

ISM® REPORT ON BUSINESS® MANUFACTURING

FEBRUARY 2018

Analysis by **Timothy R. Fiore, CPSM, C.P.M.**, Chair of the Institute for Supply Management® Manufacturing Business Survey Committee

Economic activity in the manufacturing sector expanded in February, and the overall economy grew for the 106th consecutive month, say the nation's supply executives in the latest Manufacturing ISM® *Report On Business*®.

The February PMI® registered 60.8 percent. The New Orders Index registered 64.2 percent, a decrease of 1.2 percentage points from the January reading of 65.4

percent. The Prices Index registered 74.2 percent in February, a 1.5 percentage point increase from the January reading of 72.7 percent, indicating higher raw materials prices for the 24th consecutive month. Comments from the panel reflect expanding business conditions, with new orders and production maintaining high levels of expansion; employment expanding at a faster rate to support production; order backlogs expanding at a faster

PMI® @ 60.8%

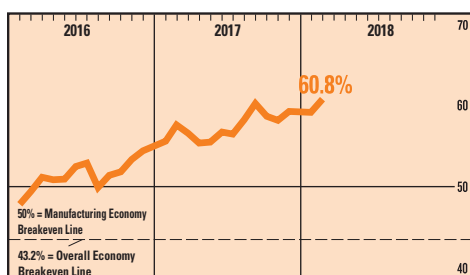
rate; and export orders and imports continuing to grow faster in February. Price increases occurred across most industry sectors. Capital expenditure lead times improved by five days while production material supplier lead-times extended four days during the month of February. Of the 18 manufacturing industries, 15 reported growth in February in the following order: Printing & Related Support Activities; Primary Metals; Machinery; Computer & Electronic Products; Petroleum & Coal Products; Nonmetallic Mineral Products; Plastics & Rubber Products; Fabricated Metal Products; Chemical Products; Transportation Equipment; Textile Mills; Miscellaneous Manufacturing‡; Paper Products; Electrical Equipment, Appliances & Components; and Food, Beverage & Tobacco Products.

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

MANUFACTURING AT A GLANCE

Index	Feb Index	Jan Index	% Point Change	Direction	Rate of Change	Trend* (months)
PMI®	60.8	59.1	+1.7	Growing	Faster	18
New Orders	64.2	65.4	-1.2	Growing	Slower	26
Production	62.0	64.5	-2.5	Growing	Slower	18
Employment	59.7	54.2	+5.5	Growing	Faster	17
Supplier Deliveries	61.1	59.1	+2.0	Slowing	Slower	17
Inventories	56.7	52.3	+4.4	Growing	Faster	2
Customers' Inventories	43.7	45.6	-1.9	Too Low	Faster	17
Prices	74.2	72.7	+1.5	Increasing	Faster	24
Backlog of Orders	59.8	56.2	+3.6	Growing	Faster	13
New Export Orders	62.8	59.8	+3.0	Growing	Faster	24
Imports	60.5	58.4	+2.1	Growing	Faster	13
OVERALL ECONOMY				Growing	Faster	106
Manufacturing Sector				Growing	Faster	18

*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®

Manufacturing expanded in February as the PMI® registered 60.8 percent, an increase of 1.7 percentage points from the January reading of 59.1 percent. This indicates growth in manufacturing for the 18th consecutive month at strong levels, led by continued expansion in new orders, production activity, employment and inventories with suppliers continuing to struggle delivering to demand. The PMI at 60.8 percent is the highest level of expansion since May 2004, when it reached 61.4 percent.

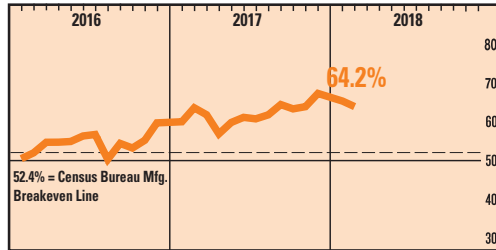
COMMODITIES REPORTED

Commodities Up in Price: Aluminum (16); Caustic Soda (8); Copper (4); Corrugate (17); Crude Oil (2); Diesel; Freight; Nickel (2); Memory; Packaging Materials; PET Bottles; Phosphoric Acid; Pigments; Polyethylene (2); Polyurethane (2); PVC Resin; Resin Based Products; Steel — Cold Rolled (2); Steel — Fabricated & Machined Parts; Steel — Galvanized (2); Steel — Hot Rolled (15); Steel — SBQ & Alloy Bars; Steel — Scrap (3); Steel — Stainless (3); Sulfuric Acid (2); Titanium Dioxide (5); and Vitamins (2).

Commodities Down in Price: None.

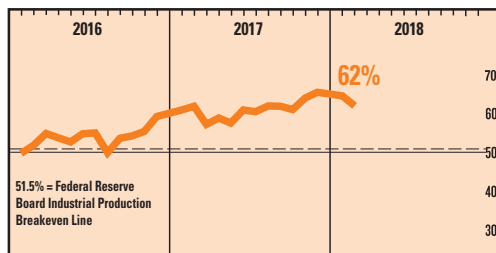
Commodities in Short Supply: Capacitors (8); Freight; Resistors (4); Skilled Labor; and Titanium Dioxide (4).

Note: The number of consecutive months the commodity is listed is indicated after each item. *Reported as both up and down in price.



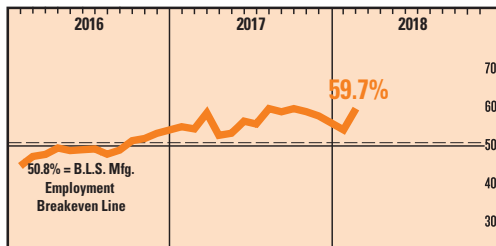
New Orders

ISM's New Orders Index registered 64.2 percent. Fifteen of 18 industries reported growth in new orders in February, listed in the following order: Textile Mills; Paper Products; Printing & Related Support Activities; Primary Metals; Chemical Products; Computer & Electronic Products; Fabricated Metal Products; Transportation Equipment; Nonmetallic Mineral Products; Machinery; Plastics & Rubber Products; Miscellaneous Manufacturing; Petroleum & Coal Products; Electrical Equipment, Appliances & Components; and Food, Beverage & Tobacco Products.



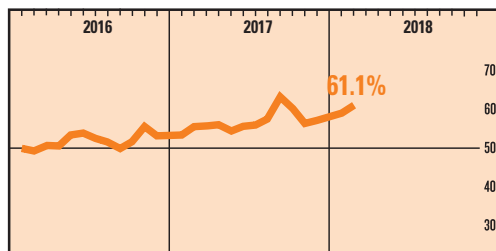
Production

ISM's Production Index registered 62 percent. The 14 industries reporting growth in production during the month of February — listed in order — are: Printing & Related Support Activities; Primary Metals; Paper Products; Petroleum & Coal Products; Plastics & Rubber Products; Machinery; Transportation Equipment; Chemical Products; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Nonmetallic Mineral Products; Miscellaneous Manufacturing[‡]; Fabricated Metal Products; and Food, Beverage & Tobacco Products.



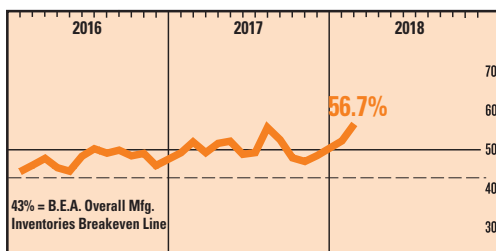
Employment

ISM's Employment Index registered 59.7 percent in February. Of the 18 manufacturing industries, the 11 reporting employment growth in January — listed in order — are: Printing & Related Support Activities; Petroleum & Coal Products; Primary Metals; Machinery; Computer & Electronic Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Plastics & Rubber Products; Miscellaneous Manufacturing[‡]; Food, Beverage & Tobacco Products; and Transportation Equipment.



Supplier Deliveries

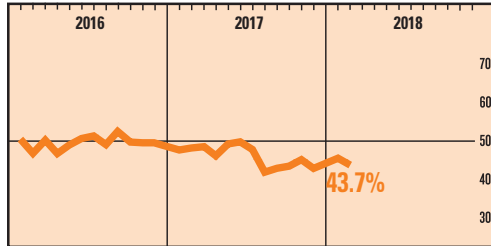
The Supplier Deliveries Index registered 61.1 percent. The 12 industries reporting slower supplier deliveries in February — listed in order — are: Nonmetallic Mineral Products; Machinery; Printing & Related Support Activities; Fabricated Metal Products; Computer & Electronic Products; Plastics & Rubber Products; Petroleum & Coal Products; Food, Beverage & Tobacco Products; Chemical Products; Primary Metals; Transportation Equipment; and Miscellaneous Manufacturing[‡].



Inventories

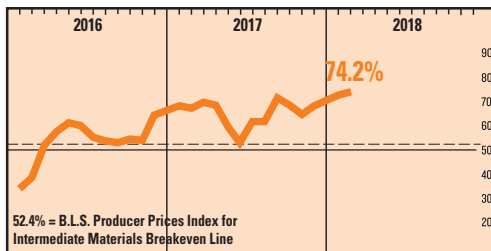
The Inventories Index registered 56.7 percent. The 12 industries reporting higher inventories in February — listed in order — are: Printing & Related Support Activities; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Primary Metals; Plastics & Rubber Products; Fabricated Metal Products; Nonmetallic Mineral Products; Chemical Products; Machinery; Miscellaneous Manufacturing[‡]; Food, Beverage & Tobacco Products; and Transportation Equipment.

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



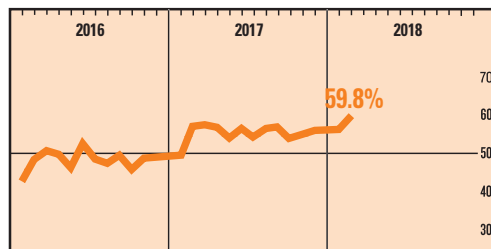
Customers' Inventories

ISM's Customers' Inventories Index registered 43.7 percent in February, which is 1.9 percentage points lower than the 45.6 percent reported for January, indicating that customers' inventory levels were still considered too low in February. The only manufacturing industry reporting customers' inventories as being too high during the month of February is Furniture & Related Products.



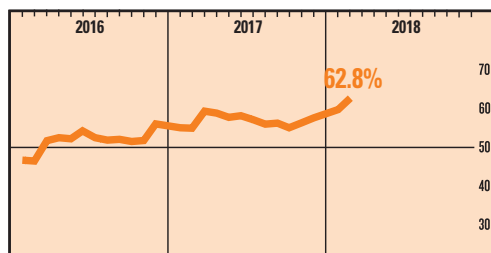
Prices

The ISM Prices Index registered 74.2 percent. Seventeen industries reported paying increased prices for raw materials in February, in the following order: Apparel, Leather & Allied Products; Textile Mills; Petroleum & Coal Products; Machinery; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Paper Products; Plastics & Rubber Products; Chemical Products; Printing & Related Support Activities; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Transportation Equipment; Primary Metals; Miscellaneous Manufacturing[‡]; Furniture & Related Products; and Computer & Electronic Products.



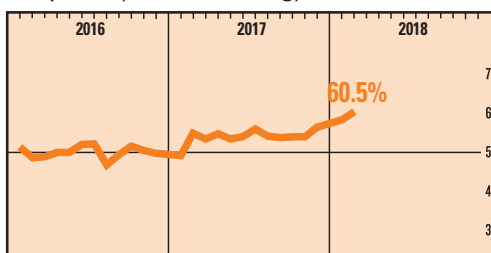
Backlog of Orders

ISM's Backlog of Orders Index registered 59.8 percent. The 12 industries reporting growth in order backlogs in February — listed in order — are: Textile Mills; Nonmetallic Mineral Products; Printing & Related Support Activities; Primary Metals; Plastics & Rubber Products; Paper Products; Petroleum & Coal Products; Computer & Electronic Products; Chemical Products; Transportation Equipment; Fabricated Metal Products; and Machinery.



New Export Orders

ISM's New Export Orders Index registered 62.8 percent. The 11 industries reporting growth in new export orders in January — listed in order — are: Wood Products; Nonmetallic Mineral Products; Petroleum & Coal Products; Chemical Products; Miscellaneous Manufacturing[‡]; Food, Beverage & Tobacco Products; Computer & Electronic Products; Machinery; Transportation Equipment; Fabricated Metal Products; and Paper Products.



Imports

ISM's Imports Index registered 60.5 percent. The 14 industries reporting growth in imports during the month of February — listed in order — are: Textile Mills; Printing & Related Support Activities; Nonmetallic Mineral Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Primary Metals; Furniture & Related Products; Petroleum & Coal Products; Machinery; Chemical Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing[‡]; and Computer & Electronic Products.

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