

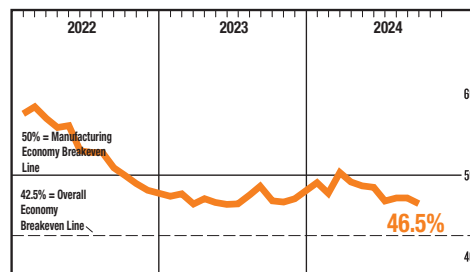
Economic activity in the manufacturing sector contracted in October for the seventh consecutive month and the 23rd time in the last 24 months, say the nation's supply executives in the latest Manufacturing ISM® *Report On Business*®.

The Manufacturing PMI® registered 46.5 percent. The New Orders Index remained in contraction territory, registering 47.1 percent, 1 percentage point higher than the 46.1 percent recorded in September. The October reading of the Production Index (46.2 percent) is 3.6 percentage points lower than September's figure of 49.8 percent. The Prices Index returned to expansion (or "increasing") territory, registering 54.8 percent, up 6.5 percentage points compared to the reading of 48.3 percent in September. The Backlog of Orders Index registered 42.3 percent, down 1.8 percentage points compared to the 44.1 percent recorded in September. The Employment Index registered 44.4 percent, up 0.5 percentage point from September's figure of 43.9 percent. The New Export Orders Index reading of 45.5 percent is 0.2 percentage point higher than the 45.3 percent registered in September. The Imports Index remained in contraction territory in October, registering 48.3 percent, the same reading as reported in September. The five manufacturing industries reporting growth in October are: Apparel, Leather & Allied Products; Food, Beverage & Tobacco Products; Petroleum & Coal Products; Computer & Electronic Products; and Miscellaneous Manufacturing†. **ISM**

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

# MANUFACTURING PMI® at 46.5%

The U.S. manufacturing sector contracted for the seventh consecutive month in October, as the Manufacturing PMI® registered 46.5 percent, 0.7 percentage point lower compared to the 47.2 percent reported in September and August. This is the lowest reading since July 2023 (46.5 percent). After breaking a 16-month streak of contraction by expanding in March, the manufacturing sector has contracted the last seven months.



## Manufacturing at a Glance

INDEX	Oct Index	Sep Index	% Point Change	Direction	Rate of Change	Trend* (months)
Manufacturing PMI®	46.5	47.2	-0.7	Contracting	Faster	7
New Orders	47.1	46.1	+1.0	Contracting	Slower	7
Production	46.2	49.8	-3.6	Contracting	Faster	5
Employment	44.4	43.9	+0.5	Contracting	Slower	5
Supplier Deliveries	52.0	52.2	-0.2	Slowing	Slower	4
Inventories	42.6	43.9	-1.3	Contracting	Faster	2
Customers' Inventories	46.8	50.0	-3.2	Too Low	From About Right	1
Prices	54.8	48.3	+6.5	Increasing	From Decreasing	1
Backlog of Orders	42.3	44.1	-1.8	Contracting	Faster	25
New Export Orders	45.5	45.3	+0.2	Contracting	Slower	5
Imports	48.3	48.3	0.0	Contracting	Same	5
<b>Overall Economy</b>				<b>Growing</b>	<b>Slower</b>	<b>54</b>
<b>Manufacturing Sector</b>				<b>Contracting</b>	<b>Faster</b>	<b>7</b>

\*Number of months moving in current direction. Manufacturing ISM® *Report On Business*® data has been seasonally adjusted for the New Orders, Production, Employment and Inventories indexes.

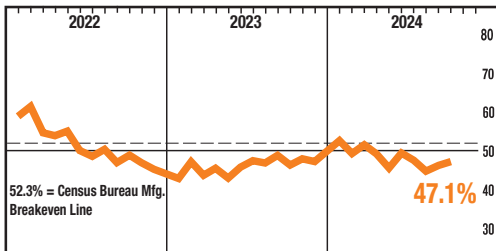


## Commodities Reported

**Commodities Up in Price:** Aluminum (11); Copper; Corrugated Boxes (4); Crude Oil; Natural Gas; Paper; Printed Circuit Boards; Road Freight; and Sulfuric Acid.

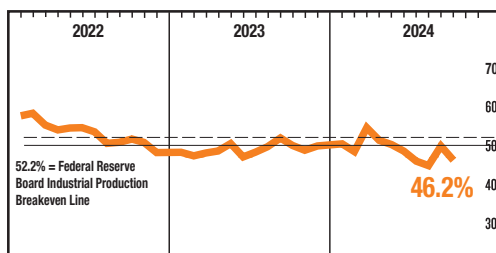
**Commodities Down in Price:** Polypropylene; and Steel (6).

**Commodities in Short Supply:** Electrical Components (49); and Electronic Components (7).



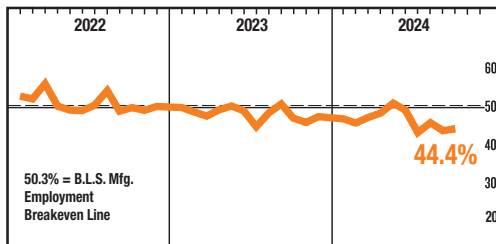
### New Orders

ISM's New Orders Index contracted in October for the seventh consecutive month, registering 47.1 percent. The three manufacturing industries that reported growth in new orders in October are: Apparel, Leather & Allied Products; Food, Beverage & Tobacco Products; and Computer & Electronic Products.



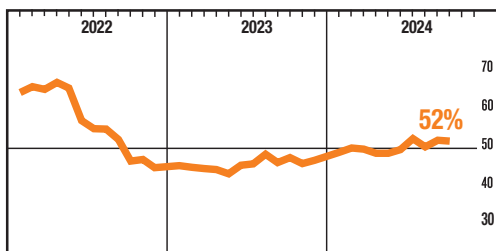
### Production

The Production Index continued in contraction territory in October, registering 46.2 percent. The six industries reporting growth in production during the month of October — in the following order — are: Apparel, Leather & Allied Products; Paper Products; Computer & Electronic Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; and Plastics & Rubber Products.



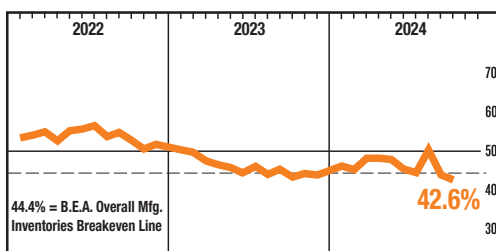
### Employment

ISM's Employment Index registered 44.4 percent. Of 18 manufacturing industries, the three industries reporting employment growth in October are: Wood Products; Paper Products; and Food, Beverage & Tobacco Products.



### Supplier Deliveries

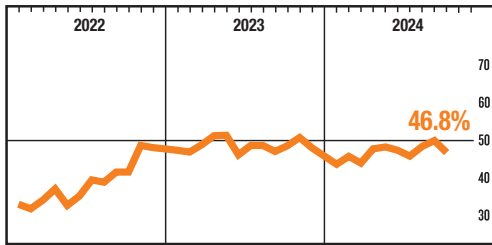
Delivery performance of suppliers to manufacturing organizations was slower in October, with the Supplier Deliveries Index registering 52 percent. The seven manufacturing industries reporting slower supplier deliveries in October — listed in order — are: Furniture & Related Products; Nonmetallic Mineral Products; Petroleum & Coal Products; Miscellaneous Manufacturing<sup>‡</sup>; Computer & Electronic Products; Food, Beverage & Tobacco Products; and Machinery.



### Inventories

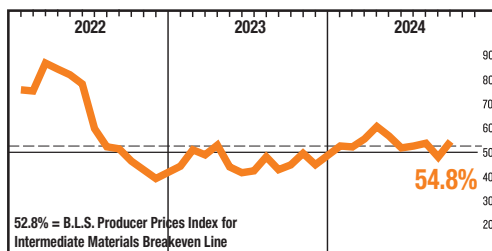
The Inventories Index registered 42.6 percent. Of 18 manufacturing industries, the two industries reporting higher inventories in October are: Nonmetallic Mineral Products; and Primary Metals.

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



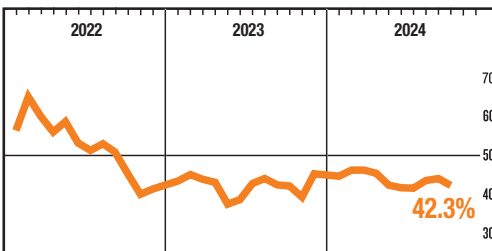
## Customers' Inventories

ISM's Customers' Inventories Index registered 46.8 percent. The five industries reporting customers' inventories as too high in October are: Textile Mills; Wood Products; Furniture & Related Products; Plastics & Rubber Products; and Miscellaneous Manufacturing<sup>‡</sup>.



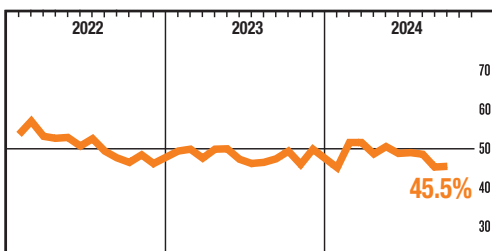
## Prices

The ISM Prices Index registered 54.8 percent. In October, the 11 industries that reported paying increased prices for raw materials, in order, are: Textile Mills; Petroleum & Coal Products; Paper Products; Electrical Equipment, Appliances & Components; Wood Products; Miscellaneous Manufacturing<sup>‡</sup>; Transportation Equipment; Fabricated Metal Products; Food, Beverage & Tobacco Products; Machinery; and Computer & Electronic Products.



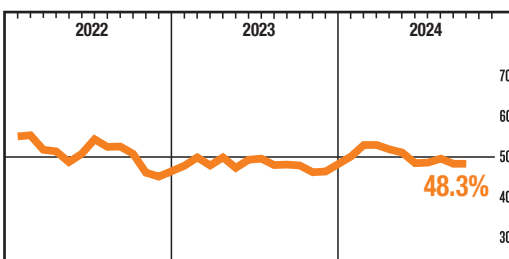
## Backlog of Orders

ISM's Backlog of Orders Index registered 42.3 percent. Of the 18 manufacturing industries, three reported growth in order backlogs in October: Miscellaneous Manufacturing<sup>‡</sup>; Food, Beverage & Tobacco Products; and Computer & Electronic Products.



## New Export Orders

ISM's New Export Orders Index registered 45.5 percent in October, up 0.2 percentage point from September's reading of 45.3 percent. The only industry reporting growth in new export orders in October is Food, Beverage & Tobacco Products.



## Imports

ISM's Imports Index continued to indicate cooling in October; the reading of 48.3 percent is the same reading as reported in September. The six industries reporting an increase in import volumes in October — in the following order — are: Apparel, Leather & Allied Products; Textile Mills; Food, Beverage & Tobacco Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; and Primary Metals.

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

## About This Report

**DO NOT CONFUSE THIS NATIONAL REPORT** with the various regional purchasing reports released across the country. The national report's information reflects the entire U.S., while the regional reports contain primarily regional data from their local vicinities. Also, the information in the regional reports is not used in calculating the results of the national report.

The data presented herein is obtained from a survey of manufacturing and services supply executives based on information they have collected within their respective organizations. ISM® makes no representation, other than that stated within this release, regarding the individual company data collection procedures. The data should be compared to all other economic data sources when used in decision-making.

## Data and Method of Presentation

The **Manufacturing ISM® Report On Business®** is based on data compiled from purchasing and supply executives nationwide. The composition of the Manufacturing Business Survey Panel is stratified according to the North American Industry Classification System (NAICS) and each of the following NAICS-based industries' contribution to gross domestic product (GDP): Food, Beverage & Tobacco Products; Textile Mills; Apparel, Leather & Allied Products; Wood Products; Paper Products; Printing & Related Support Activities; Petroleum & Coal Products; Chemical Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Furniture & Related Products; and Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies). The data are weighted based on each industry's contribution to GDP. According to BEA estimates (the average of the fourth quarter 2022 GDP estimate and the GDP estimates for first, second, and third quarter 2023, as released on December 21, 2023), the six largest manufacturing industries are: Chemical Products; Transportation Equipment; Food, Beverage & Tobacco Products; Computer & Electronic Products; Machinery; and Fabricated Metal Products.

The **Services ISM® Report On Business®** (formerly the Non-Manufacturing ISM® Report On Business®) is based on data compiled from purchasing and supply executives nationwide. Membership of the Services Business Survey Panel (formerly Non-Manufacturing Business Survey Panel) is diversified by NAICS-based industries' contribution to gross domestic product (GDP). The Services Business Survey Panel responses are divided into the following NAICS code categories: Agriculture, Forestry, Fishing & Hunting; Mining; Utilities; Construction; Wholesale Trade; Retail Trade; Transportation & Warehousing; Information; Finance & Insurance; Real Estate, Rental & Leasing; Professional, Scientific & Technical Services; Management of Companies & Support Services; Educational Services; Health Care & Social Assistance; Arts, Entertainment & Recreation; Accommodation & Food Services; Public Administration; and 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). The data are weighted based on each industry's contribution to GDP. According to BEA estimates (the average of the fourth quarter 2022 GDP estimate and the GDP estimates for first, second, and third quarter 2023, as released on December 21, 2023), the six largest services sectors are: Real Estate, Rental & Leasing; Public Administration; Professional, Scientific, & Technical Services; Health Care & Social Assistance; Information; and Finance & Insurance.

Survey responses reflect the change, if any, in the current month compared to the previous month. Responses are raw data and are never changed. The diffusion index includes the percent of positive responses plus one-half of those responding the same (considered positive).

The resulting single index number for those meeting the criteria for seasonal adjustments (for Manufacturing: New Orders, Production, Employment, and Inventories) (for Services: Business Activity, New Orders, Employment and Prices) is then seasonally adjusted to allow for the effects of repetitive intra-year variations resulting primarily from normal differences in weather conditions, various institutional arrangements, and differences attributable to non-moveable holidays. The remaining indexes have not indicated significant seasonality. All seasonal adjustment factors are subject annually to relatively minor changes when conditions warrant them.

The Manufacturing PMI® is a composite index based on the diffusion indexes of five of the indexes with equal weights: New Orders (seasonally adjusted), Production (seasonally adjusted), Employment (seasonally adjusted), Supplier Deliveries, and Inventories (seasonally adjusted). The Services PMI® is a composite index based on the diffusion indexes for four of the indicators with equal weights: Business Activity (seasonally adjusted), New Orders (seasonally adjusted), Employment (seasonally adjusted) and Supplier Deliveries.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change.

A Manufacturing PMI® reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining. A Manufacturing PMI® above 42.5 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 42.5 percent, it is generally declining.

The distance from 50 percent or 42.5 percent is indicative of the extent of the expansion or decline. A Services PMI® reading above 50 percent indicates that the services economy is generally expanding; below 50 percent indicates that it is generally declining. A Services PMI® above 49 percent, over time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 49 percent, it is generally declining. The distance from 50 percent or 49 percent is indicative of the strength of the expansion or decline. With some of the indicators within the Manufacturing ISM® Report On Business®, ISM® has indicated the departure point between expansion and decline of comparable government series, as determined by regression analysis.

The *Report On Business®* surveys are sent out to Manufacturing and Services Business Survey Panel respondents the first part of each month. Respondents are asked to report on information for the current month for U.S. operations only. ISM® receives survey responses throughout most of any given month, with the majority of respondents generally waiting until late in the month to submit responses to give the most accurate picture of current business activity.

The industries reporting growth, as indicated in the monthly reports, are listed in the order of most growth to least growth. For the industries reporting contraction or decreases, those are listed in the order of the highest level of contraction/decrease to the least level of contraction/decrease.

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