

Economic activity in the manufacturing sector expanded for the second month in a row in February after 26 consecutive months of contraction, say the nation's supply executives in the latest Manufacturing ISM® *Report On Business*®.

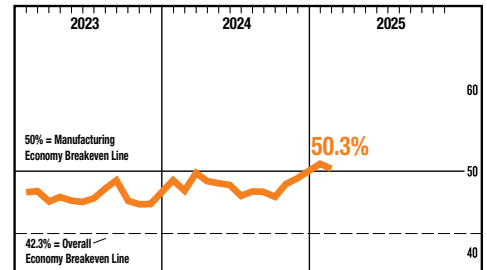
The Manufacturing PMI® registered 50.3 percent. The New Orders Index dropped back into contraction territory after expanding for three months, registering 48.6 percent, 6.5 percentage points lower than the 55.1 percent recorded in January. The February reading of the Production Index (50.7 percent) is 1.8 percentage points lower than January's figure of 52.5 percent. The index expanded for the second month in a row after eight months in contraction. The Prices Index surged further into expansion (or "increasing") territory, registering 62.4 percent, up 7.5 percentage points compared to the reading of 54.9 percent in January. The Backlog of Orders Index registered 46.8 percent, up 1.9 percentage points compared to the 44.9 percent recorded in January. The Employment Index registered 47.6 percent, down 2.7 percentage points from January's figure of 50.3 percent.

The 10 manufacturing industries reporting growth in February — listed in order — are: Petroleum & Coal Products; Miscellaneous Manufacturing†; Primary Metals; Wood Products; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Chemical Products; Plastics & Rubber Products; Fabricated Metal Products; and Transportation Equipment. **ISM**

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

MANUFACTURING PMI® at 50.3%

The U.S. manufacturing sector expanded for the second consecutive month in February after 26 months of contraction, as the Manufacturing PMI® registered 50.3 percent, 0.6 percentage point lower compared to the 50.9 percent reported in January. Although the PMI® took a step back in February, it increased by four percentage points over the three previous months, with the most recent bump in January finally returning the manufacturing sector to expansion.



Manufacturing at a Glance

INDEX	Feb Index	Jan Index	% Point Change	Direction	Rate of Change	Trend* (months)
Manufacturing PMI®	50.3	50.9	-0.6	Growing	Slower	2
New Orders	48.6	55.1	-6.5	Contracting	From Growing	1
Production	50.7	52.5	-1.8	Growing	Slower	2
Employment	47.6	50.3	-2.7	Contracting	From Growing	1
Supplier Deliveries	54.5	50.9	+3.6	Slowing	Faster	3
Inventories	49.9	45.9	+4.0	Contracting	Slower	6
Customers' Inventories	45.3	46.7	-1.4	Too Low	Faster	5
Prices	62.4	54.9	+7.5	Increasing	Faster	5
Backlog of Orders	46.8	44.9	+1.9	Contracting	Slower	29
New Export Orders	51.4	52.4	-1.0	Growing	Slower	2
Imports	52.6	51.1	+1.5	Growing	Faster	2
Overall Economy				Growing	Slower	58
Manufacturing Sector				Growing	Slower	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.

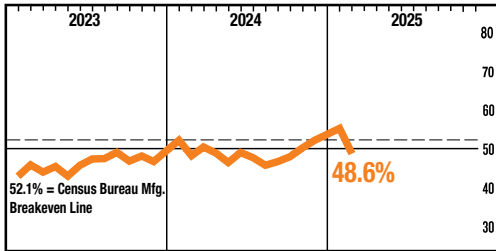


Commodities Reported

Commodities Up in Price: Aluminum (15); Cocoa Beans; Copper; Electrical Components; Electronic Components; Labor — Temporary; Natural Gas (5); Plastic Resin; Polypropylene Resin; Solvents; Steel; Steel — Carbon; Steel — Hot Rolled; and Steel — Scrap (2).

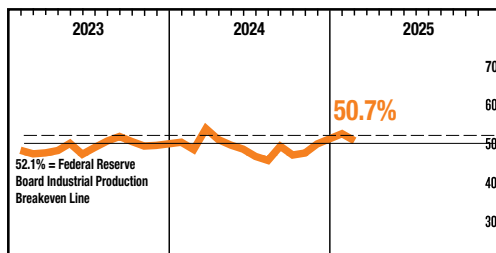
Commodities Down in Price: Ocean Freight.

Commodities in Short Supply: Electrical Components (53).



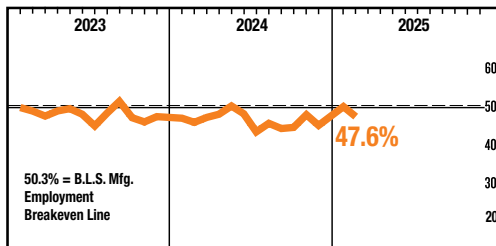
New Orders

ISM's New Orders Index registered 48.6 percent. The nine manufacturing industries that reported growth in new orders in February, in order, are: Petroleum & Coal Products; Wood Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing[‡]; Primary Metals; Machinery; Fabricated Metal Products; Food, Beverage & Tobacco Products; and Chemical Products.



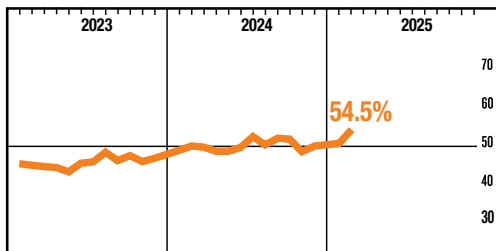
Production

The Production Index registered 50.7 percent. The seven industries reporting growth in production during the month of February, in order, are: Electrical Equipment, Appliances & Components; Plastics & Rubber Products; Miscellaneous Manufacturing[‡]; Fabricated Metal Products; Food, Beverage & Tobacco Products; Chemical Products; and Transportation Equipment.



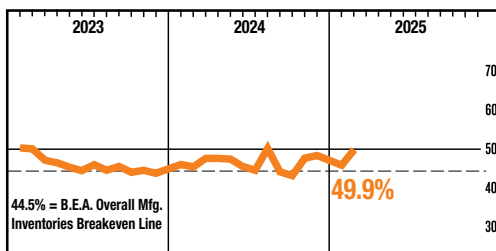
Employment

ISM's Employment Index registered 47.6 percent. Of 18 manufacturing industries, the six industries reporting employment growth in February — in the following order — are: Plastics & Rubber Products; Wood Products; Paper Products; Miscellaneous Manufacturing[‡]; Fabricated Metal Products; and Transportation Equipment.



Supplier Deliveries

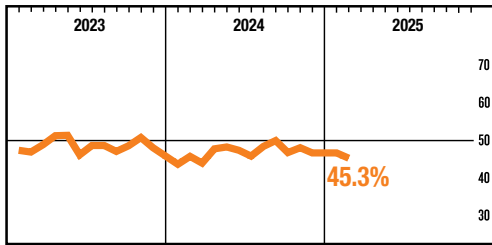
Delivery performance of suppliers to manufacturing organizations was slower in February, with the Supplier Deliveries Index registering 54.5 percent. The nine manufacturing industries reporting slower supplier deliveries in February — in the following order — are: Nonmetallic Mineral Products; Textile Mills; Petroleum & Coal Products; Primary Metals; Transportation Equipment; Chemical Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing[‡]; and Computer & Electronic Products.



Inventories

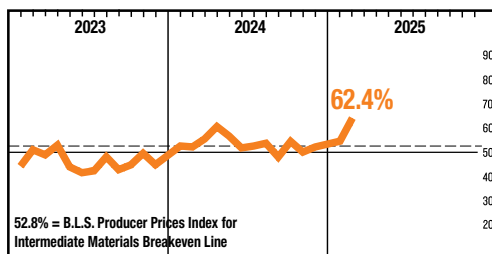
The Inventories Index registered 49.9 percent. Of 18 manufacturing industries, the seven industries reporting higher inventories in February — listed in order — are: Textile Mills; Petroleum & Coal Products; Furniture & Related Products; Paper Products; Primary Metals; Food, Beverage & Tobacco Products; and Chemical Products.

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



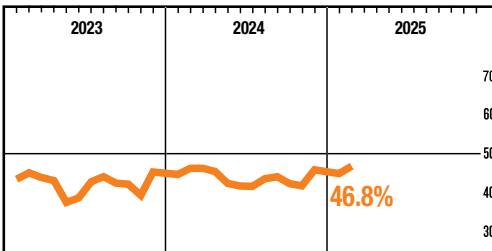
Customers' Inventories

ISM's Customers' Inventories Index registered a reading of 45.3 percent. The two industries reporting customers' inventories as too high in February are: Wood Products; and Transportation Equipment.



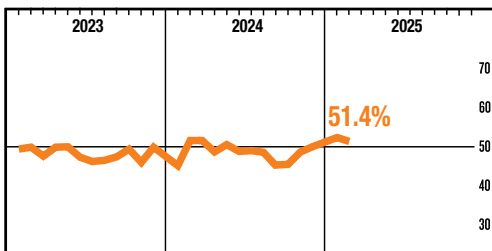
Prices

The ISM Prices Index registered 62.4 percent. In February, the 14 industries that reported paying increased prices for raw materials, in order, are: Wood Products; Textile Mills; Primary Metals; Fabricated Metal Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Chemical Products; Transportation Equipment; Miscellaneous Manufacturing[‡]; Food, Beverage & Tobacco Products; Machinery; Furniture & Related Products; Paper Products; and Computer & Electronic Products.



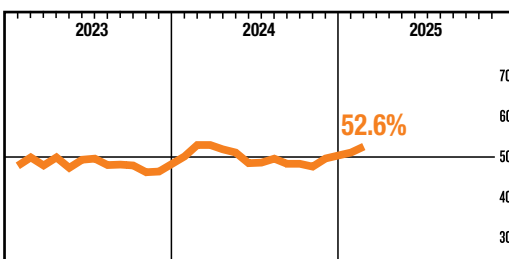
Backlog of Orders

ISM's Backlog of Orders Index registered 46.8 percent. Of the 18 manufacturing industries, five reported growth in order backlogs in February: Wood Products; Plastics & Rubber Products; Miscellaneous Manufacturing[‡]; Primary Metals; and Fabricated Metal Products.



New Export Orders

ISM's New Export Orders Index expanded in February for the second consecutive month, registering 51.4 percent. The four industries reporting growth in new export orders in February are: Nonmetallic Mineral Products; Paper Products; Miscellaneous Manufacturing[‡]; and Computer & Electronic Products.



Imports

ISM's Imports Index increased for the second consecutive month in February, posting a reading of 52.6 percent. The seven industries reporting an increase in import volumes in February, in order, are: Wood Products; Furniture & Related Products; Transportation Equipment; Miscellaneous Manufacturing[‡]; Machinery; Food, Beverage & Tobacco Products; and Chemical Products.

[‡]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 2023 GDP estimate and the GDP estimates for first, second, and third quarter 2024, as released on December 19, 2024), the six largest manufacturing industries are: Chemical Products; Transportation Equipment; Computer & Electronic Products; Food, Beverage & Tobacco Products; Machinery; and Petroleum & Coal 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 on each industry's 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 2023 GDP estimate and the GDP estimates for first, second, and third quarter 2024, as released on December 19, 2024), 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 42.3 percent, over a period of time, indicates that the overall economy, or gross

domestic product (GDP), is generally expanding; below 42.3 percent, it is generally declining. The distance from 50 percent or 42.3 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 48.6 percent, over time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 48.6 percent, it is generally declining. The distance from 50 percent or 48.6 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.

ISM ROB Content

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