

Economic activity in the manufacturing sector contracted in September for the 11th consecutive month following a 28-month period of growth, say the nation's supply executives in the latest Manufacturing ISM® *Report On Business*®.

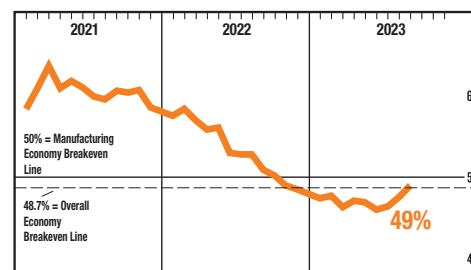
The overall economy expanded weakly after nine months of contraction following a 30-month period of expansion. (A Manufacturing PMI® above 48.7 percent, over a period of time, generally indicates an expansion of the overall economy.) The Manufacturing PMI® registered 49 percent. The New Orders Index remained in contraction territory at 49.2 percent, 2.4 percentage points higher than the figure of 46.8 percent recorded in August. The Production Index reading of 52.5 percent is a 2.5-percentage point increase compared to August's figure of 50 percent. The Prices Index registered 43.8 percent, down 4.6 percentage points compared to the reading of 48.4 percent in August. The Backlog of Orders Index registered 42.4 percent, 1.7 percentage points lower than the August reading of 44.1 percent. The Employment Index registered 51.2 percent, up 2.7 percentage points from the 48.5 percent reported in August. The Inventories Index increased by 1.8 percentage points to 45.8 percent; the August reading was 44 percent. The New Export Orders Index reading of 47.4 percent is 0.9 percentage point higher than August's figure of 46.5 percent.

The five manufacturing industries that reported growth in September are: Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Textile Mills; Primary Metals; and Petroleum & Coal Products. **ISM**

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

MANUFACTURING PMI® at 49%

The U.S. manufacturing sector contracted in September, as the Manufacturing PMI® registered 49 percent, 1.4 percentage points higher than the reading of 47.6 percent recorded in August and its highest figure since November 2022 (49 percent). This is the 11th month of contraction, but the third month of positive change. Of the five subindexes that directly factor into the Manufacturing PMI®, two (the Production and Employment indexes) are in expansion territory, up from none in August, breaking a three-month streak of no such growth.



Manufacturing at a Glance

INDEX	Sep Index	Aug Index	% Point Change	Direction	Rate of Change	Trend* (months)
Manufacturing PMI®	49.0	47.6	+1.4	Contracting	Slower	11
New Orders	49.2	46.8	+2.4	Contracting	Slower	13
Production	52.5	50.0	+2.5	Growing	From Unchanged	1
Employment	51.2	48.5	+2.7	Growing	From Contracting	1
Supplier Deliveries	46.4	48.6	-2.2	Faster	Faster	12
Inventories	45.8	44.0	+1.8	Contracting	Slower	7
Customers' Inventories	47.1	48.7	-1.6	Too Low	Faster	4
Prices	43.8	48.4	-4.6	Decreasing	Faster	5
Backlog of Orders	42.4	44.1	-1.7	Contracting	Faster	12
New Export Orders	47.4	46.5	+0.9	Contracting	Slower	4
Imports	48.2	48.0	+0.2	Contracting	Slower	11
Overall Economy				Growing	From Contracting	1
Manufacturing Sector				Contracting	Slower	11

*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.

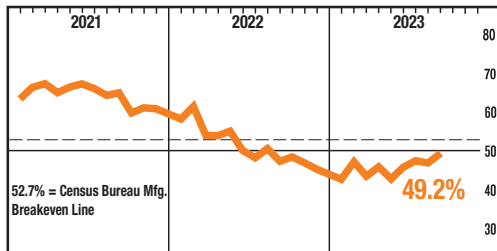


Commodities Reported

Commodities Up in Price: Crude Oil (2); Diesel Fuel (2); Electronic Components; Labor — Temporary; Natural Gas (3); Petroleum Based Products; Plastic Resins*; Road Freight; Steel* (3); Steel Alloying Minerals; and Zinc.

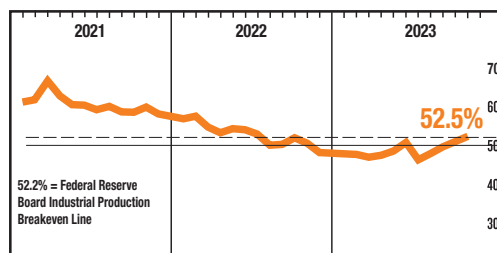
Commodities Down in Price: Aluminum (4); Caustic Soda (3); Corrugate Boxes (2); Ocean Freight Rates; Plastic Resins* (16); Polypropylene (5); Steel* (6); Steel — Hot Rolled (5); and Steel Products (4).

Commodities in Short Supply: Electrical Components (36); Electrical Transmission Products (2); Electronic Components (34); Hydraulic Components (4); Labor — Construction; Semiconductors (34); and Steel Products.



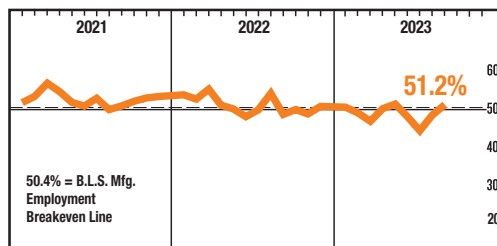
New Orders

ISM's New Orders Index registered 49.2 percent. The five manufacturing industries that reported growth in new orders in September are: Miscellaneous Manufacturing‡; Food, Beverage & Tobacco Products; Primary Metals; Fabricated Metal Products; and Nonmetallic Mineral Products.



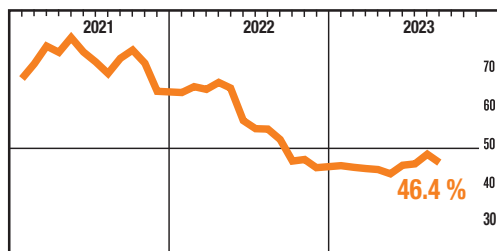
Production

The Production Index registered 52.5 percent. The 10 industries reporting growth in production during the month of September — in the following order — are: Primary Metals; Textile Mills; Miscellaneous Manufacturing‡; Food, Beverage & Tobacco Products; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Machinery; Transportation Equipment; Fabricated Metal Products; and Computer & Electronic Products.



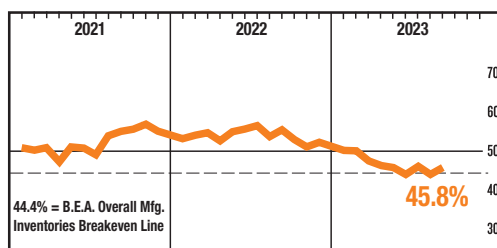
Employment

ISM's Employment Index registered 51.2 percent. Of 18 manufacturing industries, seven reported employment growth in September in the following order: Petroleum & Coal Products; Food, Beverage & Tobacco Products; Primary Metals; Transportation Equipment; Chemical Products; Machinery; and Nonmetallic Mineral Products.



Supplier Deliveries

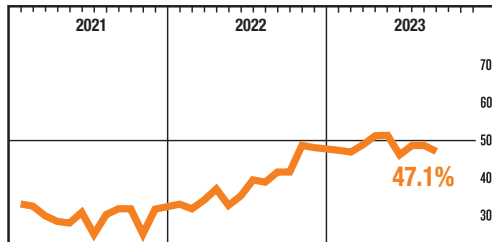
The Supplier Deliveries Index registered 46.4 percent. The five manufacturing industries reporting slower supplier deliveries in September are: Wood Products; Textile Mills; Paper Products; Nonmetallic Mineral Products; and Transportation Equipment.



Inventories

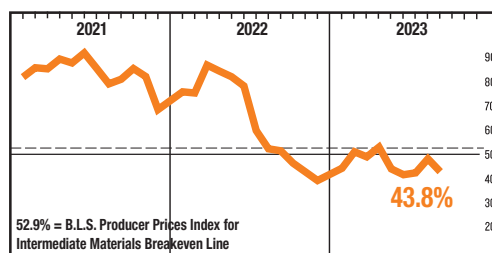
The Inventories Index registered 45.8 percent. Of 18 manufacturing industries, the two reporting higher inventories in September are: Nonmetallic Mineral Products; and Electrical Equipment, Appliances & Components.

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



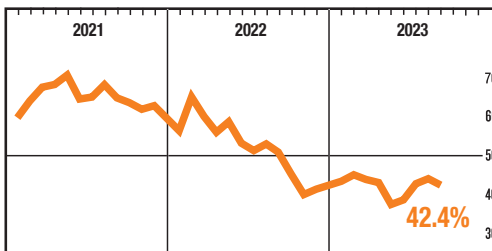
Customers' Inventories

ISM's Customers' Inventories Index registered 47.1 percent. The four industries reporting customers' inventories as too high in September are: Plastics & Rubber Products; Computer & Electronic Products; Miscellaneous Manufacturing[‡]; and Fabricated Metal Products.



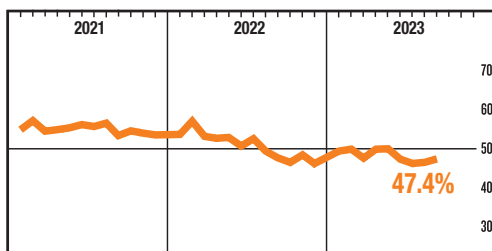
Prices

The ISM Prices Index registered 43.8 percent. In September, the only industry that reported paying increased prices for raw materials is Petroleum & Coal Products.



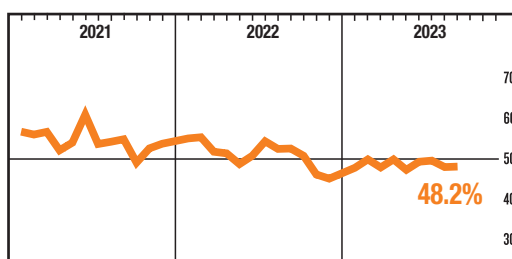
Backlog of Orders

ISM's Backlog of Orders Index registered 42.4 percent. The three industries reporting growth in order backlogs in September are: Textile Mills; Petroleum & Coal Products; and Primary Metals.



New Export Orders

ISM's New Export Orders Index registered 47.4 percent. The three industries reporting growth in new export orders in September are: Wood Products; Primary Metals; and Food, Beverage & Tobacco Products.



Imports

ISM's Imports Index registered 48.2 percent. The six industries reporting an increase in import volumes in September, in order, are: Textile Mills; Primary Metals; Transportation Equipment; Food, Beverage & Tobacco Products; Fabricated Metal Products; and Miscellaneous Manufacturing[‡].

[‡]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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