

PMI at 59.7%

Economic activity in the manufacturing sector expanded in May for the 10th consecutive month, and the overall economy grew for the 13th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM Report On Business®**.

The manufacturing sector grew for the 10th consecutive month during May. The rate of growth as indicated by the PMI is driven by continued strength in new orders and production. Employment continues to grow as manufacturers have added to payrolls for six consecutive months. The recovery continues to broaden as 16 of 18 industries report growth. There are a number of reports, particularly in the tech sector, of shortages of components; this is the result of excessive inventory destocking during the downturn.

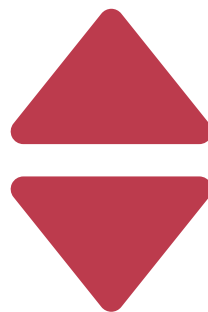
Sixteen of the 18 manufacturing industries are reporting growth in May, in the following order: Paper Products; Wood Products; Transportation Equipment; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Computer & Electronic Products; Furniture & Related Products; Miscellaneous Manufacturing†; Plastics & Rubber Products; Primary Metals; Printing & Related Support Activities; Chemical Products; Nonmetallic Mineral Products; Machinery; Apparel, Leather & Allied Products; and Food, Beverage & Tobacco 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 Contracting

MANUFACTURING AT A GLANCE

INDEX	MAY INDEX	APRIL INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
PMI	59.7	60.4	-0.7	Growing	Slower	10
New Orders	65.7	65.7	0.0	Growing	Same	11
Production	66.6	66.9	-0.3	Growing	Slower	12
Employment	59.8	58.5	+1.3	Growing	Faster	6
Supplier Deliveries	61.0	61.3	-0.3	Slowing	Slower	12
Inventories	45.6	49.4	-3.8	Contracting	Faster	2
Customers' Inventories	32.0	33.0	-1.0	Too Low	Faster	14
Prices	77.5	78.0	-0.5	Increasing	Slower	11
Backlog of Orders	59.5	57.5	+2.0	Growing	Faster	5
Exports	62.0	61.0	+1.0	Growing	Faster	11
Imports	56.5	58.0	-1.5	Growing	Slower	9
OVERALL ECONOMY				Growing	Slower	13
MANUFACTURING SECTOR				Growing	Slower	10
<small>*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.</small>						



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

*Reported as both up and down in price.

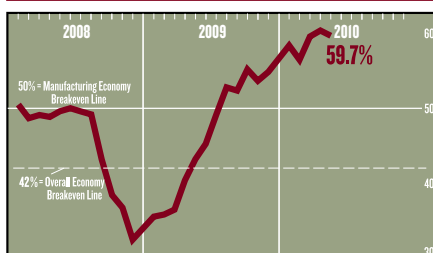
COMMODITIES REPORTED

Commodities Up in Price: Aluminum (11); Butadiene Products; Caustic Soda (3); Copper* (3); Corrugated Containers (3); Galvanized Coils; Nylon Products; Paper; Paper Products; Plastics (5); Plastic Resins (5); Polypropylene (6); Pulp (2); Stainless Steel (2); Stainless Steel Products (2); Steel (11); Steel Products (5); and Sulfuric Acid (3).

Commodities Down in Price: Aluminum Products; and Copper*.

Commodities in Short Supply: No commodities are reported in short supply.

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



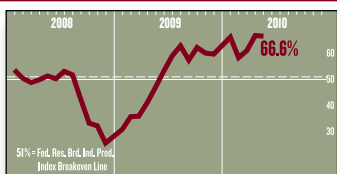
PMI

A PMI in excess of 42 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the PMI indicates growth for the 13th consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 10th consecutive month. The past relationship between the PMI and the overall economy indicates that the average PMI for January through May (58.9 percent) corresponds to a 5.7 percent increase in real gross domestic product (GDP). In addition, if the PMI for May (59.7 percent) is annualized, it corresponds to a 6 percent increase in real GDP annually.

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

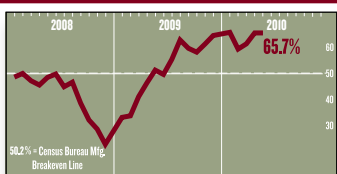
PRODUCTION

ISM's Production Index registered 66.6 percent in May. Fifteen industries reported growth in production during the month of May in the following order: Wood Products; Paper Products; Printing & Related Support Activities; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Transportation Equipment; Computer & Electronic Products; Apparel, Leather & Allied Products; Primary Metals; Furniture & Related Products; Miscellaneous Manufacturing†; Chemical Products; Nonmetallic Mineral Products; and Machinery.



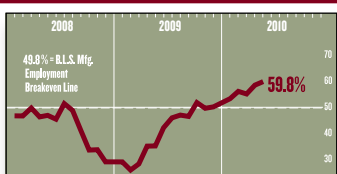
NEW ORDERS

ISM's New Orders Index registered 65.7 percent in May. The 15 industries reporting growth in new orders in May — listed in order — are: Wood Products; Electrical Equipment, Appliances & Components; Plastics & Rubber Products; Fabricated Metal Products; Miscellaneous Manufacturing†; Paper Products; Primary Metals; Furniture & Related Products; Transportation Equipment; Computer & Electronic Products; Printing & Related Support Activities; Chemical Products; Nonmetallic Mineral Products; Machinery; and Food, Beverage & Tobacco Products.



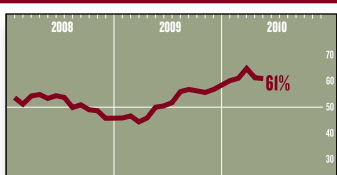
EMPLOYMENT

ISM's Employment Index registered 59.8 percent in May. Twelve of the 18 manufacturing industries reported growth in employment in May in the following order: Petroleum & Coal Products; Paper Products; Transportation Equipment; Fabricated Metal Products; Printing & Related Support Activities; Machinery; Computer & Electronic Products; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing†; Food, Beverage & Tobacco Products; and Chemical Products.



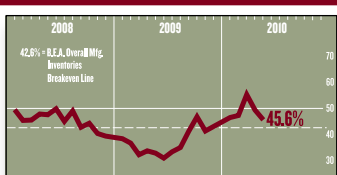
SUPPLIER DELIVERIES

The delivery performance of suppliers to manufacturing organizations was slower in May as the Supplier Deliveries Index registered 61 percent. Twelve industries reported slower supplier deliveries in May: Plastics & Rubber Products; Paper Products; Chemical Products; Electrical Equipment, Appliances & Components; Printing & Related Support Activities; Transportation Equipment; Miscellaneous Manufacturing†; Machinery; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; and Computer & Electronic Products.



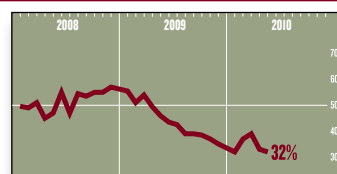
INVENTORIES

Manufacturers' inventories contracted in May for the second consecutive month as the Inventories Index registered 45.6 percent. The index is 3.8 percentage points lower than the April reading of 49.4 percent. The six industries reporting higher inventories in May — listed in order — are: Apparel, Leather & Allied Products; Furniture & Related Products; Computer & Electronic Products; Transportation Equipment; Food, Beverage & Tobacco Products; and Paper Products.



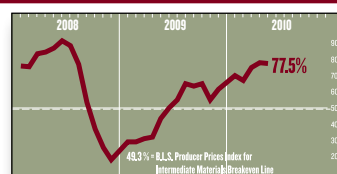
CUSTOMERS' INVENTORIES

The ISM Customers' Inventories Index registered 32 percent in May, 1 percentage point lower than in April when the index registered 33 percent, and the 14th 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. Food, Beverage & Tobacco Products is the only industry reporting customers' inventories as being too high during May.



PRICES

ISM's Prices Index registered 77.5 percent in May. Seventeen industries reported paying increased prices: Wood Products; Plastics & Rubber Products; Furniture & Related Products; Paper Products; Miscellaneous Manufacturing†; Chemical Products; Printing & Related Support Activities; Fabricated Metal Products; Transportation Equipment; Textile Mills; Apparel, Leather & Allied Products; Primary Metals; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Machinery; Nonmetallic Mineral Products; and Computer & Electronic Products.



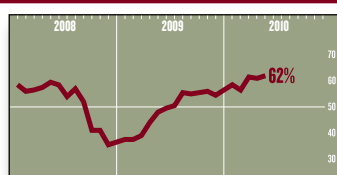
BACKLOG OF ORDERS

ISM's Backlog of Orders Index registered 59.5 percent in May, 2 percentage points higher than the 57.5 percent reported in April. The seven industries reporting increased order backlogs in May — listed in order — are: Electrical Equipment, Appliances & Components; Fabricated Metal Products; Paper Products; Transportation Equipment; Printing & Related Support Activities; Plastics & Rubber Products; and Food, Beverage & Tobacco Products.



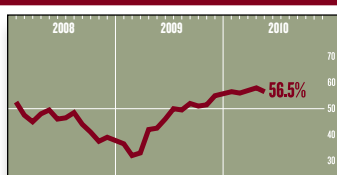
NEW EXPORT ORDERS

ISM's New Export Orders Index registered 62 percent in May. This is the 11th consecutive month of growth in the New Export Orders Index. The nine industries reporting growth in new export orders in May — listed in order — are: Apparel, Leather & Allied Products; Machinery; Fabricated Metal Products; Chemical Products; Electrical Equipment, Appliances & Components; Paper Products; Transportation Equipment; Miscellaneous Manufacturing†; and Food, Beverage & Tobacco Products.



IMPORTS

Imports of materials by manufacturers expanded in May as the Imports Index registered 56.5 percent. This is the ninth consecutive month of growth in imports. The seven industries reporting growth in imports during the month of May — listed in order — are: Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Transportation Equipment; Machinery; Chemical Products; and Miscellaneous Manufacturing†.



NMI at 55.4%

**Business Activity Index at 61.1%; New Orders Index at 57.1%;
Employment Index at 50.4%**

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

The NMI (Non-Manufacturing Index) registered 55.4 percent in May, the same percentage as registered in both April and March, indicating continued growth in the non-manufacturing sector. The Non-Manufacturing Business Activity Index increased 0.8 percentage point to 61.1 percent, reflecting growth for the sixth consecutive month. The New Orders Index decreased 1.1 percentage points to 57.1 percent, and the Employment Index increased 0.9 percentage point to 50.4 percent, reflecting growth for the first time after 28 consecutive months of contraction. Respondents' comments remain mostly positive about current business conditions and the general direction of the economy.

The 16 industries reporting growth in May based on the NMI composite index — listed in order — are: Arts, Entertainment & Recreation; Agriculture, Forestry, Fishing & Hunting; Mining; Information; Accommodation & Food Services; Wholesale Trade; Retail Trade; Construction; Real Estate, Rental & Leasing; Management of Companies & Support Services; Other Services*; Public Administration; Professional, Scientific & Technical Services; Utilities; Transportation & Warehousing; and Finance & Insurance. **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	MAY INDEX	APRIL INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
NMI	55.4	55.4	0.0	Growing	Same	5
Business Activity	61.1	60.3	+0.8	Growing	Faster	6
New Orders	57.1	58.2	-1.1	Growing	Slower	9
Employment	50.4	49.5	+0.9	Growing	From Contracting	1
Supplier Deliveries	53.0	53.5	-0.5	Slowing	Slower	2
Inventories	62.5	54.5	+8.0	Growing	Faster	2
Prices	60.6	64.7	-4.1	Increasing	Slower	10
Backlog of Orders	56.0	49.5	+6.5	Growing	From Contracting	1
New Export Orders	53.5	57.0	-3.5	Growing	Slower	3
Imports	56.5	56.5	0.0	Growing	Same	3
Inventory Sentiment	60.5	53.5	+7.0	Too High	Faster	156

*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 (2); Brass Fittings; Carbon Pipe (2); Copper; Corrugated Products (3); Cotton Products; Dairy; Diesel Fuel; #2 Diesel Fuel (3); Drywall; Fuel (5); Gasoline (7); Lumber and Wood Products (2); Paper (4); Pharmacy Products; Plastic Film (3); Plastic Products; Plastic Resins; Pork Products; Refrigerant; Seafood; Steel; and Steel Products (4).

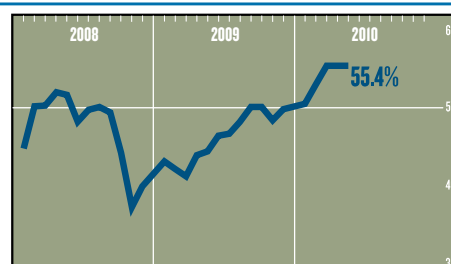
Commodities Down in Price: No commodities are reported down in price.

Commodities in Short Supply: No commodities are 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).

NMI

In May, the NMI registered 55.4 percent, the same percentage as registered in both April and March, indicating continued growth in the non-manufacturing sector for the fifth 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.

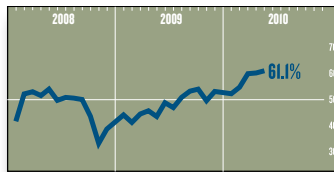


†Other Services (services such as Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services,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

BUSINESS ACTIVITY

ISM's Non-Manufacturing Business Activity Index in May registered 61.1 percent.

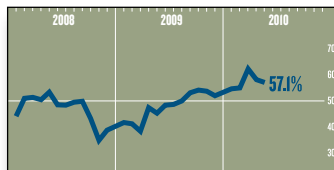
Sixteen industries reported growth of business activity: Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Management of Companies & Support Services; Accommodation & Food Services; Agriculture, Forestry, Fishing & Hunting; Mining; Wholesale Trade; Construction; Transportation & Warehousing; Information; Retail Trade; Professional, Scientific & Technical Services; Other Services†; Public Administration; Utilities; and Finance & Insurance.



NEW ORDERS

ISM's Non-Manufacturing New Orders Index registered 57.1 percent in May.

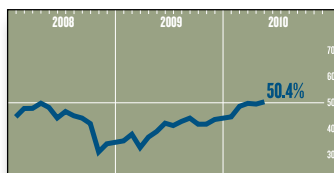
Sixteen industries reported growth of new orders in May: Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Agriculture, Forestry, Fishing & Hunting; Mining; Information; Construction; Accommodation & Food Services; Management of Companies & Support Services; Educational Services; Public Administration; Utilities; Transportation & Warehousing; Professional, Scientific & Technical Services; Retail Trade; Wholesale Trade; and Finance & Insurance.



EMPLOYMENT

Employment activity in the non-manufacturing sector grew for the first time in 28 months in May. ISM's Non-Manufacturing Employment Index for May registered 50.4 percent.

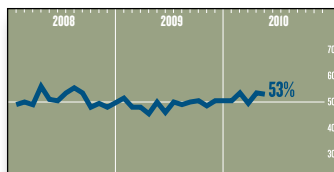
The 10 industries reporting an increase in employment in May — listed in order — are: Arts, Entertainment & Recreation; Agriculture, Forestry, Fishing & Hunting; Mining; Retail Trade; Wholesale Trade; Information; Other Services†; Finance & Insurance; Professional, Scientific & Technical Services; and Accommodation & Food Services.



SUPPLIER DELIVERIES

The Supplier Deliveries Index registered 53 percent in May, indicating supplier deliveries were slower in May, but at a slightly slower rate when compared to April.

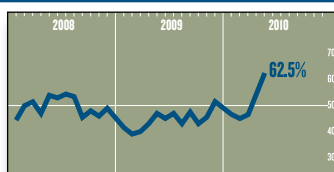
A reading above 50 percent indicates slower deliveries. The eight industries reporting slower deliveries in May — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Mining; Wholesale Trade; Other Services†; Construction; Retail Trade; Accommodation & Food Services; and Information.



INVENTORIES

ISM's Non-Manufacturing Inventories Index registered 62.5 percent in May.

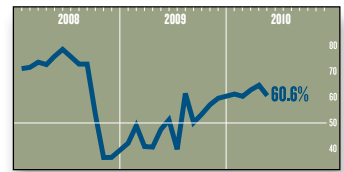
The 12 industries reporting an increase in inventories in May — listed in order — are: Real Estate, Rental & Leasing; Other Services†; Wholesale Trade; Utilities; Accommodation & Food Services; Construction; Information; Arts, Entertainment & Recreation; Transportation & Warehousing; Professional, Scientific & Technical Services; Public Administration; and Health Care & Social Assistance.



PRICES

ISM's Non-Manufacturing Prices Index for May registered 60.6 percent.

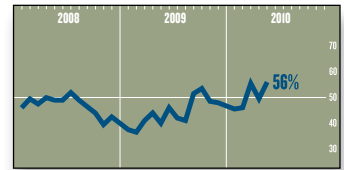
Fifteen industries reported an increase in prices paid, in the following order: Agriculture, Forestry, Fishing & Hunting; Construction; Management of Companies & Support Services; Mining; Wholesale Trade; Other Services†; Utilities; Accommodation & Food Services; Arts, Entertainment & Recreation; Professional, Scientific & Technical Services; Retail Trade; Finance & Insurance; Information; Transportation & Warehousing; and Health Care & Social Assistance.



BACKLOG OF ORDERS

ISM's Non-Manufacturing Backlog of Orders Index grew in May after one month of contraction. The index registered 56 percent, 6.5 percentage points higher than the 49.5 percent reported in April.

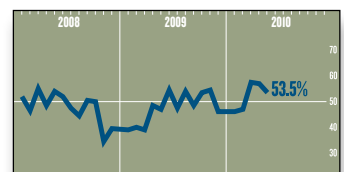
The nine industries reporting an increase in order backlogs in May — listed in order — are: Utilities; Management of Companies & Support Services; Educational Services; Other Services†; Wholesale Trade; Construction; Accommodation & Food Services; Public Administration; and Finance & Insurance.



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 grew in May for the third consecutive month.

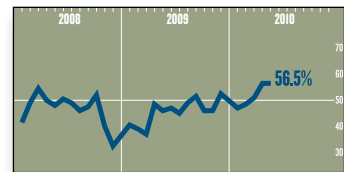
The New Export Orders Index for May registered 53.5 percent. The three industries reporting an increase in new export orders in May are: Construction; Information; and Arts, Entertainment & Recreation.



IMPORTS

The ISM Non-Manufacturing Imports Index registered 56.5 percent in May, the same as in April, and indicating growth for the second consecutive month.

The six industries reporting an increase in the use of imports in May — listed in order — are: Finance & Insurance; Arts, Entertainment & Recreation; Other Services†; Wholesale Trade; Retail Trade; and Accommodation & Food Services.



INVENTORY SENTIMENT

The ISM Non-Manufacturing Inventory Sentiment Index in May registered 60.5 percent.

The eight industries reporting a feeling that their inventories are too high in May — listed in order — are: Professional, Scientific & Technical Services; Finance & Insurance; Transportation & Warehousing; Information; Accommodation & Food Services; Other Services†; Wholesale Trade; and Health Care & Social Assistance.

