

# Manufacturing PMI<sup>®</sup> at 50.2%

## October 2022 Manufacturing ISM<sup>®</sup> Report On Business<sup>®</sup>

**New Orders Contracting**

**Production Growing; Backlogs Contracting**

**Supplier Deliveries Faster**

**Raw Materials Inventories Growing; Customers' Inventories Too Low**

**Prices Decreasing; Exports Contracting; Imports Growing**

(Tempe, Arizona) — Economic activity in the **manufacturing sector grew in October**, with the overall economy achieving a 29th consecutive month of growth, say the nation's supply executives in the latest **Manufacturing ISM<sup>®</sup> Report On Business<sup>®</sup>**.

The report was issued today by Timothy R. Fiore, CPSM, C.P.M., Chair of the Institute for Supply Management<sup>®</sup> (ISM<sup>®</sup>) Manufacturing Business Survey Committee:

“The October Manufacturing PMI<sup>®</sup> registered 50.2 percent, 0.7 percentage point lower than the 50.9 percent recorded in September. This figure indicates expansion in the overall economy for the 29th month in a row after contraction in April and May 2020. The Manufacturing PMI<sup>®</sup> figure is the lowest since May 2020, when it registered 43.5 percent. The New Orders Index remained in contraction territory at 49.2 percent, 2.1 percentage points higher than the 47.1 percent recorded in September. The Production Index reading of 52.3 percent is a 1.7-percentage point increase compared to September's figure of 50.6 percent. The Prices Index registered 46.6 percent, down 5.1 percentage points compared to the September figure of 51.7 percent. This is the index's lowest reading since May 2020 (40.8 percent). The Backlog of Orders Index registered 45.3 percent, 5.6 percentage points lower than the

September reading of 50.9 percent. After one month of contraction, the Employment Index was unchanged at 50 percent, 1.3 percentage points higher than the 48.7 percent recorded in September. The Supplier Deliveries Index reading of 46.8 percent is 5.6 percentage points lower than the September figure of 52.4 percent. This reading, the index's lowest since March 2009 (43.2 percent), ended a streak of 79 months in 'slowing' territory. The Inventories Index registered 52.5 percent, 3 percentage points lower than the September reading of 55.5 percent. The New Export Orders Index reading of 46.5 percent is down 1.3 percentage points compared to September's figure of 47.8 percent. This is the index's lowest figure since May 2020, when it registered 39.5 percent. The Imports Index remained in expansion territory at 50.8 percent, 1.8 percentage points below the September reading of 52.6 percent."

Fiore continues, "The U.S. manufacturing sector continues to expand, but at the lowest rate since the coronavirus pandemic recovery began. With panelists reporting softening new order rates over the previous five months, the October index reading reflects companies' preparing for potential future lower demand. In the meantime, **demand** eased, with the (1) New Orders Index remaining in contraction territory, (2) New Export Orders Index below 50 percent for a third consecutive month and at a faster rate of contraction, (3) Customers' Inventories Index remaining at a low level, with the same reading as in September and (4) Backlog of Orders Index slipping into contraction. **Output/Consumption** (measured by the Production and Employment indexes) improved month over month, with a combined positive 3-percentage point impact on the Manufacturing PMI<sup>®</sup> calculation. The Employment Index shifted from contraction to a reading of 50 percent (unchanged), and the Production Index increased by 1.7 percentage points, staying in modest growth territory. Business Survey Committee panelists' companies are continuing to manage head counts through hiring freezes and attrition to lower levels, with medium- and long-term demand still uncertain. **Inputs** — defined as supplier deliveries, inventories, prices and imports — mostly accommodated growth. The Supplier Deliveries Index indicated faster deliveries and the Inventories Index dropped 3 percentage points as panelists' companies continued to manage the total supply chain inventory. The Prices Index decreased for a seventh straight month and fell into contraction territory, which should encourage buyers.

"Of the six biggest manufacturing industries, three — Machinery; Petroleum & Coal Products; and Transportation Equipment — registered moderate-to-strong growth in October.

“Manufacturing expanded for the 29th straight month in October. Panelists’ companies continue to carefully manage hiring, month-over-month supplier delivery performance was the best since March 2009, and the Prices Index indicated decreasing prices for the first time since May 2020. Like in September, mentions of large-scale layoffs were absent from panelists’ comments, indicating companies are confident of near-term demand. As a result, managing medium-term head counts and supply chain inventories remain primary goals. With the decline in the Backlog of Orders Index, buyers and sellers will begin to shore up order books and order streams to reduce share loss in the medium-to-long term,” says Fiore.

Eight manufacturing industries reported growth in October, in the following order: Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Machinery; Petroleum & Coal Products; Transportation Equipment; Miscellaneous Manufacturing; Plastics & Rubber Products; and Electrical Equipment, Appliances & Components. The 10 industries reporting contraction in October compared to September, in the following order are: Furniture & Related Products; Wood Products; Paper Products; Textile Mills; Printing & Related Support Activities; Fabricated Metal Products; Chemical Products; Primary Metals; Computer & Electronic Products; and Food, Beverage & Tobacco Products.

# WHAT RESPONDENTS ARE SAYING

- “Flat business activity; continued electronics market challenges.” [Computer & Electronic Products]
- “Customers are canceling some orders. Inventories of finished goods increasing. Expect some bounce back as some customers may be waiting for commodity prices to decline (further).” [Chemical Products]
- “Challenges with labor and parts delivery are easing. Order levels are slowing down after pent-up demand in the previous month.” [Transportation Equipment]
- “Growing threat of recession is making many customers slow orders substantially. Additionally, global uncertainty about the Russia-Ukraine (war) is influencing global commodity markets.” [Food, Beverage & Tobacco Products]
- “We have seen a general pullback in available capital budgets from our customers, and that is having a significant impact on our sales in the fourth quarter.” [Machinery]
- “Housing market is down, so our business is affected. Capacity has increased over the last two years due to high orders of consumer goods and appliances, so now we’re trying promotions to get our orders up to where we can use all our capacity.” [Electrical Equipment, Appliances & Components]
- “Customer demand has been slower for two months. Production is decreasing our inventory and (we are) implementing forecasts carefully. The headwind seems to be very strong, so we need to be prepared for that.” [Fabricated Metal Products]
- “International conditions loom large and seem very foreboding. Overall, we still think 2023 will be a positive year, with at least some moderate growth.” [Nonmetallic Mineral Products]
- “Lead times are improving. Plastic prices are coming down.” [Plastics & Rubber Products]
- “Prices are continuing a slight decline. Suppliers are trying to hold off decreases, but competition is increasing.” [Miscellaneous Manufacturing]

**MANUFACTURING AT A GLANCE**  
October 2022

<b>Index</b>	<b>Series Index Oct</b>	<b>Series Index Sep</b>	<b>Percentage Point Change</b>	<b>Direction</b>	<b>Rate of Change</b>	<b>Trend* (Months)</b>
<b>Manufacturing PMI®</b>	50.2	50.9	-0.7	Growing	Slower	29
<b>New Orders</b>	49.2	47.1	+2.1	Contracting	Slower	2
<b>Production</b>	52.3	50.6	+1.7	Growing	Faster	29
<b>Employment</b>	50.0	48.7	+1.3	Unchanged	From Contracting	1
<b>Supplier Deliveries</b>	46.8	52.4	-5.6	Faster	From Slowing	1
<b>Inventories</b>	52.5	55.5	-3.0	Growing	Slower	15
<b>Customers' Inventories</b>	41.6	41.6	0.0	Too Low	Same	73
<b>Prices</b>	46.6	51.7	-5.1	Decreasing	From Increasing	1
<b>Backlog of Orders</b>	45.3	50.9	-5.6	Contracting	From Growing	1
<b>New Export Orders</b>	46.5	47.8	-1.3	Contracting	Faster	3
<b>Imports</b>	50.8	52.6	-1.8	Growing	Slower	5
<b>OVERALL ECONOMY</b>				Growing	Slower	29
<b>Manufacturing Sector</b>				Growing	Slower	29

**Manufacturing ISM® Report On Business®** data is seasonally adjusted for the New Orders, Production, Employment and Inventories indexes.

\*Number of months moving in current direction.

# **COMMODITIES REPORTED UP/DOWN IN PRICE AND IN SHORT SUPPLY**

## **Commodities Up in Price**

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Caustic Soda; Corn; Diesel; Electronic Components (23); Freight (24); Gasoline; Labor — Temporary (2); Metal Based Products; and Paper (3).

## **Commodities Down in Price**

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Aluminum (6); Aluminum Products; Brass; Copper; High-Density Polyethylene (HDPE) Resin (2); Low-Density Polyethylene (LDPE) Resin; Lumber (2); Natural Gas; Ocean Freight (2); Plastic Resins (5); Polypropylene (3); Polyvinyl Chloride (PVC); Steel (6); Steel — Carbon (4); Steel — Hot Rolled (6); Steel Products (4); and Wood Pallets.

## **Commodities in Short Supply**

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Bearings; Electrical Components (25); Electrical Motors; Electronic Components (23); Hydraulic Components (6); Labor — Temporary (2); Paper Products; Plastic Resins; and Semiconductors (23).

Note: The number of consecutive months the commodity is listed is indicated after each item.

# OCTOBER 2022 MANUFACTURING INDEX SUMMARIES

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## **MANUFACTURING PMI®**

The U.S. manufacturing sector grew in October, as the Manufacturing PMI® registered 50.2 percent, 0.7 percentage point below the reading of 50.9 percent recorded in September. “The Manufacturing PMI® indicated weak sector expansion and U.S. economic growth in October. Of the five subindexes that directly factor into the Manufacturing PMI®, two (Production and Inventories) were in growth territory. Of the six biggest manufacturing industries, three — Machinery; Petroleum & Coal Products; and Transportation Equipment — registered moderate-to-strong growth in October. The Production Index increased 1.7 percentage points, climbing further into expansion territory. Supply chain congestion continued to ease, indicated by the Supplier Deliveries Index showing faster deliveries and the Inventories Index growing, though at a slower rate, even as the Production Index increased. Only four of the 10 subindexes were positive for the period; a reading of ‘too low’ for the Customers’ Inventories Index is considered a positive for future production,” says Fiore. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.

A Manufacturing PMI® above 48.7 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the October Manufacturing PMI® indicates the overall economy grew in October for the 29th consecutive month following contraction in April and May 2020. “The past relationship between the Manufacturing PMI® and the overall economy indicates that the Manufacturing PMI® for October (50.2 percent) corresponds to a 0.5-percent increase in real gross domestic product (GDP) on an annualized basis,” says Fiore.

## THE LAST 12 MONTHS

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<b>Month</b>	<b>Manufacturing PMI®</b>
<b>Oct 2022</b>	50.2
<b>Sep 2022</b>	50.9
<b>Aug 2022</b>	52.8
<b>Jul 2022</b>	52.8
<b>Jun 2022</b>	53.0
<b>May 2022</b>	56.1
<b>Month</b>	<b>Manufacturing PMI®</b>
<b>Apr 2022</b>	55.4
<b>Mar 2022</b>	57.1
<b>Feb 2022</b>	58.6
<b>Jan 2022</b>	57.6
<b>Dec 2021</b>	58.8
<b>Nov 2021</b>	60.6

Average for 12 months - 55.3  
High - 60.6  
Low - 50.2



# NEW ORDERS

ISM<sup>®</sup>'s New Orders Index contracted for the second consecutive month in October, registering 49.2 percent, an increase of 2.1 percentage points compared to the 47.1 percent reported in September. “Of the six largest manufacturing sectors, only one — Petroleum & Coal Products — increased new orders at a moderate level. Price declines and backlog contraction should encourage buyers to reenter the market and sales agents to be more aggressive in seeking business, but lead times remain stubbornly long, a headwind to buyer order placement,” says Fiore. (For more on lead times, see the Buying Policy section of this report.) A New Orders Index above 52.9 percent, over time, is generally consistent with an increase in the Census Bureau’s series on manufacturing orders (in constant 2000 dollars).

Of the 18 manufacturing industries, three reported growth in new orders in October: Apparel, Leather & Allied Products; Petroleum & Coal Products; and Plastics & Rubber Products. Twelve industries reported a decline in new orders in October, in the following order: Wood Products; Furniture & Related Products; Printing & Related Support Activities; Paper Products; Textile Mills; Fabricated Metal Products; Primary Metals; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Transportation Equipment; Chemical Products; and Miscellaneous Manufacturing.

<b>New Orders</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
<b>Oct 2022</b>	18.3	56.4	25.3	-7.0	49.2
<b>Sep 2022</b>	16.0	62.8	21.2	-5.2	47.1
<b>Aug 2022</b>	17.5	63.1	19.4	-1.9	51.3
<b>Jul 2022</b>	17.2	63.0	19.8	-2.6	48.0

# PRODUCTION

The Production Index registered 52.3 percent in October, 1.7 percentage points higher than the September reading of 50.6 percent, indicating growth for the 29th consecutive month. “Of the top six industries, only three — Computer & Electronic Products; Transportation Equipment; and Machinery — expanded in October. Materials and labor availability continue to improve, but concern remains about medium-term demand,” says Fiore. An index above 52.4 percent, over time, is generally consistent with an increase in the Federal Reserve Board’s Industrial Production figures.

The six industries reporting growth in production during the month of October — listed in order — are: Plastics & Rubber Products; Computer & Electronic Products; Transportation Equipment; Primary Metals; Machinery; and Fabricated Metal Products. The eight industries reporting a decrease in production in October — in the following order — are: Textile Mills; Furniture & Related Products; Wood Products; Paper Products; Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; and Chemical Products.

<b>Production</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
<b>Oct 2022</b>	20.2	62.3	17.5	+2.7	52.3
<b>Sep 2022</b>	17.5	64.3	18.2	-0.7	50.6
<b>Aug 2022</b>	17.6	65.4	17.0	+0.6	50.4
<b>Jul 2022</b>	24.9	58.5	16.6	+8.3	53.5

# EMPLOYMENT

ISM®'s Employment Index registered 50 percent in October, 1.3 percentage points higher than the September reading of 48.7 percent.

“The index indicated employment was unchanged after contracting for one month. Of the six big manufacturing sectors, four (Petroleum & Coal Products; Food, Beverage & Tobacco Products; Machinery; and Chemical Products) expanded. Labor management sentiment continued to shift in October, with a noticeable number of panelists’ companies reducing employment levels through hiring freezes and allowing attrition. Turnover rates generally stabilized, with 30 percent of comments citing backfill and retirement issues, a slight increase from 28 percent in September. For those companies expanding their workforce, comments continue to support an improving hiring environment,” says Fiore. An Employment Index above 50.5 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) data on manufacturing employment.

Of 18 manufacturing industries, nine reported employment growth in October, in the following order: Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Petroleum & Coal Products; Food, Beverage & Tobacco Products; Machinery; Plastics & Rubber Products; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; and Chemical Products. The five industries reporting a decrease in employment in October are: Furniture & Related Products; Primary Metals; Computer & Electronic Products; Fabricated Metal Products; and Transportation Equipment.

<b>Employment</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
<b>Oct 2022</b>	16.0	68.9	15.1	+0.9	50.0
<b>Sep 2022</b>	17.5	60.3	22.2	-4.7	48.7
<b>Aug 2022</b>	19.3	68.3	12.4	+6.9	54.2
<b>Jul 2022</b>	22.0	59.4	18.6	+3.4	49.9

## SUPPLIER DELIVERIES\*

The delivery performance of suppliers to manufacturing organizations was faster in October, as the Supplier Deliveries Index registered 46.8 percent, 5.6 percentage points lower than the 52.4 percent reported in September and the first time in “faster” territory since February 2016 (49.6 percent). Of the top six manufacturing industries, one (Transportation Equipment) reported slower deliveries. “This indicates the best month-over-month supplier deliveries performance since March 2009, when the index registered 43.2 percent. In October, 88.3 percent of panelists reported ‘same’ or ‘faster’ deliveries, compared to 83.2 percent in September. Panelists’ comments confirmed that suppliers performed better in October compared to previous months,” says Fiore. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

Four of 18 manufacturing industries reported slower supplier deliveries in October: Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Textile Mills; and Transportation Equipment. The nine industries reporting faster supplier deliveries in October as compared to September — in the following order — are: Furniture & Related Products; Plastics & Rubber Products; Computer & Electronic Products; Wood Products; Electrical Equipment, Appliances & Components; Chemical Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; and Machinery.

<b>Supplier Deliveries</b>	<b>% Slower</b>	<b>% Same</b>	<b>% Faster</b>	<b>Net</b>	<b>Index</b>
<b>Oct 2022</b>	11.7	70.2	18.1	-6.4	46.8
<b>Sep 2022</b>	16.8	71.2	12.0	+4.8	52.4
<b>Aug 2022</b>	19.6	71.0	9.4	+10.2	55.1
<b>Jul 2022</b>	21.4	67.6	11.0	+10.4	55.2

# INVENTORIES

The Inventories Index registered 52.5 percent in October, 3 percentage points lower than the 55.5 percent reported for September. “Manufacturing inventories expanded at a slower rate compared to September. Of the six big manufacturing industries, four (Machinery; Computer & Electronic Products; Transportation Equipment; and Food, Beverage & Tobacco Products) grew manufacturing raw material inventories in October. During the month, panelists’ companies made gains in managing total supply chain inventories amid contracting new order rates,” says Fiore. An Inventories Index greater than 44.4 percent, over time, is generally consistent with expansion in the Bureau of Economic Analysis (BEA) figures on overall manufacturing inventories (in chained 2000 dollars).

Of 18 manufacturing industries, the nine reporting higher inventories in October — in the following order — are: Machinery; Primary Metals; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Furniture & Related Products; Nonmetallic Mineral Products; Miscellaneous Manufacturing; Transportation Equipment; and Food, Beverage & Tobacco Products. The five industries reporting contracting inventories in October are: Wood Products; Paper Products; Plastics & Rubber Products; Chemical Products; and Fabricated Metal Products.

<b>Inventories</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
<b>Oct 2022</b>	21.6	63.3	15.1	+6.5	52.5
<b>Sep 2022</b>	23.0	64.9	12.1	+10.9	55.5
<b>Aug 2022</b>	23.2	62.9	13.9	+9.3	53.1
<b>Jul 2022</b>	25.5	61.8	12.7	+12.8	57.3

# CUSTOMERS' INVENTORIES\*

ISM<sup>®</sup>'s Customers' Inventories Index registered 41.6 percent in October, the same figure reported for September, indicating that customers' inventory levels were considered too low. "Customers' inventories are too low for the 73rd month in a row, a positive for future production growth. The index registered above 40 percent for the second time but remains at a 'too low' level, providing positive support to manufacturing expansion," says Fiore.

Four industries (Paper Products; Wood Products; Electrical Equipment, Appliances & Components; and Primary Metals) reported customers' inventories as too high in October. The nine industries reporting customers' inventories as too low in October — listed in order — are: Food, Beverage & Tobacco Products; Petroleum & Coal Products; Machinery; Computer & Electronic Products; Chemical Products; Transportation Equipment; Plastics & Rubber Products; Fabricated Metal Products; and Miscellaneous Manufacturing.

<b>Customers' Inventories</b>	<b>% Reporting</b>	<b>% Too High</b>	<b>% About Right</b>	<b>% Too Low</b>	<b>Net</b>	<b>Index</b>
<b>Oct 2022</b>	74	13.4	56.3	30.3	-16.9	41.6
<b>Sep 2022</b>	73	13.5	56.1	30.4	-16.9	41.6
<b>Aug 2022</b>	75	12.2	53.4	34.4	-22.2	38.9
<b>Jul 2022</b>	78	12.4	54.2	33.4	-21.0	39.5

## PRICES\*

The ISM<sup>®</sup> Prices Index registered 46.6 percent in October, 5.1 percentage points lower compared to the September reading of 51.7 percent, indicating raw materials prices decreased for the first time in 28 months. This is the lowest reading since May 2020 (40.8 percent). Over the past seven months, the index has decreased 40.5 percentage points, including a combined 26-percentage point plunge in July and August. Of the top six manufacturing industries, only two (Food, Beverage & Tobacco Products; and Computer & Electronic Products) reported increases in prices in October. “The slowing in price increases continues to be driven by three factors: (1) a relaxation in the energy markets, (2) softening in the copper, steel, aluminum and corrugate markets and (3) sluggishness in chemical and plastics demand. Notably, 80.3 percent of respondents reported paying the same or lower prices in October, compared to 68.6 percent in September. The long-awaited price declines should cause buyers and sellers to ‘return to the table’ and refill order books as backlogs contract,” says Fiore. A Prices Index above 52.6 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) Producer Price Index for Intermediate Materials.

In October, five of 18 industries reported paying increased prices for raw materials: Paper Products; Food, Beverage & Tobacco Products; Primary Metals; Miscellaneous Manufacturing; and Computer & Electronic Products. The 10 industries reporting paying decreased prices for raw materials in October — in the following order — are: Wood Products; Apparel, Leather & Allied Products; Furniture & Related Products; Plastics & Rubber Products; Fabricated Metal Products; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Chemical Products; Transportation Equipment; and Machinery.

<b>Prices</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
<b>Oct 2022</b>	19.7	53.8	26.5	-6.8	46.6
<b>Sep 2022</b>	31.4	40.5	28.1	+3.3	51.7
<b>Aug 2022</b>	31.7	41.6	26.7	+5.0	52.5
<b>Jul 2022</b>	41.5	37.0	21.5	+20.0	60.0

## **BACKLOG OF ORDERS\***

ISM<sup>®</sup>'s Backlog of Orders Index registered 45.3 percent in October, a 5.6-percentage point decrease compared to September's reading of 50.9 percent, indicating order backlogs contracted after a 27-month period of expansion. Of the six largest manufacturing sectors, two — Petroleum & Coal Products; and Food, Beverage & Tobacco Products — expanded their order backlogs in October. "Backlogs contracted in October at a notable rate, as weak new order levels combined with production expansion negatively impacted manufacturing books of business. Contraction in the Prices Index is a positive for future new orders growth and backlogs expansion," says Fiore.

Three industries reported growth in order backlogs in October: Apparel, Leather & Allied Products; Petroleum & Coal Products; and Food, Beverage & Tobacco Products. Twelve industries reported lower backlogs in October, in the following order: Textile Mills; Furniture & Related Products; Wood Products; Paper Products; Nonmetallic Mineral Products; Chemical Products; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Fabricated Metal Products; Primary Metals; Miscellaneous Manufacturing; and Transportation Equipment.

<b>Backlog of Orders</b>	<b>% Reporting</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
<b>Oct 2022</b>	93	17.4	55.8	26.8	-9.4	45.3
<b>Sep 2022</b>	90	25.5	50.8	23.7	+1.8	50.9
<b>Aug 2022</b>	93	24.6	56.7	18.7	+5.9	53.0
<b>Jul 2022</b>	92	26.6	49.4	24.0	+2.6	51.3



## **NEW EXPORT ORDERS\***

ISM<sup>®</sup>'s New Export Orders Index registered 46.5 percent in October, 1.3 percentage points below the September reading of 47.8 percent. “The New Export Orders Index contracted in October for the third consecutive month after 25 straight months in expansion territory. Weakness in European economies and China’s economic sluggishness continued to constrain new export orders expansion and negatively impact new order rates,” says Fiore.

Three industries reported growth in new export orders in October: Miscellaneous Manufacturing; Plastics & Rubber Products; and Food, Beverage & Tobacco Products. The 10 industries reporting a decrease in new export orders in October — in the following order — are: Wood Products; Textile Mills; Furniture & Related Products; Primary Metals; Paper Products; Fabricated Metal Products; Machinery; Chemical Products; Computer & Electronic Products; and Transportation Equipment.

<b>New Export Orders</b>	<b>% Reporting</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
<b>Oct 2022</b>	73	6.7	79.5	13.8	-7.1	46.5
<b>Sep 2022</b>	72	9.4	76.7	13.9	-4.5	47.8
<b>Aug 2022</b>	75	9.9	79.0	11.1	-1.2	49.4
<b>Jul 2022</b>	73	16.6	72.1	11.3	+5.3	52.6

# IMPORTS\*

ISM<sup>®</sup>'s Imports Index registered 50.8 percent in October, a decrease of 1.8 percentage points compared to September's figure of 52.6 percent. "Imports grew weakly in October, at marginal rates below those of the three prior months," says Fiore.

The seven industries reporting growth in imports in October — in the following order — are: Primary Metals; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Transportation Equipment; Food, Beverage & Tobacco Products; Plastics & Rubber Products; and Machinery. Five industries reported lower volumes of imports in October: Paper Products; Wood Products; Furniture & Related Products; Fabricated Metal Products; and Chemical Products. Six industries reported no change in imports in October.

<b>Imports</b>	<b>% Reporting</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
<b>Oct 2022</b>	84	9.3	82.9	7.8	+1.5	50.8
<b>Sep 2022</b>	83	15.2	74.8	10.0	+5.2	52.6
<b>Aug 2022</b>	83	15.6	73.8	10.6	+5.0	52.5
<b>Jul 2022</b>	85	19.6	69.5	10.9	+8.7	54.4

\*The Supplier Deliveries, Customers' Inventories, Prices, Backlog of Orders, New Export Orders and Imports indexes do not meet the accepted criteria for seasonal adjustments.

# BUYING POLICY

The average commitment lead time for Capital Expenditures in October was 179 days, an increase of one day compared to September. Average lead time in October for Production Materials was 93 days, a decrease of one day. Average lead time for Maintenance, Repair and Operating (MRO) Supplies was unchanged at 48 days.

## Percent Reporting

<b>Capital Expenditures</b>	<b>Hand-to-Mouth</b>	<b>30 Days</b>	<b>60 Days</b>	<b>90 Days</b>	<b>6 Months</b>	<b>1 Year +</b>	<b>Average Days</b>
<b>Oct 2022</b>	16	6	6	12	30	30	179
<b>Sep 2022</b>	16	5	7	11	32	29	178
<b>Aug 2022</b>	18	5	6	11	29	31	180
<b>Jul 2022</b>	14	3	10	13	29	31	183

## Percent Reporting

<b>Production Materials</b>	<b>Hand-to-Mouth</b>	<b>30 Days</b>	<b>60 Days</b>	<b>90 Days</b>	<b>6 Months</b>	<b>1 Year +</b>	<b>Average Days</b>
<b>Oct 2022</b>	8	21	26	25	13	7	93
<b>Sep 2022</b>	9	24	24	22	13	8	94
<b>Aug 2022</b>	7	22	24	25	15	7	96
<b>Jul 2022</b>	8	21	21	28	13	9	100

## Percent Reporting

MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year +	Average Days
Oct 2022	27	36	16	15	5	1	48
Sep 2022	26	35	19	15	4	1	48
Aug 2022	26	34	21	14	5	0	46
Jul 2022	22	36	21	15	5	1	51

### 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 information compiled in this report is for the month of October 2022.

The data presented herein is obtained from a survey of manufacturing supply executives based on information they have collected within their respective organizations. ISM<sup>®</sup> 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<sup>®</sup> Report On Business<sup>®</sup>** 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 2020 GDP (released December 22, 2021), the six largest manufacturing subsectors are: Computer & Electronic Products; Chemical Products; Transportation Equipment; Petroleum & Coal Products; Food, Beverage & Tobacco Products; and Machinery. Beginning in February 2018 with January 2018 data, computation of the indexes is accomplished utilizing unrounded numbers.

Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (New Orders, Backlog of Orders, New Export Orders, Imports, Production, Supplier Deliveries, Inventories, Customers' Inventories, Employment and Prices), this report shows the percentage reporting each response, the net difference between the number of responses in the positive economic direction (higher, better and slower for Supplier Deliveries) and the negative economic direction (lower, worse and faster for Supplier Deliveries), and the diffusion index. 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 (Manufacturing PMI<sup>®</sup>, New Orders, Production, Employment and Inventories) 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. All seasonal adjustment factors are subject annually to relatively minor changes when conditions warrant them. The Manufacturing PMI<sup>®</sup> 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).

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<sup>®</sup> reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining. A Manufacturing PMI<sup>®</sup> 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. With some of the indicators within this report, ISM<sup>®</sup> has indicated the departure point between expansion and decline of comparable government series, as determined by regression analysis. The **Manufacturing ISM<sup>®</sup> Report On Business<sup>®</sup>** survey is sent out to Manufacturing 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<sup>®</sup> 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. ISM<sup>®</sup> then compiles the report for release on the first business day of the following month.

The industries reporting growth, as indicated in the **Manufacturing ISM<sup>®</sup> Report On Business<sup>®</sup>** monthly report, 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.

Responses to Buying Policy reflect the percent reporting the current month's lead time, the approximate weighted number of days ahead for which commitments are made for Capital Expenditures; Production Materials; and Maintenance, Repair and Operating (MRO) Supplies, expressed as hand-to-mouth (five days), 30 days, 60 days, 90 days, six months (180 days), a year or more (360 days), and the weighted average number of days. These responses are raw data, never revised, and not seasonally adjusted.