

ISM® REPORT ON BUSINESS® MANUFACTURING

AUGUST 2019

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 contracted in August, and the overall economy grew for the 124th consecutive month, say the nation's supply executives in the latest Manufacturing ISM® *Report On Business*®.

The August PMI® registered 49.1 percent. The New Orders Index registered 47.2 percent, a decrease of 3.6 percentage points from the July reading of 50.8 percent. The Production Index registered 49.5 percent, a 1.3-percentage point decrease compared to the July reading of 50.8 percent. The Employment Index registered 47.4 percent, a decrease of 4.3 percentage points from the July reading of 51.7 percent. The Supplier Deliveries Index registered 51.4 percent, a

PMI® @ 49.1%

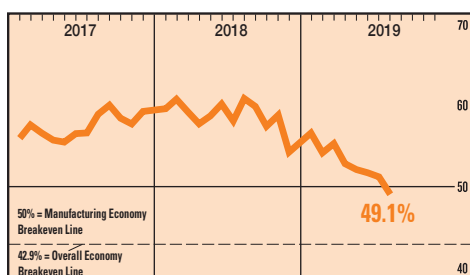
1.9-percentage point decrease from the July reading of 53.3 percent. The Inventories Index registered 49.9 percent, an increase of 0.4 percentage point from the July reading of 49.5 percent. Comments from the panel reflect a notable decrease in business confidence. August saw the end of the PMI® expansion that spanned 35 months, with steady expansion softening over the last four months. Of the 18 manufacturing industries, nine reported growth in August, in the following order: Textile Mills; Furniture & Related Products; Food, Beverage & Tobacco Products; Wood Products; Petroleum & Coal Products; Nonmetallic Mineral Products; Machinery; Miscellaneous Manufacturing[‡]; and Chemical Products.

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

MANUFACTURING AT A GLANCE

Index	Aug Index	July Index	% Point Change	Direction	Rate of Change	Trend* (months)
PMI®	49.1	51.2	-2.1	Contracting	From Growing	1
New Orders	47.2	50.8	-3.6	Contracting	From Growing	1
Production	49.5	50.8	-1.3	Contracting	From Growing	1
Employment	47.4	51.7	-4.3	Contracting	From Growing	1
Supplier Deliveries	51.4	53.3	-1.9	Slowing	Slower	42
Inventories	49.9	49.5	+0.4	Contracting	Slower	3
Customers' Inventories	44.9	45.7	-0.8	Too Low	Faster	35
Prices	46.0	45.1	+0.9	Decreasing	Slower	3
Backlog of Orders	46.3	43.1	+3.2	Contracting	Slower	4
New Export Orders	43.3	48.1	-4.8	Contracting	Faster	2
Imports	46.0	47.0	-1.0	Contracting	Faster	2
OVERALL ECONOMY				Growing	Slower	124
Manufacturing Sector				Contracting	From Growing	1

*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 contracted in August, as the PMI® registered 49.1 percent, a decrease of 2.1 percentage points from the July reading of 51.2 percent. This is the lowest reading since January 2016, when the index registered 48 percent. The PMI® contracted for the first time since August 2016 (when it registered 49.6 percent) and ended a 35 month expansion period in which the composite index averaged 56.5 percent.

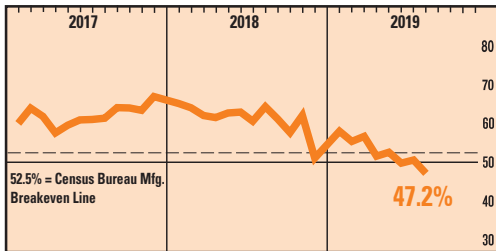
COMMODITIES REPORTED

Commodities Up in Price: Polypropylene; Scrap; and Steel — Hot Rolled*.

Commodities Down in Price: Aluminum (5); Aluminum Products (2); Caustic Soda; Corrugated Boxes (3); Natural Gas; Crude Oil; Pulp; Steel (2); Steel — Hot Rolled*; Steel Products* (8); and Steel — Stainless.

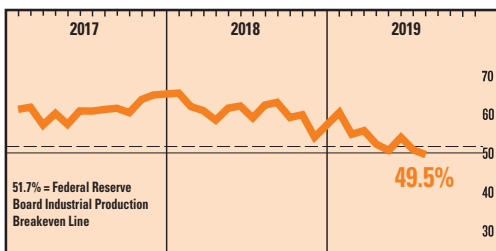
Commodities in Short Supply: Electronic Components; and Helium (2).

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



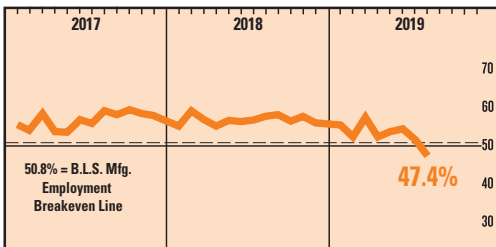
New Orders

ISM's New Orders Index registered 47.2 percent. Of 18 manufacturing industries, three reported growth in new orders in August: Nonmetallic Mineral Products; Machinery; and Chemical Products. The 11 industries reporting a decline in new orders in August — in the following order — are: Apparel, Leather & Allied Products; Paper Products; Wood Products; Transportation Equipment; Textile Mills; Fabricated Metal Products; Petroleum & Coal Products; Plastics & Rubber Products; Primary Metals; Miscellaneous Manufacturing[‡]; and Computer & Electronic Products.



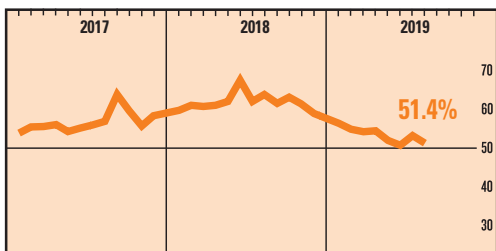
Production

ISM's Production Index registered 49.5 percent. The four industries reporting growth in production during the month of August are: Textile Mills; Food, Beverage & Tobacco Products; Nonmetallic Mineral Products; and Chemical Products.



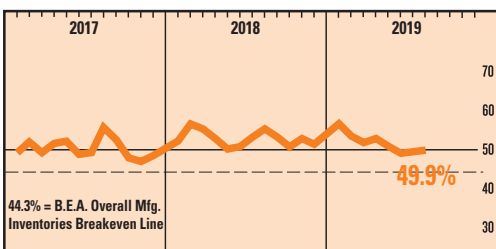
Employment

ISM's Employment Index registered 47.4 percent. Of 18 manufacturing industries, six reported employment growth in August, in the following order: Furniture & Related Products; Textile Mills; Miscellaneous Manufacturing[‡]; Petroleum & Coal Products; Nonmetallic Mineral Products; and Paper Products.



Supplier Deliveries

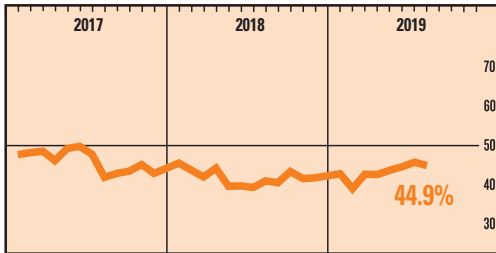
The delivery performance of suppliers to manufacturing organizations slowed in August, as the Supplier Deliveries Index registered 51.4 percent. The eight industries reporting slower supplier deliveries in August — listed in order — are: Wood Products; Textile Mills; Computer & Electronic Products; Machinery; Paper Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing[‡]; and Transportation Equipment.



Inventories

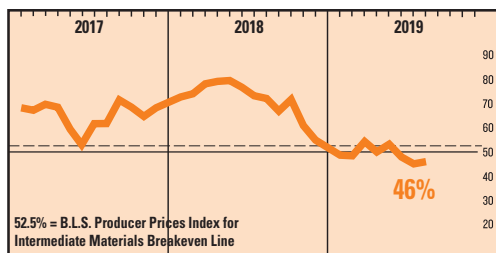
The Inventories Index registered 49.9 percent. The seven industries reporting higher inventories in August — listed in order — are: Printing & Related Support Activities; Wood Products; Petroleum & Coal Products; Textile Mills; Electrical Equipment, Appliances & Components; Primary Metals; and Food, Beverage & Tobacco Products.

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



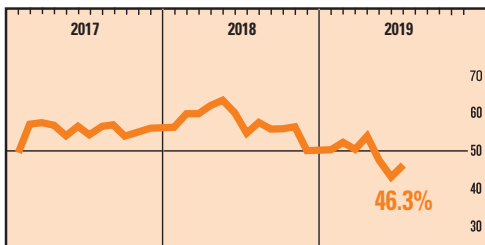
Customers' Inventories

ISM's Customers' Inventories Index registered 44.9 percent. The six industries reporting customers' inventories as too high during the month of August, in order, are: Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Primary Metals; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing[‡]; and Computer & Electronic Products.



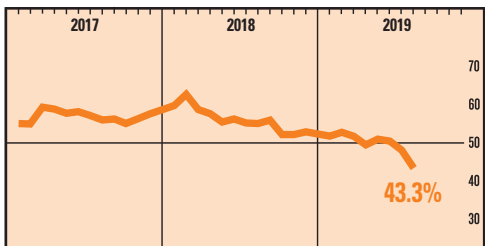
Prices

The ISM Prices Index registered 46 percent. Four of the 18 industries reported paying increased prices for raw materials in August: Plastics & Rubber Products; Computer & Electronic Products; Fabricated Metal Products; and Miscellaneous Manufacturing[‡].



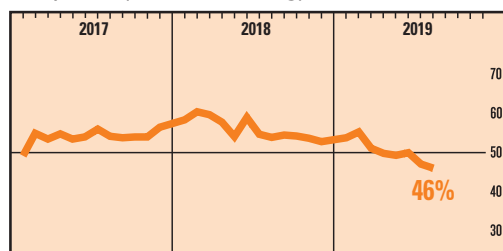
Backlog of Orders

ISM's Backlog of Orders Index registered 46.3 percent. The five industries reporting growth in order backlogs in August are: Nonmetallic Mineral Products; Plastics & Rubber Products; Miscellaneous Manufacturing[‡]; Fabricated Metal Products; and Computer & Electronic Products.



New Export Orders

ISM's New Export Orders Index registered 43.3 percent. The two industries reporting growth in new export orders in August are: Furniture & Related Products; and Food, Beverage & Tobacco Products. The 10 industries reporting a decrease in new export orders in August — listed in order — are: Petroleum & Coal Products; Apparel, Leather & Allied Products; Primary Metals; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Paper Products; Transportation Equipment; Machinery; Miscellaneous Manufacturing[‡]; and Computer & Electronic Products.



Imports

ISM's Imports Index registered 46 percent. The four industries reporting growth in imports during the month of August are: Furniture & Related Products; Textile Mills; Nonmetallic Mineral Products; and Miscellaneous Manufacturing[‡].

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