

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

The May Manufacturing PMI® registered 46.9 percent. The New Orders Index remained in contraction territory at 42.6 percent, 3.1 percentage points lower than the figure of 45.7 percent recorded in April. The Production Index reading of 51.1 percent is a 2.2-percentage point increase compared to April's figure of 48.9 percent. The Prices Index registered 44.2 percent, down 9 percentage points compared to the April figure of 53.2 percent. The Backlog of Orders Index registered 37.5 percent, 5.6 percentage points lower than the April reading of 43.1 percent. The Employment Index indicated another month of expansion, registering 51.4 percent, up 1.2 percentage points from April's reading of 50.2 percent. The Supplier Deliveries Index figure of 43.5 percent is 1.1 percentage points lower than the 44.6 percent recorded in April; this is the index's lowest reading since March 2009 (43.2 percent).

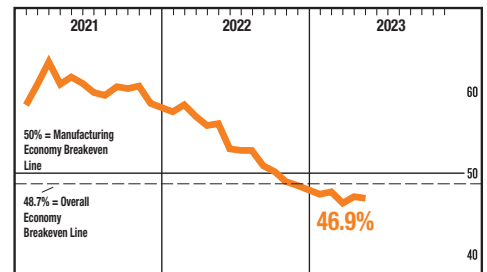
Of the six biggest manufacturing industries, only one — Transportation Equipment — registered growth in May. The four manufacturing industries that reported growth in May are: Nonmetallic Mineral Products; Furniture & Related Products; Transportation Equipment; and Fabricated Metal Products. **ISM**

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



MANUFACTURING PMI® at 46.9%

The U.S. manufacturing sector contracted in May, as the Manufacturing PMI® registered 46.9 percent, 0.2 percentage point lower than the reading of 47.1 percent recorded in April. This is the seventh 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 49.4 percent.



Manufacturing at a Glance

| INDEX | May Index | Apr Index | % Point Change | Direction | Rate of Change | Trend* (months) |
|-----------------------------|-----------|-----------|----------------|--------------------|------------------|-----------------|
| Manufacturing PMI® | 46.9 | 47.1 | -0.2 | Contracting | Faster | 7 |
| New Orders | 42.6 | 45.7 | -3.1 | Contracting | Faster | 9 |
| Production | 51.1 | 48.9 | +2.2 | Growing | From Contracting | 1 |
| Employment | 51.4 | 50.2 | +1.2 | Growing | Faster | 2 |
| Supplier Deliveries | 43.5 | 44.6 | -1.1 | Faster | Faster | 8 |
| Inventories | 45.8 | 46.3 | -0.5 | Contracting | Faster | 3 |
| Customers' Inventories | 51.4 | 51.3 | +0.1 | Too High | Faster | 2 |
| Prices | 44.2 | 53.2 | -9.0 | Decreasing | From Increasing | 1 |
| Backlog of Orders | 37.5 | 43.1 | -5.6 | Contracting | Faster | 8 |
| New Export Orders | 50.0 | 49.8 | +0.2 | Unchanged | From Contracting | 1 |
| Imports | 47.3 | 49.9 | -2.6 | Contracting | Faster | 7 |
| Overall Economy | | | | Contracting | Faster | 6 |
| Manufacturing Sector | | | | Contracting | Faster | 7 |

*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

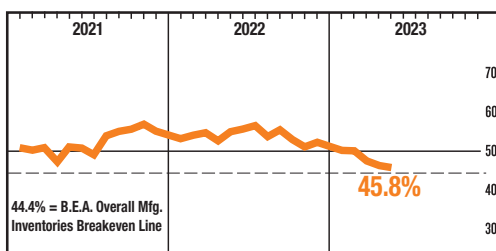
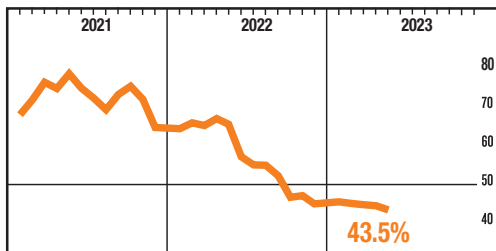
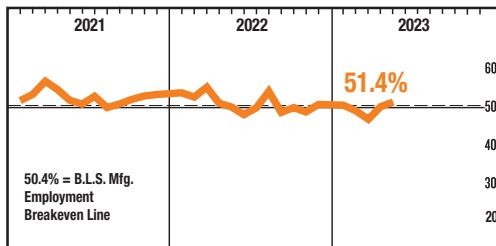
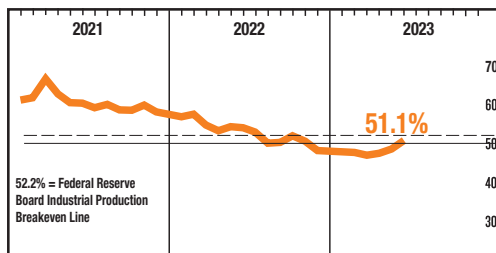
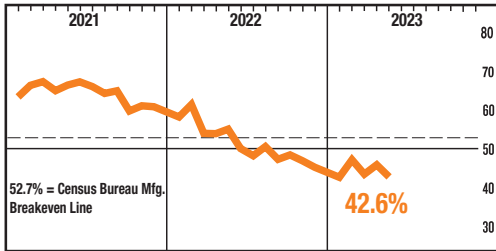
Commodities Up in Price: Aluminum; Copper (6); Electrical Components (7); Electronic Components (4); Labor — Temporary (2); and Steel* (4).

Commodities Down in Price: Corrugate (6); Diesel; Epoxy (2); Freight (7); Pallets; Paper; Plastic Resins (12); Polypropylene; Steel — Hot Rolled; Steel* (2); and Sulphur.

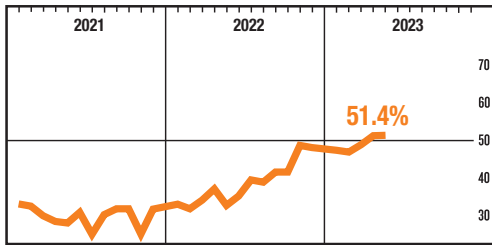
Commodities in Short Supply: Electrical Components (32); Electronic Components (30); Semiconductors (30); and Steel Based Products.

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. *Reported as both up and down in price.

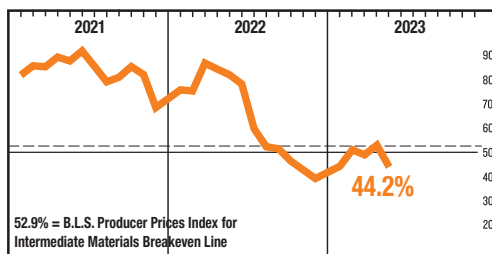


[‡]Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies).



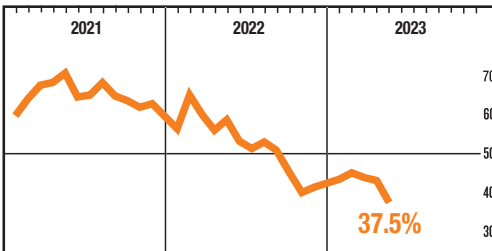
Customers' Inventories

ISM's Customers' Inventories Index registered 51.4 percent. The eight industries reporting customers' inventories as too high in May are, in order: Paper Products; Electrical Equipment, Appliances & Components; Petroleum & Coal Products; Wood Products; Fabricated Metal Products; Computer & Electronic Products; Plastics & Rubber Products; and Transportation Equipment.



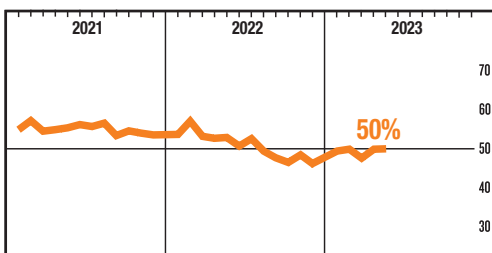
Prices

The ISM Prices Index registered 44.2 percent. In May, five industries reported paying increased prices for raw materials: Textile Mills; Nonmetallic Mineral Products; Machinery; Petroleum & Coal Products; and Transportation Equipment.



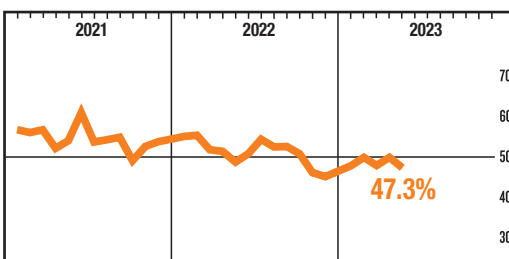
Backlog of Orders

ISM's Backlog of Orders Index registered 37.5 percent. No industries reported growth in order backlogs in May. Twelve industries reported lower backlogs in May, in the following order: Paper Products; Wood Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Primary Metals; Food, Beverage & Tobacco Products; Computer & Electronic Products; Fabricated Metal Products; Transportation Equipment; Chemical Products; and Machinery.



New Export Orders

ISM's New Export Orders Index registered 50 percent. Five industries reported growth in new export orders in May: Miscellaneous Manufacturing[‡]; Paper Products; Plastics & Rubber Products; Fabricated Metal Products; and Transportation Equipment.



Imports

ISM's Imports Index registered 47.3 percent in May, a decrease of 2.6 percentage points compared to April's figure of 49.9 percent. The two industries reporting an increase in import volumes in May are: Petroleum & Coal Products; and Food, Beverage & Tobacco 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 Committee is stratified according to the North American Industry Classification System (NAICS) and each of the following NAICS-based industry's 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 the BEA estimates for 2021 GDP (released December 22, 2022), the six largest manufacturing subsectors are: Computer & Electronic Products; Chemical Products; Transportation Equipment; 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 Committee (formerly Non-Manufacturing Business Survey Committee) is diversified by NAICS, based on each industry's 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 the BEA estimates for 2021 GDP (released December 22, 2022), the six largest services sectors are: Real Estate, Rental & Leasing; Government; 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 48.7 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 48.7 percent, it is generally declining.

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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