

## PMI at 60.8%

**E**conomic activity in the manufacturing sector expanded in January for the 18th consecutive month, and the overall economy grew for the 20th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM Report On Business®**.

The manufacturing sector grew at a faster rate in January as the PMI registered 60.8 percent, which is its highest level since May 2004 when the index registered 61.4 percent. The continuing strong performance is highlighted as January is also the sixth consecutive month of month-over-month growth in the sector. New orders and production continue to be strong, and employment rose above 60 percent for the first time since May 2004. Global demand is driving commodity prices higher, particularly for energy, metals and chemicals.

Of the 18 manufacturing industries, 14 are reporting growth in January, in the following order: Petroleum & Coal Products; Primary Metals; Apparel, Leather & Allied Products; Wood Products; Computer & Electronic Products; Transportation Equipment; Fabricated Metal Products; Machinery; Paper Products; Miscellaneous Manufacturing<sup>‡</sup>; Chemical Products; Furniture & Related Products; Food, Beverage & Tobacco Products; and Electrical Equipment, Appliances & Components. **ISM**

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

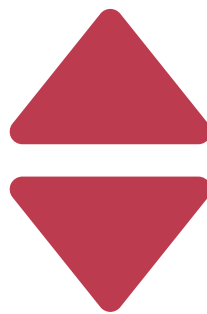
## New Orders, Production and Employment Growing; Supplier Deliveries Slower; Inventories Growing

### MANUFACTURING AT A GLANCE

INDEX	JAN. INDEX	DEC. INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
PMI	60.8	58.5	+2.3	Growing	Faster	18
New Orders	67.8	62.0	+5.8	Growing	Faster	19
Production	63.5	63.0	+0.5	Growing	Faster	20
Employment	61.7	58.9	+2.8	Growing	Faster	16
Supplier Deliveries	58.6	56.7	+1.9	Slowing	Faster	20
Inventories	52.4	51.8	+0.6	Growing	Faster	7
Customers' Inventories	45.5	40.0	+5.5	Too Low	Slower	22
Prices	81.5	72.5	+9.0	Increasing	Faster	19
Backlog of Orders	58.0	47.0	+11.0	Growing	From Contracting	1
Exports	62.0	54.5	+7.5	Growing	Faster	19
Imports	55.0	50.5	+4.5	Growing	Faster	17
<b>OVERALL ECONOMY</b>				<b>Growing</b>	<b>Faster</b>	<b>20</b>
<b>MANUFACTURING SECTOR</b>				<b>Growing</b>	<b>Faster</b>	<b>18</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.

This report reflects the U.S. Department of Commerce's recently completed annual adjustment to the seasonal factors used to calculate the indexes.



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

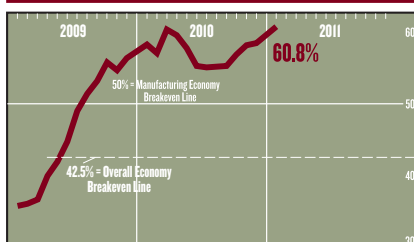
### COMMODITIES REPORTED

**Commodities Up in Price:** Aluminum (5); Aluminum Products; Brass (2); Brass Products; Caustic Soda (6); Chemicals (4); Copper (6); Copper Based Products (3); Corn (5); Corrugated Containers (11); Diesel (2); Freight Rates; Fuel Oils; High Density Polyethylene (2); Lubricants; Nuts; Packaging Materials; PET (2); Plastics; Plastic Products; Plastic Resins (3); Polyethylene Resin; Polypropylene; Soybean Oil (3); Stainless Steel (3); Stainless Steel Products; Steel (5); Steel Products (2); Steel Surcharges; and Sugar.

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

**Commodities in Short Supply:** Electric Components is the only commodity reported in short supply.

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



### PMI

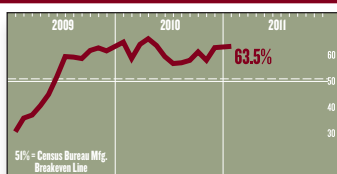
**A** PMI in excess of 42.5 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the PMI indicates growth for the 20th consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 18th consecutive month. The past relationship between the PMI and the overall economy indicates that the PMI for January (60.8 percent) corresponds to a 6.4 percent increase in real gross domestic product (GDP) on an annual basis.

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

## PRODUCTION

ISM's Production Index registered 63.5 percent in January. The 13 industries reporting growth in production during the month of January — listed in

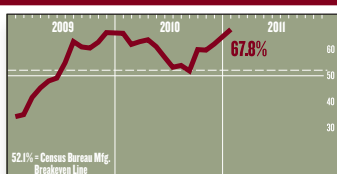
order — are: Petroleum & Coal Products; Computer & Electronic Products; Apparel, Leather & Allied Products; Wood Products; Primary Metals; Transportation Equipment; Miscellaneous Manufacturing‡; Fabricated Metal Products; Chemical Products; Food, Beverage & Tobacco Products; Paper Products; Electrical Equipment, Appliances & Components; and Machinery.



## NEW ORDERS

ISM's New Orders Index registered 67.8 percent in January. The 12 industries reporting growth in new orders in January — listed in order — are: Petro-

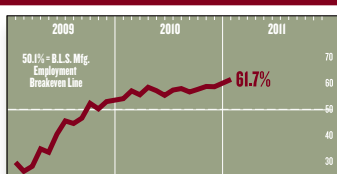
leum & Coal Products; Primary Metals; Computer & Electronic Products; Transportation Equipment; Wood Products; Machinery; Fabricated Metal Products; Miscellaneous Manufacturing‡; Chemical Products; Paper Products; Electrical Equipment, Appliances & Components; and Food, Beverage & Tobacco Products.



## EMPLOYMENT

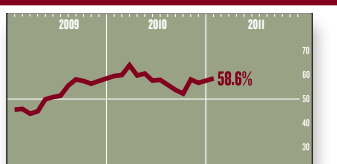
ISM's Employment Index registered 61.7 percent in January. Of the 18 manufacturing industries, 11 reported growth in employment in January in the following

order: Apparel, Leather & Allied Products; Wood Products; Petroleum & Coal Products; Primary Metals; Miscellaneous Manufacturing‡; Computer & Electronic Products; Nonmetallic Mineral Products; Fabricated Metal Products; Transportation Equipment; Machinery; and Food, Beverage & Tobacco Products.



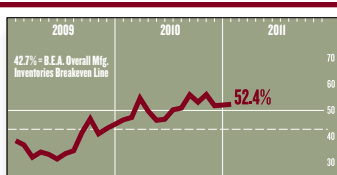
## SUPPLIER DELIVERIES

The delivery performance of suppliers to manufacturing organizations was slower in January as the Supplier Deliveries Index registered 58.6 percent. The eight industries reporting slower supplier deliveries in January — listed in order — are: Primary Metals; Furniture & Related Products; Machinery; Fabricated Metal Products; Transportation Equipment; Paper Products; Chemical Products; and Electrical Equipment, Appliances & Components.



## INVENTORIES

Manufacturers' inventories grew for the seventh consecutive month in January, and at a slightly faster rate as the Inventories Index registered 52.4 percent. The nine industries reporting higher inventories in January — listed in order — are: Textile Mills; Apparel, Leather & Allied Products; Paper Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Machinery; Chemical Products; Computer & Electronic Products; and Fabricated Metal Products.



## CUSTOMERS' INVENTORIES

The ISM Customers' Inventories Index registered 45.5 percent in January. This is the 22nd consecutive month the Customers'

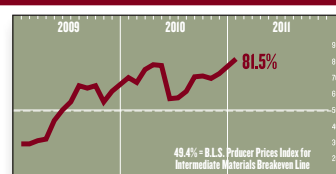
Inventories Index has been below 50 percent, indicating that respondents believe their customers' inventories are too low at this time. The three manufacturing industries reporting customers' inventories as being too high during January are: Textile Mills; Apparel, Leather & Allied Products; and Food, Beverage & Tobacco Products.



## PRICES

ISM's Prices Index registered 81.5 percent in January. Prices increased the greatest in the following industries during January: Textile Mills; Plastics

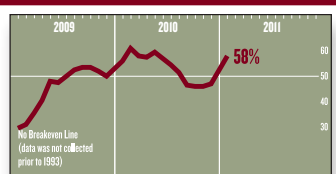
& Rubber Products; Primary Metals; Food, Beverage & Tobacco Products; Fabricated Metal Products; Nonmetallic Mineral Products; Paper Products; Machinery; Transportation Equipment; Miscellaneous Manufacturing‡; Chemical Products; Electrical Equipment, Appliances & Components; Apparel, Leather & Allied Products; and Wood Products.



## BACKLOG OF ORDERS

ISM's Backlog of Orders Index registered 58 percent in January, which is 11 percentage points higher than the 47 percent

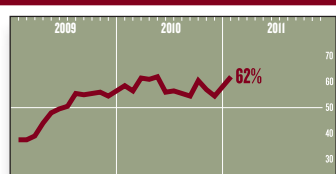
reported in December. The 10 industries reporting increased order backlogs in January — listed in order — are: Primary Metals; Apparel, Leather & Allied Products; Computer & Electronic Products; Machinery; Paper Products; Printing & Related Support Activities; Plastics & Rubber Products; Transportation Equipment; Fabricated Metal Products; and Chemical Products.



## NEW EXPORT ORDERS

ISM's New Export Orders Index registered 62 percent in January. The 11 industries reporting growth in new export

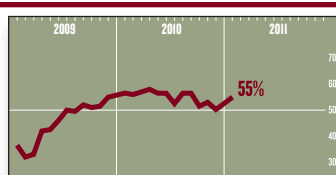
orders in January — listed in order — are: Petroleum & Coal Products; Primary Metals; Apparel, Leather & Allied Products; Computer & Electronic Products; Machinery; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Transportation Equipment; Chemical Products; Food, Beverage & Tobacco Products; and Miscellaneous Manufacturing‡.



## IMPORTS

Imports of materials by manufacturers continued to expand in January as the Imports Index registered 55 percent. The 10 industries reporting growth

in imports during the month of January — listed in order — are: Wood Products; Primary Metals; Apparel, Leather & Allied Products; Printing & Related Support Activities; Paper Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Chemical Products; Transportation Equipment; and Machinery.



## NMI at 59.4%

**Business Activity Index at 64.6%; New Orders Index at 64.9%;  
Employment Index at 54.5%**

**E**conomic activity in the **non-manufacturing sector** grew in January for the 14th consecutive month, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM Report On Business®**.

The NMI registered 59.4 percent in January, 2.3 percentage points higher than the seasonally adjusted 57.1 percent registered in December (the seasonal adjustment did not change the reading that was originally reported), and indicating continued growth in the non-manufacturing sector. The Non-Manufacturing Business Activity Index increased 1.7 percentage points to 64.6 percent, reflecting growth for the 18th consecutive month and at a faster rate than in December. The New Orders Index increased 3.5 percentage points to 64.9 percent, and the Employment Index increased 1.9 percentage points to 54.5 percent. The Prices Index increased 2.6 percentage points to 72.1 percent, indicating that prices increased at a faster rate in January. Respondents' comments are mostly positive about business conditions; however, they still remain cautious about the sustainability.

The 13 industries reporting growth in January based on the NMI composite index — listed in order — are: Mining; Real Estate, Rental & Leasing; Utilities; Transportation & Warehousing; Management of Companies & Support Services; Finance & Insurance; Information; Accommodation & Food Services; Wholesale Trade; Retail Trade; Construction; Other Services<sup>±</sup>; and Health Care & Social Assistance. **ISM**

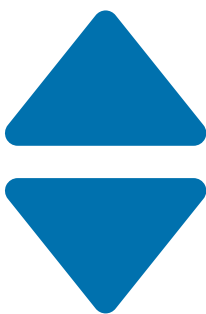
Analysis by **Anthony Nieves, C.P.M., CFPM**, chair of the Institute for Supply Management™ Non-Manufacturing Business Survey Committee.

### NON-MANUFACTURING AT A GLANCE

INDEX	JAN. INDEX	DEC. INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
NMI	59.4	57.1	+2.3	Growing	Faster	14
Business Activity	64.6	62.9	+1.7	Growing	Faster	18
New Orders	64.9	61.4	+3.5	Growing	Faster	18
Employment	54.5	52.6	+1.9	Growing	Faster	5
Supplier Deliveries	53.5	51.5	+2.0	Slowing	Faster	10
Inventories	49.0	52.5	-3.5	Contracting	From Growing	1
Prices	72.1	69.5	+2.6	Increasing	Faster	18
Backlog of Orders	50.5	48.5	+2.0	Growing	From Contracting	1
New Export Orders	53.5	56.0	-2.5	Growing	Slower	5
Imports	53.5	51.0	+2.5	Growing	Faster	6
Inventory Sentiment	60.0	61.5	-1.5	Too High	Slower	164

\*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.

This report reflects the U.S. Department of Commerce's recently completed annual adjustment to the seasonal factors used to calculate the indexes.



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

### COMMODITIES REPORTED

**Commodities Up in Price:** Airfares (2); Carbon Pipe; Cleaning Products; Copper Products (2); Corn; Cotton (3); Cotton Products (5); #1 Diesel Fuel (4); #2 Diesel Fuel (7); Food and Beverage; Fuel (13); Fuel Surcharges; Gasoline (4); Ground Beef; Heating Fuel (2); Janitorial Supplies; Latex Gloves; Office Supplies; Paper (3); Petroleum Products; Plastic Film; Polyethylene Bags (2); Poly Products; Resin Products; Rubber Products; Soy Oil (2); Steel (2); Steel Pipe and Fittings; and Steel Products (2).

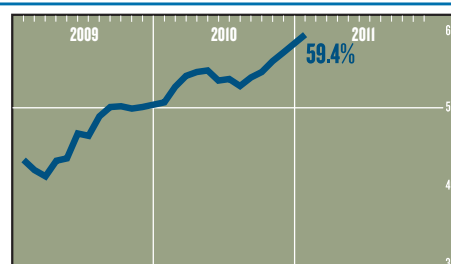
**Commodities Down in Price:** Chicken; and IT Equipment.

**Commodities in Short Supply:** Cotton; and Cotton Products.

±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

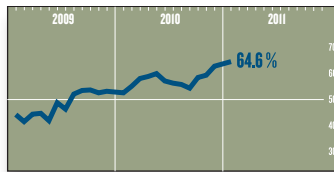
In January, the NMI registered 59.4 percent, indicating continued growth in the non-manufacturing sector for the 14th consecutive month. A reading above 50 percent indicates the non-manufacturing sector economy is generally expanding; below 50 percent indicates the non-manufacturing sector is generally 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).

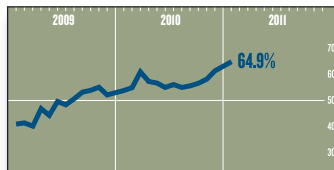
## BUSINESS ACTIVITY

ISM's Non-Manufacturing Business Activity Index in January registered 64.6 percent, an increase of 1.7 percentage points when compared to the seasonally adjusted 62.9 percent registered in December. Ten industries reported growth of business activity in January: Real Estate, Rental & Leasing; Transportation & Warehousing; Utilities; Finance & Insurance; Wholesale Trade; Information; Management of Companies & Support Services; Retail Trade; Accommodation & Food Services; and Public Administration.



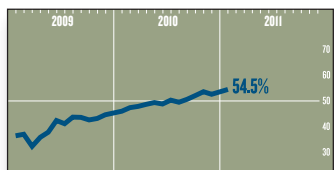
## NEW ORDERS

ISM's Non-Manufacturing New Orders Index registered 64.9 percent in January. The 13 industries reporting growth of new orders in January — listed in order — are: Mining; Real Estate, Rental & Leasing; Utilities; Finance & Insurance; Construction; Transportation & Warehousing; Accommodation & Food Services; Information; Management of Companies & Support Services; Educational Services; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Wholesale Trade.



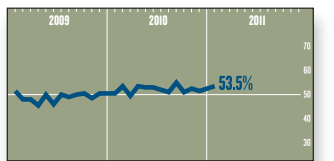
## EMPLOYMENT

Employment activity in the non-manufacturing sector grew in January, as ISM's Non-Manufacturing Employment Index registered 54.5 percent. This reflects an increase of 1.9 percentage points when compared to the 52.6 percent registered in December (seasonally adjusted). The six industries reporting an increase in employment in January — listed in order — are: Management of Companies & Support Services; Mining; Other Services\*; Information; Transportation & Warehousing; and Retail Trade.



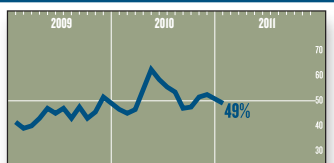
## SUPPLIER DELIVERIES

The Supplier Deliveries Index registered 53.5 percent in January, 2 percentage points higher than the 51.5 percent registered in December, indicating that supplier deliveries continued to slow in January. A reading above 50 percent indicates slower deliveries. The eight industries reporting slower deliveries in January — listed in order — are: Mining; Retail Trade; Wholesale Trade; Construction; Other Services\*; Accommodation & Food Services; Finance & Insurance; and Public Administration.



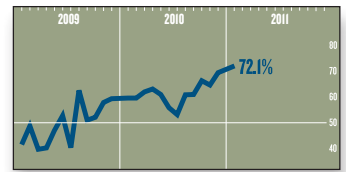
## INVENTORIES

ISM's Non-Manufacturing Inventories Index registered 49 percent in January, indicating that inventory levels contracted in January. The six industries reporting an increase in inventories in January — listed in order — are: Mining; Real Estate, Rental & Leasing; Management of Companies & Support Services; Utilities; Health Care & Social Assistance; and Wholesale Trade.



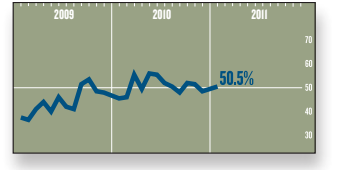
## PRICES

ISM's Non-Manufacturing Prices Index for January registered 72.1 percent. Prices increased the greatest in the following industries during January: Utilities; Accommodation & Food Services; Construction; Wholesale Trade; Management of Companies & Support Services; Mining; Real Estate, Rental & Leasing; Finance & Insurance; Educational Services; Arts, Entertainment & Recreation; Other Services\*; Retail Trade; Health Care & Social Assistance; Public Administration; Information; and Transportation & Warehousing.



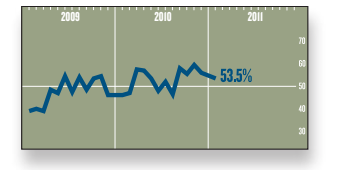
## BACKLOG OF ORDERS

ISM's Non-Manufacturing Backlog of Orders Index grew in January after one month of contraction. The index registered 50.5 percent, 2 percentage points higher than the 48.5 percent reported in December. The seven industries reporting an increase in order backlogs in January — listed in order — are: Utilities; Mining; Information; Transportation & Warehousing; Finance & Insurance; Wholesale Trade; and Public Administration.



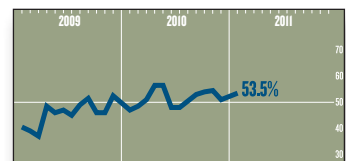
## NEW EXPORT ORDERS

Orders and requests for services and other non-manufacturing activities to be provided outside of the United States by domestically based personnel grew at a slower rate in January. The New Export Orders Index for January registered 53.5 percent. Six industries reported an increase in new export orders in January in the following order: Mining; Agriculture, Forestry, Fishing & Hunting; Accommodation & Food Services; Information; Transportation & Warehousing; and Wholesale Trade.



## IMPORTS

The ISM Non-Manufacturing Imports Index grew in January for the sixth consecutive month. The index registered 53.5 percent, which is 2.5 percentage points higher than the 51 percent reported in December. The five industries reporting an increase in the use of imports in January are: Agriculture, Forestry, Fishing & Hunting; Information; Accommodation & Food Services; Wholesale Trade; and Transportation & Warehousing.



## INVENTORY SENTIMENT

The ISM Non-Manufacturing Inventory Sentiment Index in January registered 60 percent. The eight industries reporting a feeling that their inventories are too high in January — listed in order — are: Mining; Real Estate, Rental & Leasing; Other Services\*; Management of Companies & Support Services; Wholesale Trade; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Accommodation & Food Services.

