

**E**conomic activity in the manufacturing sector expanded in May for the 12th consecutive month, and the overall economy grew for the 60th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM® Report On Business®**.

The May PMI® registered 55.4 percent, an increase of 0.5 percentage point from April's reading of 54.9 percent, indicating expansion in manufacturing for the 12th consecutive month. The New Orders Index registered 56.9 percent, an increase of 1.8 percentage points from the 55.1 percent reading in April, indicating growth in new orders for the 12th consecutive month. Employment grew for the 11th consecutive month, registering 52.8 percent, a decrease of 1.9 percentage points below April's reading of 54.7 percent. Comments from the panel reflect generally steady growth, but note some areas of concern regarding raw materials pricing and supply tightness and shortages.

Of the 18 manufacturing industries, 17 are reporting growth in May in the following order: Furniture & Related Products; Electrical Equipment, Appliances & Components; Primary Metals; Fabricated Metal Products; Nonmetallic Mineral Products; Machinery; Transportation Equipment; Chemical Products; Paper Products; Computer & Electronic Products; Petroleum & Coal Products; Apparel, Leather & Allied Products; Printing & Related Support Activities; Food, Beverage & Tobacco Products; Wood Products; Miscellaneous Manufacturing†; and Plastics & Rubber Products. No industry reported contraction in May. **ISM**

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

## PMI® at 55.4%

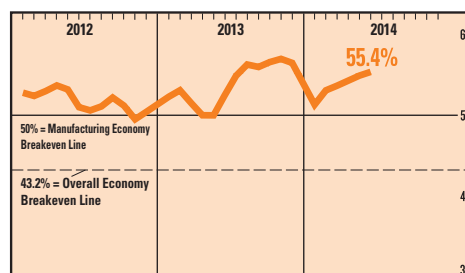
New Orders, Employment and Production Growing; Inventories Growing; Supplier Deliveries Slowing

### Manufacturing at a Glance

INDEX	May Index	Apr Index	% Point Change	Direction	Rate of Change	Trend* (months)
PMI®	55.4	54.9	+0.5	Growing	Faster	12
New Orders	56.9	55.1	+1.8	Growing	Faster	12
Production	61.0	55.7	+5.3	Growing	Faster	3
Employment	52.8	54.7	-1.9	Growing	Slower	11
Supplier Deliveries	53.2	55.9	-2.7	Slowing	Slower	12
Inventories	53.0	53.0	0.0	Growing	Same	4
Customers' Inventories	46.5	42.0	+4.5	Too Low	Slower	30
Prices	60.0	56.5	+3.5	Increasing	Faster	10
Backlog of Orders	52.5	55.5	-3.0	Growing	Slower	4
Exports	56.5	57.0	-0.5	Growing	Slower	18
Imports	54.5	58.0	-3.5	Growing	Slower	16
<b>Overall Economy</b>				<b>Growing</b>	<b>Faster</b>	<b>60</b>
<b>Manufacturing Sector</b>				<b>Growing</b>	<b>Faster</b>	<b>12</b>

\*Number of months moving in current direction.

Manufacturing ISM® Report On Business® data is seasonally adjusted for the New Orders, Production, Employment and Supplier Deliveries Indexes.



## PMI®

A PMI® in excess of 43.2 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the May PMI® indicates growth for the 60th consecutive month in the overall economy, and indicates expansion in the manufacturing sector for the 12th consecutive month. Holcomb stated,

"The past relationship between the PMI® and the overall economy indicates that the average PMI® for January through May (53.7 percent) corresponds to a 3.5 percent increase in real gross domestic product (GDP) on an annualized basis. In addition, if the PMI® for May (55.4 percent) is annualized, it corresponds to a 4.0 percent increase in real GDP annually.



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

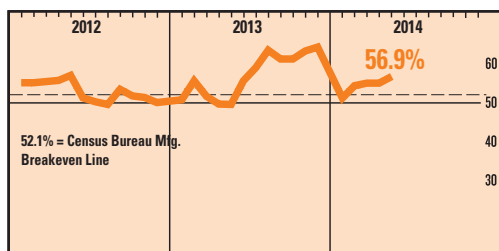
\*Reported as both up and down in price.

### Commodities Reported

**Commodities Up in Price:** Aluminum (4); Aluminum Products; Ammonia; Beef; Butter (2); Copper\*; Electronic Components; Foam; Integrated Circuits; Lumber (3); MRO Supplies; Natural Gas; Nickel (3); Packaging Materials; Plastic Resins (6); Rice; Stainless Steel (3); Steel (6); Steel — Cold Rolled (2); Steel — Hot Rolled (2); Sulfuric Acid; and Wood Pallets (2).

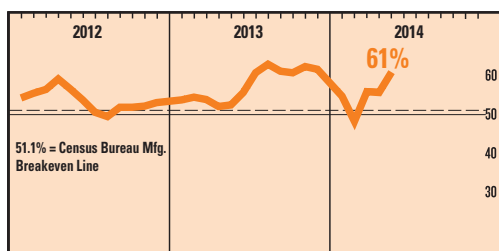
**Commodities Down in Price:** Copper (3)\*; Methanol; PET; and Transportation Costs.

**Commodities in Short Supply:** Helium; Hydraulic Components; Transportation; and Wood Pallets.



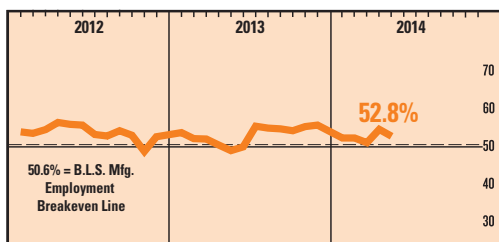
## New Orders

ISM's New Orders Index registered 56.9 percent in May. A New Orders Index above 52.1 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders (in constant 2000 dollars). The 14 industries reporting growth in new orders in May — listed in order — are: Electrical Equipment, Appliances & Components; Machinery; Wood Products; Furniture & Related Products; Paper Products; Primary Metals; Fabricated Metal Products; Chemical Products; Transportation Equipment; Plastics & Rubber Products; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Petroleum & Coal Products; and Miscellaneous Manufacturing<sup>‡</sup>.



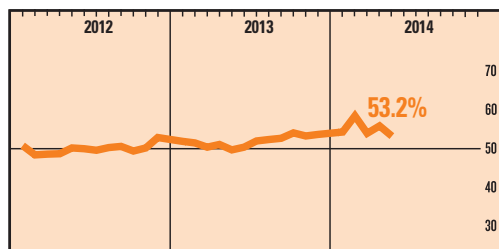
## Production

ISM's Production Index registered 61.0 percent in May. An index above 51.1 percent, over time, is generally consistent with an increase in the Federal Reserve Board's industrial production figures. The 15 industries reporting growth in production are: Primary Metals; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Paper Products; Electrical Equipment, Appliances & Components; Machinery; Wood Products; Furniture & Related Products; Chemical Products; Petroleum & Coal Products; Transportation Equipment; Fabricated Metal Products; Computer & Electronic Products; Miscellaneous Manufacturing<sup>‡</sup>; and Food, Beverage & Tobacco Products.



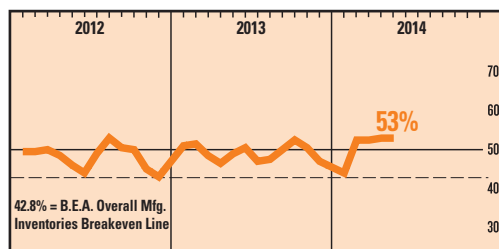
## Employment

ISM's Employment Index registered 2.8 percent. An Employment Index above 50.6 percent, over time, is generally consistent with an increase in the U.S. Bureau of Labor Statistics (BLS) data on manufacturing employment. Of the 18 manufacturing industries, 11 reported growth in employment in May in the following order: Printing & Related Support Activities; Fabricated Metal Products; Petroleum & Coal Products; Primary Metals; Transportation Equipment; Nonmetallic Mineral Products; Furniture & Related Products; Food, Beverage & Tobacco Products; Machinery; Miscellaneous Manufacturing<sup>‡</sup>; and Computer & Electronic Products.



## Supplier Deliveries

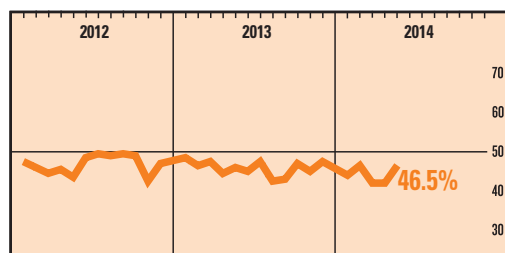
The Supplier Deliveries Index registered 53.2 percent. This month's reading is 3.4 percentage points lower than the 55.9 percent reported in April. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries. The seven industries reporting slower supplier deliveries in May — listed in order — are: Fabricated Metal Products; Furniture & Related Products; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; Machinery; Chemical Products; and Computer & Electronic Products.



## Inventories

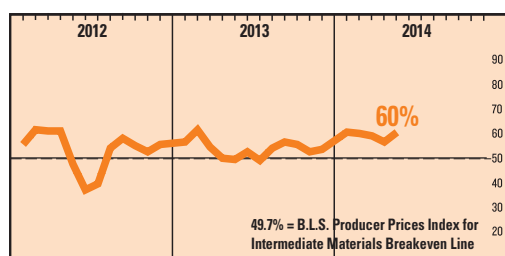
The Inventories Index registered 53 percent in May, the same percentage as reported in April. An Inventories Index greater than 42.8 percent, over time, is generally consistent with expansion in the U.S. Bureau of Economic Analysis' figures on overall manufacturing inventories (in chained 2000 U.S. dollars). The six industries reporting higher inventories in May — listed in order — are: Textile Mills; Furniture & Related Products; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Paper Products; and Chemical Products.

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



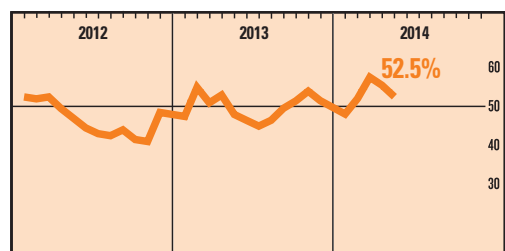
## Customers' Inventories

ISM's Customers' Inventories Index registered 46.5 percent in May, an increase of 4.5 percentage points when compared to the 42 percent reported in April. Customers' inventories have registered at or below 50 percent for 62 consecutive months. A reading below 50 percent indicates customers' inventories are considered too low. The four manufacturing industries reporting customers' inventories as being too high during the month of May are: Printing & Related Support Activities; Miscellaneous Manufacturing<sup>‡</sup>; Fabricated Metal Products; and Primary Metals.



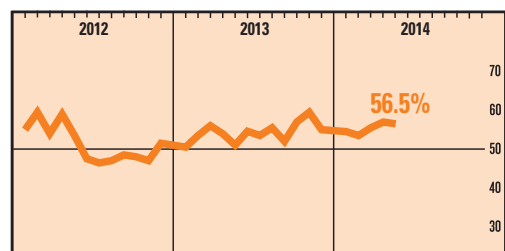
## Prices

The ISM's Prices Index registered 60 percent. A Prices Index above 49.7 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) Index of Manufacturers Prices. Of the 18 manufacturing industries, 11 reported paying increased prices during the month of May in the following order: Furniture & Related Products; Fabricated Metal Products; Plastics & Rubber Products; Petroleum & Coal Products; Primary Metals; Miscellaneous Manufacturing<sup>‡</sup>; Machinery; Textile Mills; Transportation Equipment; Food, Beverage & Tobacco Products; and Computer & Electronic Products.



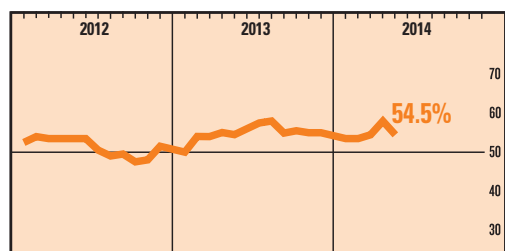
## Backlog of Orders

ISM's Backlog of Orders Index registered 52.5 percent in May. Of the 85 percent of respondents who reported their backlog of orders, 21 percent reported greater backlogs, 16 percent reported smaller backlogs and 63 percent reported no change from April. The eight industries reporting increased order backlogs in May — listed in order — are: Electrical Equipment, Appliances & Components; Paper Products; Primary Metals; Transportation Equipment; Petroleum & Coal Products; Machinery; Miscellaneous Manufacturing<sup>‡</sup>; and Furniture & Related Products.



## New Export Orders

ISM's New Export Orders Index registered 56.5 percent in May, which is 0.5 percentage point lower than the 57 percent reported in April. May's reading reflects growth in the level of exports for the 18th consecutive month. The 12 industries reporting growth in new export orders in May — listed in order — are: Wood Products; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Furniture & Related Products; Food, Beverage & Tobacco Products; Machinery; Chemical Products; Petroleum & Coal Products; Paper Products; Fabricated Metal Products; Transportation Equipment; and Computer & Electronic Products.



## Imports

ISM's Imports Index registered 54.5 percent in May, which is 3.5 percentage points lower than the 58 percent reported in April. This month's reading represents 16 consecutive months of growth in imports. The 10 industries reporting growth in imports during the month of May — listed in order — are: Textile Mills; Machinery; Petroleum & Coal Products; Furniture & Related Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Computer & Electronic Products; Food, Beverage & Tobacco Products; Transportation Equipment; and Chemical Products.

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

Analysis by **Anthony Nieves, CPSM, C.P.M., CFPM**,  
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Non-Manufacturing Business Survey Committee.

non-manufacturing

# NMI® at 56.3%

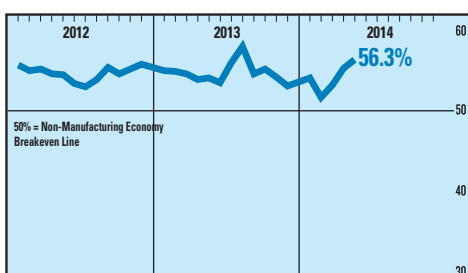
Business Activity Index at 62.1%; New Orders Index at 60.5%; Employment Index at 52.4%

## Non-Manufacturing at a Glance

INDEX	May Index	Apr Index	% Point Change	Direction	Rate of Change	Trend* (months)
NMI®	56.3	55.2	+1.1	Growing	Faster	52
Business Activity	62.1	60.9	+1.2	Growing	Faster	58
New Orders	60.5	58.2	+2.3	Growing	Faster	58
Employment	52.4	51.3	+1.1	Growing	Faster	3
Supplier Deliveries	50.0	50.5	-0.5	Unchanged	From Slower	1
Inventories	55.5	55.5	0.0	Growing	Same	2
Prices	61.4	60.8	+0.6	Increasing	Faster	56
Backlog of Orders	54.0	49.0	+5.0	Growing	From Contracting	1
New Export Orders	53.0	57.0	-4.0	Growing	Slower	2
Imports	55.5	55.5	0.0	Growing	Same	3
Inventory Sentiment	63.0	65.0	-2.0	Too High	Slower	204

\*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.



## NMI®

In May, the NMI® registered 56.3 percent, an increase of 1.1 percentage points when compared to April's reading of 55.2 percent. 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.

Economic activity in the **non-manufacturing** sector grew in May for the 52nd consecutive month, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM® Report On Business®**.

The NMI® registered 56.3 percent in May, 1.1 percentage points higher than April's reading of 55.2 percent. This represents continued growth at a faster rate in the non-manufacturing sector and is the highest reading for the index since August 2013, when the index registered 57.9 percent. The Non-Manufacturing Business Activity Index increased to 62.1 percent, which is 1.2 percentage points higher than the April reading of 60.9 percent. The Employment Index increased 1.1 percentage points to 52.4 percent from the April reading of 51.3 percent. The majority of respondents' comments indicate that there is steady incremental growth and project a positive outlook on business conditions.

The 17 non-manufacturing industries reporting growth in May — listed in order — are: Construction; Wholesale Trade; Management of Companies & Support Services; Agriculture, Forestry, Fishing & Hunting; Public Administration; Finance & Insurance; Educational Services; Professional, Scientific & Technical Services; Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Health Care & Social Assistance; Information; Other Services†; Utilities; Retail Trade; Transportation & Warehousing; and Accommodation & Food Services. **ISM**

†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).

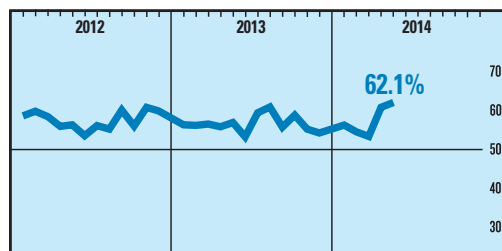
## Commodities Reported

**Commodities Up in Price:** Beef Items (6); Dairy (6); #1 Diesel Fuel (5); #2 Diesel Fuel (6); Food Products; Fuel (2); Gasoline (6); Lumber — Pine, Plywood Products, Spruce, Spruce Studs and Treated; Medical Equipment; Paper; Plumbing Supplies; Professional Labor (3); Stainless Steel Products (2); and Stainless Steel Sheet.

**Commodities Down in Price:** Copper Pipe; and Medical Supplies.

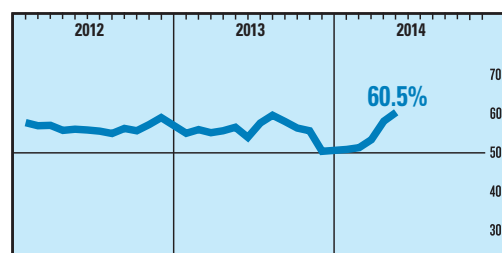
**Commodities in Short Supply:** Helium (2); Medical IV Solutions (5); and Stainless Steel Products.

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



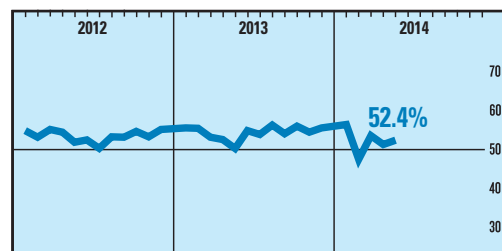
## Business Activity

ISM's Business Activity Index in May registered 62.1 percent. The 14 industries reporting growth of business activity in May — listed in order — are: Construction; Agriculture, Forestry, Fishing & Hunting; Real Estate, Rental & Leasing; Public Administration; Finance & Insurance; Wholesale Trade; Educational Services; Other Services<sup>†</sup>; Management of Companies & Support Services; Utilities; Transportation & Warehousing; Professional, Scientific & Technical Services; Retail Trade; and Health Care & Social Assistance.



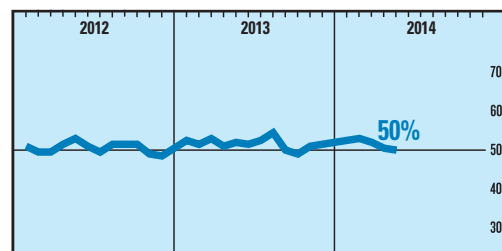
## New Orders

The New Orders Index registered 60.5 percent. The 15 industries reporting growth of new orders in May — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Construction; Educational Services; Wholesale Trade; Public Administration; Management of Companies & Support Services; Finance & Insurance; Health Care & Social Assistance; Retail Trade; Information; Real Estate, Rental & Leasing; Professional, Scientific & Technical Services; Other Services<sup>†</sup>; Utilities; and Transportation & Warehousing.



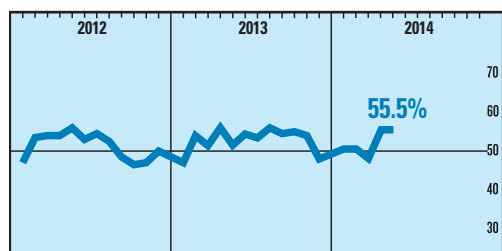
## Employment

Employment activity in the non-manufacturing sector grew in May for the third consecutive month. ISM's Non-Manufacturing Employment Index registered 52.4 percent. Comments from respondents include: "staff added to support additional workload" and "adding capacity." The nine industries reporting an increase in employment in May — listed in order — are: Arts, Entertainment & Recreation; Management of Companies & Support Services; Wholesale Trade; Construction; Professional, Scientific & Technical Services; Public Administration; Health Care & Social Assistance; Information; and Finance & Insurance.



## Supplier Deliveries

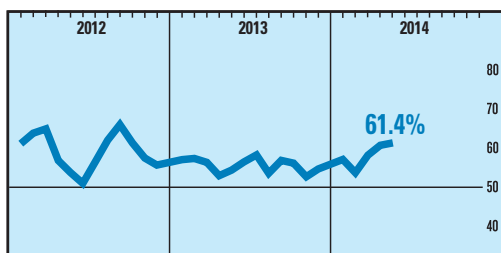
The Supplier Deliveries Index was unchanged at 50 percent in May following six months of slower deliveries. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries. The five industries reporting slower deliveries in May are: Accommodation & Food Services; Management of Companies & Support Services; Wholesale Trade; Information; and Professional, Scientific & Technical Services.



## Inventories

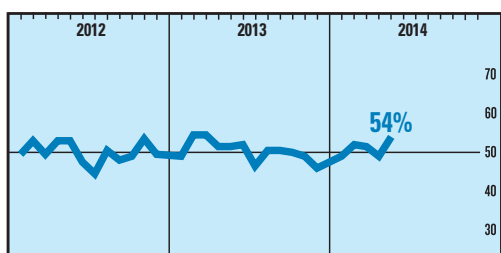
ISM's Non-Manufacturing Inventories Index registered 55.5 percent in May, which is the same percentage that was reported in April. The 11 industries reporting an increase in inventories in May — listed in order — are: Mining; Agriculture, Forestry, Fishing & Hunting; Wholesale Trade; Construction; Accommodation & Food Services; Health Care & Social Assistance; Retail Trade; Professional, Scientific & Technical Services; Utilities; Information; and Public Administration.

<sup>†</sup>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).



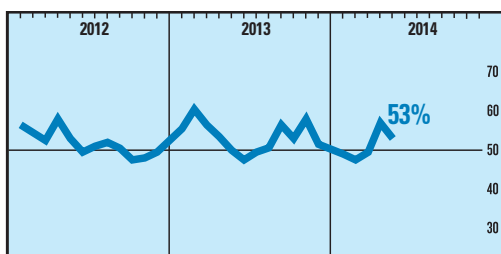
## Prices

ISM's Non-Manufacturing Prices Index for May registered 61.4 percent, 0.6 percentage point higher than the 60.8 percent reported in April. Twelve non-manufacturing industries reported an increase in prices paid during the month of May, in the following order: Wholesale Trade; Educational Services; Accommodation & Food Services; Arts, Entertainment & Recreation; Real Estate, Rental & Leasing; Construction; Public Administration; Retail Trade; Health Care & Social Assistance; Management of Companies & Support Services; Professional, Scientific & Technical Services; and Finance & Insurance.



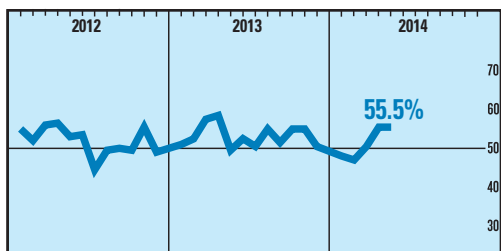
## Backlog of Orders

ISM's Non-Manufacturing Backlog of Orders Index grew in May after one month of contraction. The index registered 54 percent, which is 5 percentage points higher than the 49 percent reported in April. The nine industries reporting an increase in order backlogs in May — listed in order — are: Educational Services; Management of Companies & Support Services; Construction; Transportation & Warehousing; Information; Real Estate, Rental & Leasing; Wholesale Trade; Finance & Insurance; and Health Care & Social Assistance.



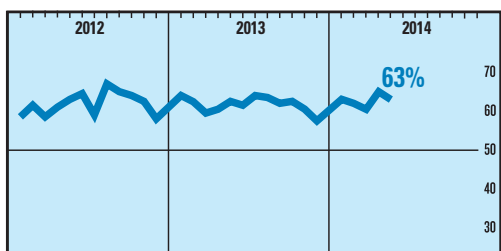
## New Export Orders

The New Export Orders Index for May registered 53 percent, which is 4 percentage points lower than the 57 percent reported in April. Of the total respondents in May, 67 percent indicated they either do not perform, or do not separately measure, orders for work outside of the United States. The six industries reporting an increase in new export orders in May — listed in order — are: Arts, Entertainment & Recreation; Information; Retail Trade; Finance & Insurance; Professional, Scientific & Technical Services; and Accommodation & Food Services.



## Imports

The ISM Non-Manufacturing Imports Index grew in May for the third consecutive month. This month's reading at 55.5 percent is the same percentage that was reported in April. The eight industries reporting an increase in imports for the month of May — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Utilities; Construction; Information; Accommodation & Food Services; Wholesale Trade; Professional, Scientific & Technical Services; and Retail Trade.



## Inventory Sentiment

The ISM Non-Manufacturing Inventory Sentiment Index in May registered 63 percent. This indicates that respondents believe their inventories are still too high at this time. The 10 industries reporting a feeling that their inventories are too high in May are: Mining; Management of Companies & Support Services; Wholesale Trade; Public Administration; Utilities; Arts, Entertainment & Recreation; Health Care & Social Assistance; Professional, Scientific & Technical Services; Accommodation & Food Services; and Retail Trade.

\*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).