

Economic activity in the manufacturing sector contracted in May for the second consecutive month and the 18th time in the last 19 months, say the nation's supply executives in the latest Manufacturing ISM® *Report On Business*®.

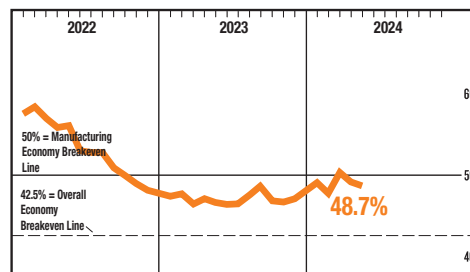
The Manufacturing PMI® registered 48.7 percent. The New Orders Index remained in contraction territory, registering 45.4 percent, 3.7 percentage points lower than the 49.1 percent recorded in April. The May reading of the Production Index (50.2 percent) is 1.1 percentage points lower than April's figure of 51.3 percent. The Prices Index registered 57 percent, down 3.9 percentage points compared to the reading of 60.9 percent in April. The Backlog of Orders Index registered 42.4 percent, down 3 percentage points compared to the 45.4 percent recorded in April. The Employment Index registered 51.1 percent, up 2.5 percentage points from April's figure of 48.6 percent. The Prices Index eased but remained in strong expansion (or "increasing") territory, as most commodity driven costs continue to climb but at weaker rates. Imports continued to grow, at a slower rate in May. Of the six biggest manufacturing industries, two (Fabricated Metal Products; and Chemical Products) registered growth in May.

The seven manufacturing industries reporting growth in May — in order — are: Printing & Related Support Activities; Petroleum & Coal Products; Paper Products; Textile Mills; Primary Metals; Fabricated Metal Products; and Chemical Products. **ISM**

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

MANUFACTURING PMI® at 48.7%

The U.S. manufacturing sector contracted for the second consecutive month in May, as the Manufacturing PMI® registered 48.7 percent, down 0.5 percentage point compared to April's reading of 49.2 percent. After breaking a 16-month streak of contraction by expanding in March, the manufacturing sector has contracted the last two months, and at a faster rate in May. A reading above 50 percent indicates that the manufacturing sector is generally expanding; below 50 percent indicates that it is generally contracting.



Manufacturing at a Glance

INDEX	May Index	Apr Index	% Point Change	Direction	Rate of Change	Trend* (months)
Manufacturing PMI®	48.7	49.2	-0.5	Contracting	Faster	2
New Orders	45.4	49.1	-3.7	Contracting	Faster	2
Production	50.2	51.3	-1.1	Growing	Slower	3
Employment	51.1	48.6	+2.5	Growing	From Contracting	1
Supplier Deliveries	48.9	48.9	0.0	Faster	Same	3
Inventories	47.9	48.2	-0.3	Contracting	Faster	16
Customers' Inventories	48.3	47.8	+0.5	Too Low	Slower	6
Prices	57.0	60.9	-3.9	Increasing	Slower	5
Backlog of Orders	42.4	45.4	-3.0	Contracting	Faster	20
New Export Orders	50.6	48.7	+1.9	Growing	From Contracting	1
Imports	51.1	51.9	-0.8	Growing	Slower	5
Overall Economy				Growing	Slower	49
Manufacturing Sector				Contracting	Faster	2

*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.

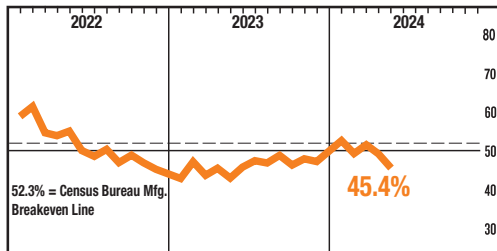


Commodities Reported

Commodities Up in Price: Aluminum (6); Brass; Copper (2); Diesel Fuel (3); Electrical Components; Electronic Components; Labor — Temporary; Natural Gas; Ocean Freight; Plastic Resins (5); Solvents (2); Steel Fabrications; and Zinc (2).

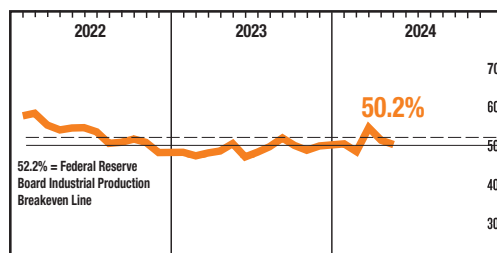
Commodities Down in Price: Packaging Components; Steel; Steel — Carbon (2); Steel — Hot Rolled; and Steel — Scrap.

Commodities in Short Supply: Electrical Components (44); Electrical Equipment (3); Electronic Components (2); and Printed Circuit Board Assemblies (PCBA).



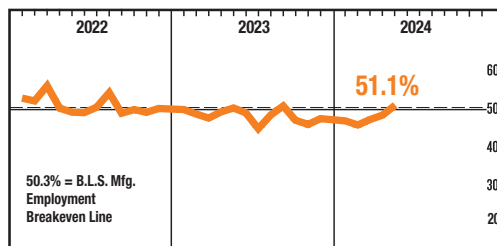
New Orders

ISM's New Orders Index registered 45.4 percent. The four manufacturing industries that reported growth in new orders in May are: Printing & Related Support Activities; Petroleum & Coal Products; Miscellaneous Manufacturing[‡]; and Chemical Products.



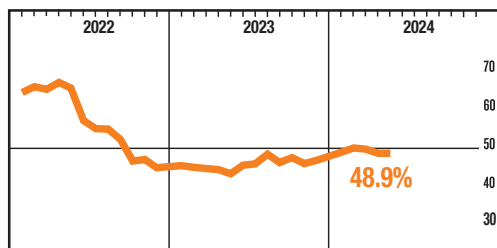
Production

The Production Index registered 50.2 percent. The six industries reporting growth in production during the month of May, in order, are: Petroleum & Coal Products; Printing & Related Support Activities; Nonmetallic Mineral Products; Paper Products; Fabricated Metal Products; and Chemical Products.



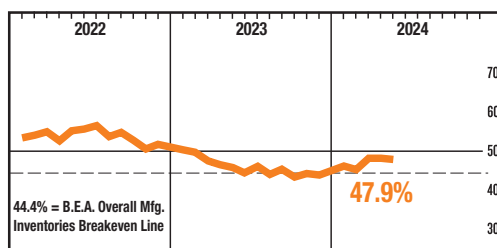
Employment

ISM's Employment Index registered 51.1 percent. Of 18 manufacturing industries, the seven industries reporting employment growth in May — in the following order — are: Printing & Related Support Activities; Petroleum & Coal Products; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Transportation Equipment; Primary Metals; and Chemical Products.



Supplier Deliveries

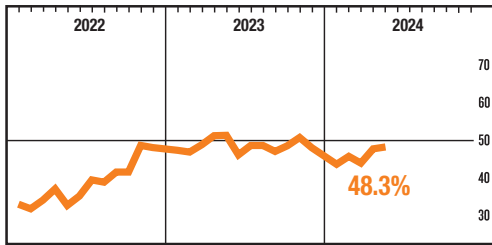
The Supplier Deliveries Index registered 48.9 percent. The six manufacturing industries reporting slower supplier deliveries in May, in order, are: Textile Mills; Petroleum & Coal Products; Primary Metals; Paper Products; Electrical Equipment, Appliances & Components; and Chemical Products.



Inventories

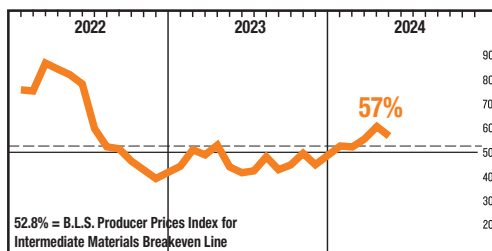
The Inventories Index registered 47.9 percent. Of 18 manufacturing industries, six reported higher inventories in May, in the following order: Paper Products; Textile Mills; Wood Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; and Food, Beverage & Tobacco Products.

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



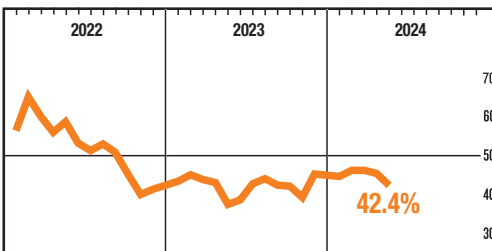
Customers' Inventories

ISM's Customers' Inventories Index registered 48.3 percent. The six industries reporting customers' inventories as too high in May, in order, are: Printing & Related Support Activities; Textile Mills; Wood Products; Computer & Electronic Products; Miscellaneous Manufacturing[‡]; and Plastics & Rubber Products.



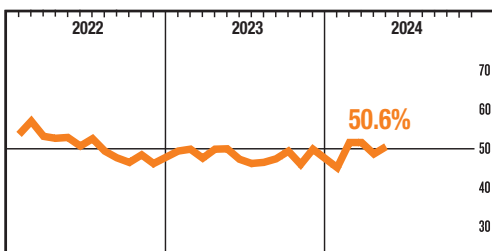
Prices

The ISM Prices Index registered 57 percent. In May, the 12 industries that reported paying increased prices for raw materials, in order, are: Primary Metals; Textile Mills; Paper Products; Printing & Related Support Activities; Electrical Equipment, Appliances & Components; Plastics & Rubber Products; Machinery; Chemical Products; Computer & Electronic Products; Miscellaneous Manufacturing[‡]; Food, Beverage & Tobacco Products; and Fabricated Metal Products.



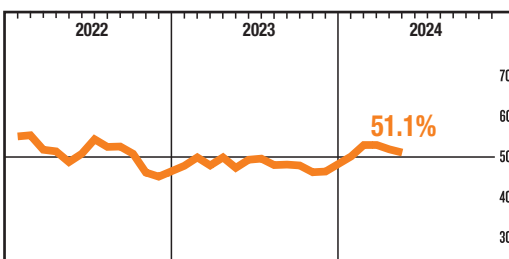
Backlog of Orders

ISM's Backlog of Orders Index registered 42.4 percent. Of 18 manufacturing industries, the four that reported growth in order backlogs in May are: Textile Mills; Paper Products; Primary Metals; and Chemical Products.



New Export Orders

ISM's New Export Orders Index registered 50.6 percent. The four industries reporting growth in new export orders in May are: Wood Products; Chemical Products; Food, Beverage & Tobacco Products; and Computer & Electronic Products.



Imports

ISM's Imports Index registered 51.1 percent. The eight industries reporting an increase in import volumes in May — listed in the following order — are: Printing & Related Support Activities; Textile Mills; Paper Products; Petroleum & Coal Products; Primary Metals; Food, Beverage & Tobacco Products; Fabricated Metal Products; and Transportation Equipment.

[‡]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 Committee 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 Committee (formerly Non-Manufacturing Business Survey Committee) is diversified by NAICS-based industries' contribution to gross domestic product (GDP). The Services Business Survey Committee 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 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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