

ISM® REPORT ON BUSINESS® MANUFACTURING

OCTOBER 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 October, and the overall economy grew for the 114th consecutive month, say the nation's supply executives in the latest Manufacturing ISM® Report On Business®.

The October PMI® registered 57.7 percent. The New Orders Index registered 57.4 percent, a decrease of 4.4 percentage points from the September reading of 61.8 percent.

The Production Index registered 59.9 percent, a 4 percentage-point decrease compared to the September reading of 63.9 percent. The Employment Index registered 56.8 percent, a decrease of 2 percentage points from the September reading of 58.8 percent. The Inventories Index registered 50.7 percent, a

decrease of 2.6 percentage points from the September reading of 53.3 percent. The Prices Index registered 71.6 percent, a 4.7-percentage point increase from the September reading of 66.9 percent, indicating higher raw materials prices for the 32nd consecutive month. Of the 18 manufacturing industries, 13 reported growth in October, in the following order: Textile Mills; Electrical Equipment, Appliances & Components; Apparel, Leather & Allied Products; Plastics & Rubber Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; Furniture & Related Products; Miscellaneous Manufacturing; Machinery; Transportation Equipment; Printing & Related Support Activities; Chemical Products; and Paper Products.

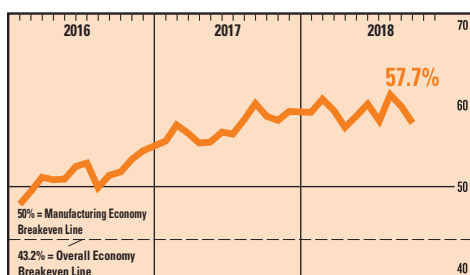
PMI® @ 57.7%

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

MANUFACTURING AT A GLANCE

Index	Oct Index	Sep Index	% Point Change	Direction	Rate of Change	Trend* (months)
PMI®	57.7	59.8	-2.1	Growing	Slower	26
New Orders	57.4	61.8	-4.4	Growing	Slower	34
Production	59.9	63.9	-4.0	Growing	Slower	26
Employment	56.8	58.8	-2.0	Growing	Slower	25
Supplier Deliveries	63.8	61.1	+2.7	Slowing	Faster	25
Inventories	50.7	53.3	-2.6	Growing	Slower	10
Customers' Inventories	43.3	40.5	+2.8	Too Low	Slower	25
Prices	71.6	66.9	+4.7	Increasing	Faster	32
Backlog of Orders	55.8	55.7	+0.1	Growing	Faster	21
New Export Orders	52.2	56.0	-3.8	Growing	Slower	32
Imports	54.3	54.5	-0.2	Growing	Slower	21
OVERALL ECONOMY				Growing	Slower	114
Manufacturing Sector				Growing	Slower	26

*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.



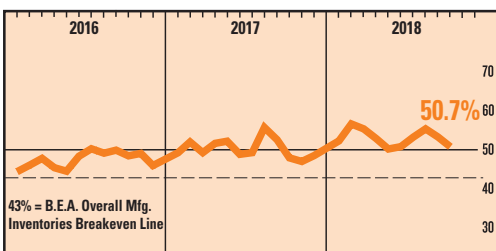
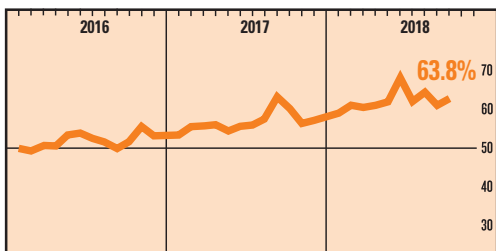
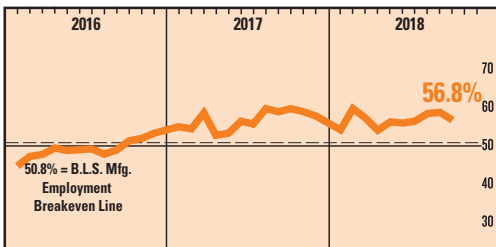
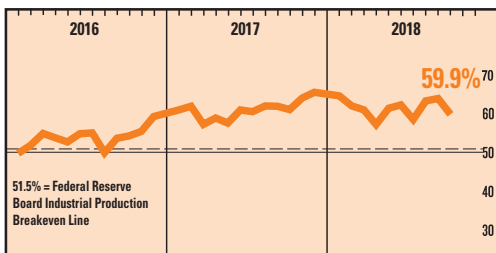
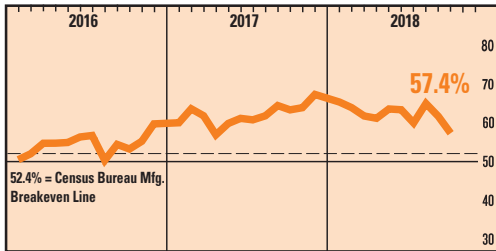
PMI®

Manufacturing expanded in October as the PMI® registered 57.7 percent, a decrease of 2.1 percentage points from the September reading of 59.8 percent. This indicates growth in manufacturing for the 26th consecutive month, led by moderately strong production output and continued supplier delivery performance issues. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.

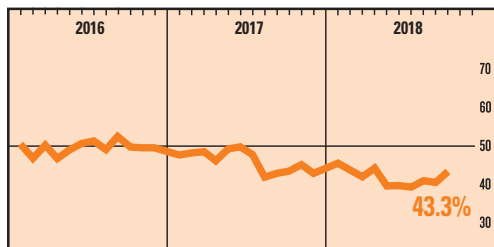
COMMODITIES REPORTED

Commodities Up in Price: Aluminum* (24); Aluminum-Based Products (6); Castings; Chemicals; Copper; Corrugate (25); Diesel; Electronic Components (3); Freight (9); Hydrochloric Acid (2); Metal-Based Products; Methanol; Natural Gas; Nylon (5); Oil-Based Products; Plastic Molded Items; Plastic Resins; Polyethylene Terephthalate (PET) Products; Resistors; Scrap Metal; Steel* (2); Steel — Stainless (7); Steel-Based Products (6); and Sulfuric Acid (2). **Commodities Down in Price:** Aluminum*; Caustic Soda; Steel* (2); Steel — Cold Rolled; and Steel — Hot Rolled (2). **Commodities in Short Supply:** Aluminum-Based Products; Capacitors (16); Electronic Components (6); Labor (3); Nylon (2); Printed Circuit Board Components; Resistors (12); and Steel-Based Products.

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

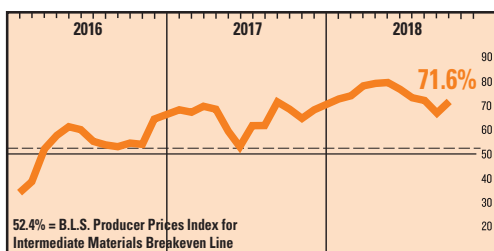


[‡]Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies).



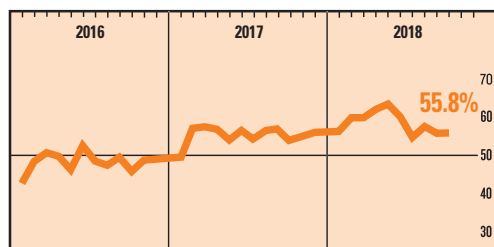
Customers' Inventories

ISM's Customers' Inventories Index registered 43.3 percent in October, which is 2.8 percentage points higher than the 40.5 percent reported for September, indicating that customers' inventory levels were considered too low. The two manufacturing industries reporting customers' inventories as too high during the month of October are: Nonmetallic Mineral Products; and Electrical Equipment, Appliances & Components.



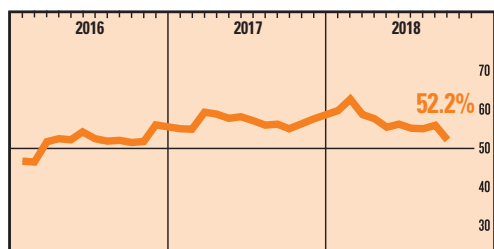
Prices

The ISM Prices Index registered 71.6 percent. Seventeen of the 18 industries reported paying increased prices for raw materials in October, in the following order: Textile Mills; Petroleum & Coal Products; Furniture & Related Products; Electrical Equipment, Appliances & Components; Paper Products; Printing & Related Support Activities; Plastics & Rubber Products; Apparel, Leather & Allied Products; Transportation Equipment; Primary Metals; Chemical Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; Machinery; Miscellaneous Manufacturing[‡]; Fabricated Metal Products; and Nonmetallic Mineral Products.



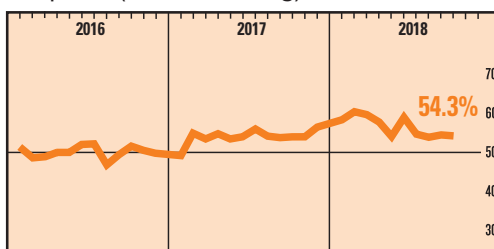
Backlog of Orders

ISM's Backlog of Orders Index registered 55.8 percent. The 12 industries reporting growth in order backlogs in October — listed in order — are: Textile Mills; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Printing & Related Support Activities; Plastics & Rubber Products; Petroleum & Coal Products; Miscellaneous Manufacturing[‡]; Machinery; Transportation Equipment; Computer & Electronic Products; Food, Beverage & Tobacco Products; and Chemical Products.



New Export Orders

ISM's New Export Orders Index registered 52.2 percent. The eight industries reporting growth in new export orders in October — listed in order — are: Textile Mills; Miscellaneous Manufacturing[‡]; Chemical Products; Computer & Electronic Products; Transportation Equipment; Plastics & Rubber Products; Fabricated Metal Products; and Machinery.



Imports

ISM's Imports Index registered 54.3 percent. The 10 industries reporting growth in imports during the month of October — listed in order — are: Apparel, Leather & Allied Products; Textile Mills; Food, Beverage & Tobacco Products; Furniture & Related Products; Plastics & Rubber Products; Fabricated Metal Products; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Transportation Equipment; and Miscellaneous Manufacturing[‡].

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