Economic activity in the manufacturing sector contracted in July for the ninth consecutive month following a 28-month period of growth, say the nation’s supply executives in the latest Manufacturing ISM® Report On Business®.

The July Manufacturing PMI® registered 46.4 percent. The New Orders Index remained in contraction territory at 47.3 percent, 1.7 percentage points higher than the figure of 45.6 percent recorded in June. The Production Index reading of 48.3 percent is a 1.6-percentage point increase compared to June’s figure of 46.7 percent. The Prices Index registered 42.6 percent, up 0.8 percentage point compared to the June figure of 41.8 percent. The Backlog of Orders Index registered 42.8 percent, 4.1 percentage points higher than the June reading of 38.7 percent. The Employment Index dropped further into contraction, registering 44.4 percent, down 3.7 percentage points from June’s reading of 48.1 percent. The Inventories Index increased by 2.1 percentage points to 46.1 percent; the June reading was 44 percent. The New Export Orders Index reading of 46.2 percent is 1.1 percentage points lower than June’s figure of 47.3 percent. The U.S. manufacturing sector shrank again, but the uptick in the PMI® indicates a marginally slower rate of contraction.

The July composite index reading reflects companies continuing to manage outputs down as order softness continues. The two manufacturing industries that reported growth in July are: Petroleum & Coal Products; and Furniture & Related Products. ISM

MANUFACTURING PMI® at 46.4%

The U.S. manufacturing sector contracted in July, as the Manufacturing PMI® registered 46.4 percent, 0.4 percentage point higher than the reading of 46 percent recorded in June. This is the ninth month of contraction and continuation of a downward trend that began in June 2022. That trend is reflected in the Manufacturing PMI®’s 12-month average falling to 48.3 percent. Of the five subindexes that directly factor into the Manufacturing PMI®, none are in growth territory. Of the six biggest manufacturing industries, only one (Petroleum & Coal Products) registered growth in July.

Manufacturing at a Glance

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*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:** Electrical Components (9); Natural Gas*; Plastic Resins*; Portland Cement; Steel*; and Steel Products*.

**Commodities Down in Price:** Aluminum (2); Caustic Soda; Corrugate (8); Diesel (3); Freight (9); Isocyanates; Methanol; Natural Gas*; Ocean Freight (2); Packaging Materials; Paper (3); Plastic Resins* (14); Polypropylene (3); Solvents; Steel* (4); Steel — Alloy; Steel — Hot Rolled (3); Steel — Stainless; and Steel Products* (2).

**Commodities in Short Supply:** Brake Components; Electrical Components (34); Electrical Controls and Equipment (2); Electronic Assemblies (2); Electronic Components (32); Hydraulic Components (2); Labor — Temporary; Semiconductors (32); and Steel Products.

Note: To view the full report, visit the ISM® Report On Business® website at ismrob.org
The number of consecutive months the commodity has been listed is indicated after each item. *Indicates both up and down in price.
New Orders

ISM’s New Orders Index registered 47.3 percent. The four manufacturing industries that reported growth in new orders in July are: Furniture & Related Products; Textile Mills; Nonmetallic Mineral Products; and Chemical Products.

Production

The Production Index registered 48.3 percent. The three industries reporting growth in production during the month of July are: Machinery; Fabricated Metal Products; and Paper Products.

Employment

ISM’s Employment Index registered 44.4 percent. Of 18 manufacturing industries, three reported employment growth in July: Machinery; Fabricated Metal Products; and Paper Products.

Supplier Deliveries

The Supplier Deliveries Index registered 46.1 percent. The three manufacturing industries reporting slower supplier deliveries in July are: Petroleum & Coal Products; Primary Metals; and Miscellaneous Manufacturing‡.

Inventories

The Inventories Index registered 46.1 percent. Of 18 manufacturing industries, the four reporting higher inventories in July are: Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Machinery; and Food, Beverage & Tobacco Products.

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

July 2023
Customers' Inventories
ISM's Customers' Inventories Index registered 48.7 percent. The eight industries reporting customers' inventories as too high in July are, in order: Printing & Related Support Activities; Furniture & Related Products; Electrical Equipment, Appliances & Components; Paper Products; Fabricated Metal Products; Plastics & Rubber Products; Computer & Electronic Products; and Primary Metals.

Prices
The ISM Prices Index registered 42.6 percent. In July, two industries reported paying increased prices for raw materials: Petroleum & Coal Products; and Computer & Electronic Products.

Backlog of Orders
ISM's Backlog of Orders Index registered 42.8 percent. The three industries reporting growth in order backlogs in July are: Furniture & Related Products; Petroleum & Coal Products; and Transportation Equipment.

New Export Orders
ISM's New Export Orders Index registered 46.2 percent. Three industries reported growth in new export orders in July: Wood Products; Primary Metals; and Electrical Equipment, Appliances & Components.

Imports
ISM's Imports Index registered 49.6 percent. The five industries reporting an increase in import volumes in July are: Textile Mills; Food, Beverage & Tobacco Products; Transportation Equipment; Miscellaneous Manufacturing; and Machinery.

‡ Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies).
The distance from 50 percent or 48.7 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 49.9 percent, over time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 49.9 percent, it is generally declining. The distance from 50 percent or 49.9 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 Committee 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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