply management for Hilton Hotels Corporation.

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

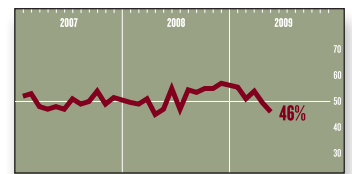
PRODUCTION

ISM's Production Index registered 46 percent in May, which is an increase of 5.6 percentage points from April's reading of 40.4 percent. The eight industries reporting growth in production during the month of May — listed in order — are: Printing & Related Support Activities; Plastics & Rubber Products; Nonmetallic Mineral Products; Petroleum & Coal Products; Machinery; Paper Products; Electrical Equipment, Appliances & Components; and Chemical Products.



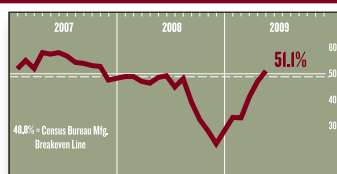
CUSTOMERS' INVENTORIES

The ISM Customers' Inventories Index registered 46 percent in May, 3.5 percentage points lower than the 49.5 percent reported in April. This is the second consecutive month the index has been below 50 percent, following eight months above 50 percent. Five industries reported higher customers' inventories during May: Textile Mills; Furniture & Related Products; Computer & Electronic Products; Electrical Equipment, Appliances & Components; and Fabricated Metal Products.



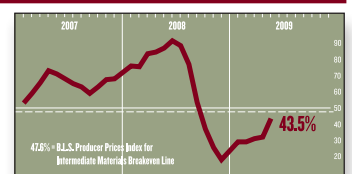
NEW ORDERS

ISM's New Orders Index registered 51.1 percent in May, 3.9 percentage points higher than the 47.2 percent registered in April. The nine industries reporting growth in new orders in May — listed in order — are: Plastics & Rubber Products; Paper Products; Primary Metals; Printing & Related Support Activities; Machinery; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Chemical Products; and Miscellaneous Manufacturing‡.



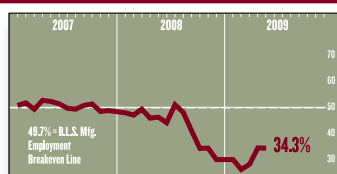
PRICES

The ISM Prices Index registered 43.5 percent in May, 11.5 percentage points higher than the 32 percent reported in April. Since the index is below the mid-point of 50, this indicates that manufacturers continue to pay lower prices on average when compared to the previous month. In May, Plastics & Rubber Products is the only industry reporting paying increased prices.



EMPLOYMENT

ISM's Employment Index registered 34.3 percent in May, which is 0.1 percentage point lower than the 34.4 percent reported in April. This is the 10th consecutive month of decline in employment. Two of the 18 manufacturing industries reported growth in employment in May: Nonmetallic Mineral Products; and Food, Beverage & Tobacco Products.



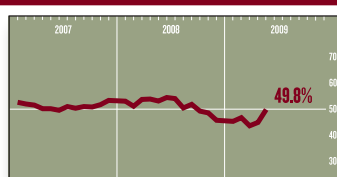
BACKLOG OF ORDERS

ISM's Backlog of Orders Index registered 48 percent in May, 7.5 percentage points higher than the 40.5 percent reported in April. The six industries reporting increased order backlogs in May — listed in order — are: Plastics & Rubber Products; Printing & Related Support Activities; Electrical Equipment, Appliances & Components; Paper Products; Machinery; and Miscellaneous Manufacturing‡.



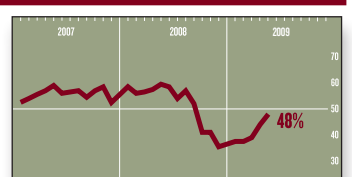
SUPPLIER DELIVERIES

The delivery performance of suppliers to manufacturing organizations was faster for the eighth consecutive month in May as the Supplier Deliveries Index registered 49.8 percent, which is 4.9 percentage points higher than the 44.9 percent registered in April. The six industries reporting slower supplier deliveries in May are: Wood Products; Computer & Electronic Products; Nonmetallic Mineral Products; Machinery; Transportation Equipment; and Miscellaneous Manufacturing‡.



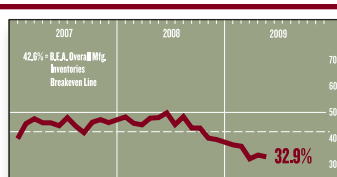
NEW EXPORT ORDERS

ISM's New Export Orders Index registered 48 percent in May, 4 percentage points higher than the 44 percent reported in April. This is the eighth consecutive month of contraction in the New Export Orders Index. The three industries reporting growth in new export orders in May are: Machinery; Food, Beverage & Tobacco Products; and Electrical Equipment, Appliances & Components.



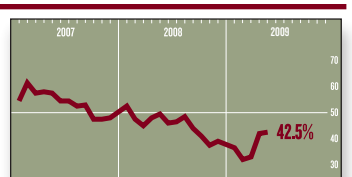
INVENTORIES

Manufacturers' inventories contracted in May as the Inventories Index registered 32.9 percent, which is 0.7 percentage point lower than April's reading of 33.6 percent. None of the 18 manufacturing industries reported higher inventories in May.



IMPORTS

Imports of materials by manufacturers contracted during May as the Imports Index registered 42.5 percent, 0.5 percentage point higher than the 42 percent reported in April. This is the 16th consecutive month of contraction in imports. Four of the 18 manufacturing industries reported growth in imports during the month of May: Machinery; Fabricated Metal Products; Chemical Products; and Miscellaneous Manufacturing‡.

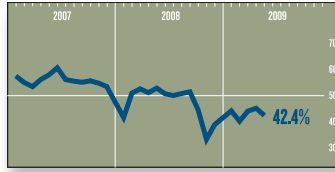




*Other Services (services such as Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services, and Dating Services).

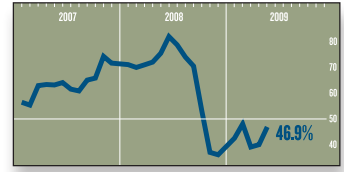
BUSINESS ACTIVITY

ISM's Non-Manufacturing Business Activity Index in May registered 42.4 percent, a decrease of 2.8 percentage points when compared to the 45.2 percent registered in April. The industries reporting growth of business activity in May — listed in order — are: Real Estate, Rental & Leasing; Utilities; Construction; Retail Trade; Arts, Entertainment & Recreation; and Accommodation & Food Services.



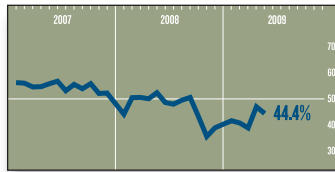
PRICES

ISM's Non-Manufacturing Prices Index for May registered 46.9 percent, 6.9 percentage points higher than the 40 percent reported in April. In May, eight industries reported an increase in prices paid in the following order: Health Care & Social Assistance; Finance & Insurance; Construction; Arts, Entertainment & Recreation; Accommodation & Food Services; Public Administration; Utilities; and Professional, Scientific & Technical Services.



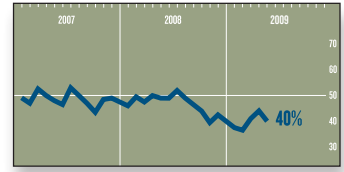
NEW ORDERS

ISM's Non-Manufacturing New Orders Index registered 44.4 percent in May. The 10 industries reporting growth of new orders in May — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Utilities; Construction; Retail Trade; Information; Professional, Scientific & Technical Services; Accommodation & Food Services; and Health Care & Social Assistance.



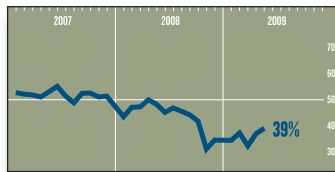
BACKLOG OF ORDERS

ISM's Non-Manufacturing Backlog of Orders Index contracted in May for the 10th consecutive month. The index registered 40 percent, 4 percentage points lower than the 44 percent reported in April. Of the total respondents in May, 44 percent indicated they do not measure backlog of orders. The only industry reporting an increase in order backlogs in May is Utilities.



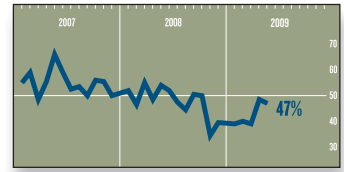
EMPLOYMENT

Employment activity in the non-manufacturing sector contracted in May for the 16th time in the last 17 months. ISM's Non-Manufacturing Employment Index for May registered 39 percent. This reflects an increase of 2 percentage points when compared to the 37 percent registered in April. The industries reporting an increase in employment in May are: Arts, Entertainment & Recreation; Real Estate, Rental & Leasing; and Mining.



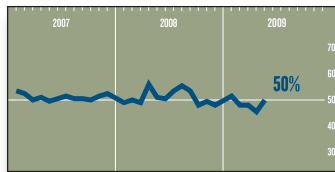
NEW EXPORT ORDERS

Orders and requests for services and other non-manufacturing activities to be provided outside of the United States by domestically-based personnel contracted in May. The New Export Orders Index for May registered 47 percent. The two industries reporting an increase in new export orders in May are: Accommodation & Food Services; and Agriculture, Forestry, Fishing & Hunting.



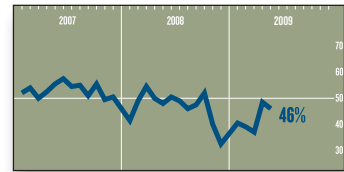
SUPPLIER DELIVERIES

The Supplier Deliveries Index registered 50 percent in May, indicating no change from April. This is 4.5 percentage points more than the 45.5 percent reported in April. A reading above 50 percent indicates slower deliveries. The four industries reporting slower supplier deliveries in May are: Educational Services; Transportation & Warehousing; Retail Trade; and Public Administration.



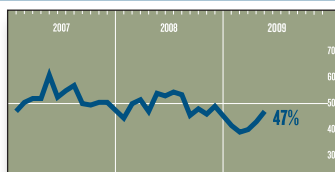
IMPORTS

The ISM Non-Manufacturing Imports Index registered 46 percent in May. The index is 2.5 percentage points lower than April's index of 48.5 percent. In May, 59 percent of respondents reported that they do not use, or do not track, the use of imported materials. Two industries reported an increase in the use of imports in May: Mining; and Accommodation & Food Services.



INVENTORIES

ISM's Non-Manufacturing Inventories Index registered 47 percent in May, indicating that inventory levels contracted in May for the ninth consecutive month. Of the total respondents in May, 26 percent indicated they do not have inventories or do not measure them. The industries reporting an increase in inventories in May are: Arts, Entertainment & Recreation; Utilities; Real Estate, Rental & Leasing; Finance & Insurance; and Public Administration.



INVENTORY SENTIMENT

The ISM Non-Manufacturing Inventory Sentiment Index in May registered the same as in April at 62.5 percent, indicating that respondents still believe their inventories are too high at this time. The industries reporting a feeling that their inventories are too high in May are: Mining; Other Services*; Management of Companies & Support Services; Information; Professional, Scientific & Technical Services; Wholesale Trade; Finance & Insurance; and Health Care & Social Assistance.

