



FOR RELEASE: 10:00 a.m. ET; November 1, 2024

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Manufacturing PMI[®] at 46.5%

October 2024 Manufacturing ISM[®] *Report On Business*[®]

**New Orders and Backlogs Contracting
Production and Employment Contracting
Supplier Deliveries Slowing
Raw Materials Inventories Contracting; Customers' Inventories Too Low
Prices Increasing; Exports and Imports Contracting**

(Tempe, Arizona) — Economic activity in the **manufacturing sector contracted in October for the seventh consecutive month and the 23rd time in the last 24 months**, say the nation's supply executives in the latest **Manufacturing ISM[®] *Report On Business*[®]**.

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

"The Manufacturing PMI[®] registered 46.5 percent in October, 0.7 percentage point lower compared to the 47.2 percent recorded in September. This is the lowest Manufacturing PMI[®] reading in 2024. The overall economy continued in expansion for the 54th month after one month of contraction in April 2020. (A Manufacturing PMI[®] above 42.5 percent, over a period of time, generally indicates an expansion of the overall economy.) The New Orders Index remained in contraction territory, registering 47.1 percent, 1 percentage point higher than the 46.1 percent recorded in September. The October reading of the Production Index (46.2 percent) is 3.6 percentage points lower than September's figure of 49.8 percent. The Prices Index returned to expansion (or 'increasing') territory, registering 54.8 percent, up 6.5 percentage points compared to the reading of 48.3 percent in September. The Backlog of Orders Index registered 42.3 percent, down 1.8 percentage points compared to the 44.1 percent recorded in September. The Employment Index registered 44.4 percent, up 0.5 percentage point from September's figure of 43.9 percent.

"The Supplier Deliveries Index indicated slowing deliveries, registering 52 percent, 0.2 percentage point lower than the 52.2 percent recorded in September. (Supplier Deliveries is the only ISM[®] *Report On Business*[®] index that is inversed; a reading of above 50 percent indicates slower deliveries, which is typical as the economy improves and customer demand increases.) The Inventories Index registered 42.6 percent, down 1.3 percentage points compared to September's reading of 43.9 percent.

"The New Export Orders Index reading of 45.5 percent is 0.2 percentage point higher than the 45.3 percent registered in September. The Imports Index remained in contraction territory in October, registering 48.3 percent, the same reading as reported in September."

Fiore continues, “U.S. manufacturing activity contracted again in October, and at a faster rate compared to last month. Demand continues to be weak, output declined, and inputs stayed accommodative.

Demand slowing was reflected by the (1) New Orders Index remaining in contraction territory, (2) New Export Orders Index contracting moderately, (3) Backlog of Orders Index dropping further into strong contraction territory, and (4) Customers’ Inventories Index indicating customers’ inventories were ‘too low.’ (For more, see the Customers’ Inventories Index summary section.) **Output** (measured by the Production and Employment indexes) continued in contraction: Employment shrunk, but at a slower rate, while production moved further into contraction. Panelists cited continuing efforts by their companies to right-size workforces to levels consistent with forecasted demand. **Inputs** — defined as supplier deliveries, inventories, prices and imports — generally continued to accommodate future demand growth, with inventories returning to low levels and suppliers continuing to show marginal difficulty in meeting customer needs.

“Demand remains subdued, as companies continue to show an unwillingness to invest in capital and inventory due to concerns (for example, inflation resurgence) about federal monetary policy direction in light of the fiscal policies proposed by both major parties. Production execution eased in October, consistent with demand sluggishness. Suppliers continue to have capacity, with lead times improving and some shortages reappearing. Sixty-three percent of manufacturing gross domestic product (GDP) contracted in October, down from 77 percent in September. The share of manufacturing sector GDP registering a composite PMI® calculation at or below 45 percent (a good barometer of overall manufacturing weakness) was 46 percent in October, a 5-percentage point increase compared to the 41 percent reported in September. Only two of the six largest manufacturing industries — Food, Beverage & Tobacco Products; and Computer & Electronic Products — expanded in October, compared to one in September,” says Fiore.

The five manufacturing industries reporting growth in October are: Apparel, Leather & Allied Products; Food, Beverage & Tobacco Products; Petroleum & Coal Products; Computer & Electronic Products; and Miscellaneous Manufacturing. The 11 industries reporting contraction in October — in the following order — are: Textile Mills; Printing & Related Support Activities; Transportation Equipment; Chemical Products; Electrical Equipment, Appliances & Components; Machinery; Primary Metals; Nonmetallic Mineral Products; Plastics & Rubber Products; Fabricated Metal Products; and Paper Products.

WHAT RESPONDENTS ARE SAYING

- “Right-sizing continues. Contingency plans have been formulated to anticipate trade policies that will impose tariffs on key materials.” [Chemical Products]
- “Market demand has significantly decreased in the second half of 2024 and is expected to be soft through the first quarter of 2025. Although inflation has stabilized and returned to historical levels, and interest rates are decreasing, there appears to be a general pessimism in the economy that is driving customers to be more restrictive in their capital expenditures, including investment in commercial vehicles. Uncertainty in the outcome of the upcoming election has resulted in several risk analysis studies to be prepared, particularly focused on the future of the electric vehicle (EV) migration and trade restrictions/penalties.” [Transportation Equipment]
- “Heavy volumes for October have been extended into November to cover our record-breaking sales volume for this quarter.” [Food, Beverage & Tobacco Products]
- “Business is picking up; outlook is optimistic, but not great.” [Computer & Electronic Products]
- “Sales have been very slow the past six months. Interestingly, though, inquiries are up more than 30 percent from a year ago. This indicates there is pent-up demand, but customers are skittish about national and global economic conditions. We are hearing directly from customers that they need to order equipment to satisfy their requirements but are going to keep projects as long as possible before pulling the trigger.” [Machinery]
- “Business levels remain depressed. It feels like a ‘wait and see’ environment regarding where the economy is heading; customers don’t want to commit to inventory, which is resulting in lower order levels.” [Fabricated Metal Products]

- “Overall projections are that business will remain strong through the fourth quarter. Some order increases are starting, and a lot more projects are slated for the first quarter of 2025. Will demand be there to support it?” [Nonmetallic Mineral Products]
- “This has been an interesting fourth quarter already. The port strikes, hurricanes and election will all affect us in some way. Our industry is energy intensive, so our largest concern is the national and state mandates toward electrification. Electrical components were already in short supply, and with the substation and power line damages, we expect the electrical supply chain will be even worse. Components for green energy projects will be further delayed, but we don't expect the environmental mandates to be delayed.” [Paper Products]
- “The potential port strike sent ripple effects through our industry. We have several large imports occurring in January, which created anxiety around critical components being delivered on time for a large, planned capital project. The three recent hurricanes missed large manufacturing hubs on the Gulf Coast but have still caused minor delays.” [Petroleum & Coal Products]
- “The seasonal business cycle is as planned: Consumer confidence in building materials remains relatively strong, and expectations are for continued growth into 2025 due to reduced interest rates and the potential for further small cuts.” [Wood Products]

MANUFACTURING AT A GLANCE						
October 2024						
Index	Series Index Oct	Series Index Sep	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
Manufacturing PMI®	46.5	47.2	-0.7	Contracting	Faster	7
New Orders	47.1	46.1	+1.0	Contracting	Slower	7
Production	46.2	49.8	-3.6	Contracting	Faster	5
Employment	44.4	43.9	+0.5	Contracting	Slower	5
Supplier Deliveries	52.0	52.2	-0.2	Slowing	Slower	4
Inventories	42.6	43.9	-1.3	Contracting	Faster	2
Customers' Inventories	46.8	50.0	-3.2	Too Low	From About Right	1
Prices	54.8	48.3	+6.5	Increasing	From Decreasing	1
Backlog of Orders	42.3	44.1	-1.8	Contracting	Faster	25
New Export Orders	45.5	45.3	+0.2	Contracting	Slower	5
Imports	48.3	48.3	0.0	Contracting	Same	5
OVERALL ECONOMY				Growing	Slower	54
Manufacturing Sector				Contracting	Faster	7

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

Aluminum (11); Copper; Corrugated Boxes (4); Crude Oil; Natural Gas; Paper; Printed Circuit Boards; Road Freight; and Sulfuric Acid.

Commodities Down in Price

Polypropylene; and Steel (6).

Commodities in Short Supply

Electrical Components (49); and Electronic Components (7).

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

OCTOBER 2024 MANUFACTURING INDEX SUMMARIES

Manufacturing PMI®

The U.S. manufacturing sector contracted for the seventh consecutive month in October, as the Manufacturing PMI® registered 46.5 percent, 0.7 percentage point lower compared to the 47.2 percent reported in September and August. This is the lowest reading since July 2023 (46.5 percent). “After breaking a 16-month streak of contraction by expanding in March, the manufacturing sector has contracted the last seven months. Of the five subindexes that directly factor into the Manufacturing PMI®, only one (Supplier Deliveries) was in expansion territory, the same as in September. The New Orders and Production indexes remained in contraction, but the New Orders Index moved slightly upward in October. Of the six biggest manufacturing industries, two (Food, Beverage & Tobacco Products; and Computer & Electronic Products) registered growth,” says Fiore. A reading above 50 percent indicates that the manufacturing sector is generally expanding; below 50 percent indicates that it is generally contracting.

A Manufacturing PMI® above 42.5 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the October Manufacturing PMI® indicates the overall economy grew for the 54th straight month after last contracting in April 2020. “The past relationship between the Manufacturing PMI® and the overall economy indicates that the October reading (46.5 percent) corresponds to a change of plus-1.1 percent in real gross domestic product (GDP) on an annualized basis,” says Fiore.

THE LAST 12 MONTHS

Month	Manufacturing PMI®	Month	Manufacturing PMI®
Oct 2024	46.5	Apr 2024	49.2
Sep 2024	47.2	Mar 2024	50.3
Aug 2024	47.2	Feb 2024	47.8
Jul 2024	46.8	Jan 2024	49.1
Jun 2024	48.5	Dec 2023	47.1
May 2024	48.7	Nov 2023	46.6
Average for 12 months – 47.9 High – 50.3 Low – 46.5			

New Orders

ISM®'s New Orders Index contracted in October for the seventh consecutive month, registering 47.1 percent, an increase of 1 percentage point compared to September's figure of 46.1 percent. The New Orders Index hasn't indicated consistent growth since a 24-month streak of expansion ended in May 2022. "Of the six largest manufacturing sectors, two (Food, Beverage & Tobacco Products; and Computer & Electronic Products) reported increased new orders. Panelists again noted a continued level of uncertainty and concern about a lack of new order activity, with a 1-to-1.2 ratio of positive comments versus those expressing concern about near-term demand, an improvement compared to September. Panelists expressed concern not only on the impacts of the upcoming U.S. election results but also on the Federal Reserve's ability to continue reducing rates in light of the fiscal policies expressed by both major parties," says Fiore. A New Orders Index above 52.3 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders (in constant 2000 dollars).

The three manufacturing industries that reported growth in new orders in October are: Apparel, Leather & Allied Products; Food, Beverage & Tobacco Products; and Computer & Electronic Products. The 11 industries reporting a decline in new orders in October — in the following order — are: Textile Mills; Printing & Related Support Activities; Paper Products; Nonmetallic Mineral Products; Transportation Equipment; Furniture & Related Products; Chemical Products; Machinery; Primary Metals; Electrical Equipment, Appliances & Components; and Fabricated Metal Products.

New Orders	%Higher	%Same	%Lower	Net	Index
Oct 2024	20.4	50.6	29.0	-8.6	47.1
Sep 2024	17.6	56.1	26.3	-8.7	46.1
Aug 2024	16.7	57.1	26.2	-9.5	44.6
Jul 2024	19.0	53.0	28.0	-9.0	47.4

Production

The Production Index continued in contraction territory in October, registering 46.2 percent, 3.6 percentage points lower than the September reading of 49.8 percent. Of the six largest manufacturing sectors, three (Computer & Electronic Products; Fabricated Metal Products; and Food, Beverage & Tobacco Products) reported increased production. "New order rates remain weak and backlog levels continue to decline, causing manufacturers to reduce their output and plan for lower production to close the calendar year. Companies continue to avoid investing in inventory due to the ongoing economic uncertainty," says Fiore. An index above 52.2 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 — in the following order — are: Apparel, Leather & Allied Products; Paper Products; Computer & Electronic Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; and Plastics & Rubber Products. The eight industries reporting a decrease in production in October, in order, are: Textile Mills; Printing & Related Support Activities; Nonmetallic Mineral Products; Primary Metals; Machinery; Transportation Equipment; Chemical Products; and Electrical Equipment, Appliances & Components.

Production	%Higher	%Same	%Lower	Net	Index
Oct 2024	16.8	59.3	23.9	-7.1	46.2
Sep 2024	17.6	60.7	21.7	-4.1	49.8
Aug 2024	12.6	66.2	21.2	-8.6	44.8
Jul 2024	15.2	60.1	24.7	-9.5	45.9

Employment

ISM[®]'s Employment Index registered 44.4 percent in October, 0.5 percentage point higher than the September reading of 43.9 percent. The July, September and October readings are among the three lowest recorded since the index registered 43.7 percent in July 2020, early in the economic recovery. "The index contracted for the fifth consecutive month after an expansion in May, which broke a seven-month streak of contraction. Of the six big manufacturing sectors, only one (Food, Beverage & Tobacco Products) expanded employment in October. Respondents' companies are continuing to reduce head counts through layoffs, attrition and hiring freezes. This sentiment was supported in October by the approximately 1-to-3 ratio of hiring versus staff reduction comments, doubling last month's ratio in favor of the latter. Right-sizing the workforce across industries continues," says Fiore. An Employment Index above 50.3 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) data on manufacturing employment.

Of 18 manufacturing industries, the three industries reporting employment growth in October are: Wood Products; Paper Products; and Food, Beverage & Tobacco Products. The 10 industries reporting a decrease in employment in October, in the following order, are: Textile Mills; Printing & Related Support Activities; Chemical Products; Electrical Equipment, Appliances & Components; Plastics & Rubber Products; Furniture & Related Products; Fabricated Metal Products; Computer & Electronic Products; Transportation Equipment; and Machinery.

Employment	%Higher	%Same	%Lower	Net	Index
Oct 2024	9.0	70.6	20.4	-11.4	44.4
Sep 2024	8.0	69.3	22.7	-14.7	43.9
Aug 2024	10.0	70.9	19.1	-9.1	46.0
Jul 2024	9.8	68.7	21.5	-11.7	43.4

Supplier Deliveries[†]

Delivery performance of suppliers to manufacturing organizations was slower in October, with the Supplier Deliveries Index registering 52 percent, a 0.2-percentage point decrease compared to the reading of 52.2 percent reported in September. This is the fourth month of slower deliveries after four consecutive months of faster deliveries. After a reading of 52.4 percent in September 2022, the index went into contraction territory the following month and remained there for 20 out of 21 months (with February 2024 as the sole exception). Of the six big industries, three (Computer & Electronic Products; Food, Beverage & Tobacco Products; and Machinery) reported slower supplier deliveries in October. "Supplier deliveries continue to slow as panelists' companies continue to rely on their suppliers to manage purchased material inventories," says Fiore. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

The seven manufacturing industries reporting slower supplier deliveries in October — listed in order — are: Furniture & Related Products; Nonmetallic Mineral Products; Petroleum & Coal Products; Miscellaneous Manufacturing; Computer & Electronic Products; Food, Beverage & Tobacco Products; and Machinery. The four industries reporting faster supplier deliveries in October are: Paper Products; Electrical Equipment, Appliances & Components; Primary Metals; and Transportation Equipment. Seven industries reported no change in supplier deliveries in October as compared to September.

Supplier Deliveries	%Slower	%Same	%Faster	Net	Index
Oct 2024	11.9	80.1	8.0	+3.9	52.0
Sep 2024	10.4	83.6	6.0	+4.4	52.2
Aug 2024	10.1	80.7	9.2	+0.9	50.5
Jul 2024	11.7	81.7	6.6	+5.1	52.6

Inventories

The Inventories Index registered 42.6 percent in October, down 1.3 percentage points compared to the reading of 43.9 percent reported in September. “Manufacturing inventories remain at low levels as the contracting manufacturing economy continues to cause panelists’ companies and their customers to closely manage working capital, including manufacturing inventory. Of the six big industries, none reported increased manufacturing inventories in October,” 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 two industries reporting higher inventories in October are: Nonmetallic Mineral Products; and Primary Metals. The 12 industries reporting lower inventories in October — in the following order — are: Textile Mills; Apparel, Leather & Allied Products; Printing & Related Support Activities; Wood Products; Plastics & Rubber Products; Transportation Equipment; Machinery; Electrical Equipment, Appliances & Components; Chemical Products; Fabricated Metal Products; Miscellaneous Manufacturing; and Computer & Electronic Products.

Inventories	%Higher	%Same	%Lower	Net	Index
Oct 2024	14.2	59.1	26.7	-12.5	42.6
Sep 2024	11.2	66.5	22.3	-11.1	43.9
Aug 2024	18.7	64.7	16.6	+2.1	50.3
Jul 2024	12.2	63.3	24.5	-12.3	44.5

Customers’ Inventories[†]

ISM®’s Customers’ Inventories Index registered a reading of 46.8 percent in October, down 3.2 percentage points compared to the 50 percent reported in September. “Customers’ inventory levels in October were on the high side of ‘too low.’ Panelists are reporting that the amounts of their products in their customers’ inventories suggest a demand level that is positive for future new orders and production,” says Fiore.

The five industries reporting customers’ inventories as too high in October are: Textile Mills; Wood Products; Furniture & Related Products; Plastics & Rubber Products; and Miscellaneous Manufacturing. The seven industries reporting customers’ inventories as too low in October, in order, are: Paper Products; Chemical Products; Food, Beverage & Tobacco Products; Fabricated Metal Products; Primary Metals; Machinery; and Transportation Equipment.

Customers’ Inventories	% Reporting	%Too High	%About Right	%Too Low	Net	Index
Oct 2024	80	12.2	69.1	18.7	-6.5	46.8
Sep 2024	76	13.2	73.6	13.2	0.0	50.0
Aug 2024	77	12.3	72.2	15.5	-3.2	48.4
Jul 2024	79	13.5	64.5	22.0	-8.5	45.8

Prices[†]

The ISM® Prices Index registered 54.8 percent, 6.5 percentage points higher compared to the September reading of 48.3 percent, indicating raw materials prices increased in October after decreasing the month before. Of the six largest manufacturing industries, five — Transportation Equipment; Fabricated Metal Products; Food, Beverage & Tobacco Products; Machinery; and Computer & Electronic Products — reported price increases in October. “The Prices Index indicated increasing prices in October, compared to the previous month. Energy and transportation costs were the primary drivers, with crude oil and natural gas increasing somewhat, offset by weakness in the steel markets. Twenty percent of companies

reported higher prices in October, compared to 13 percent in September,” says Fiore. A Prices Index above 52.8 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) Producer Price Index for Intermediate Materials.

In October, the 11 industries that reported paying increased prices for raw materials, in order, are: Textile Mills; Petroleum & Coal Products; Paper Products; Electrical Equipment, Appliances & Components; Wood Products; Miscellaneous Manufacturing; Transportation Equipment; Fabricated Metal Products; Food, Beverage & Tobacco Products; Machinery; and Computer & Electronic Products. The three industries reporting paying decreased prices for raw materials in October are: Plastics & Rubber Products; Nonmetallic Mineral Products; and Primary Metals.

Prices	%Higher	%Same	%Lower	Net	Index
Oct 2024	19.8	69.9	10.3	+9.5	54.8
Sep 2024	12.9	70.7	16.4	-3.5	48.3
Aug 2024	21.4	65.2	13.4	+8.0	54.0
Jul 2024	22.6	60.5	16.9	+5.7	52.9

Backlog of Orders[†]

ISM®’s Backlog of Orders Index registered 42.3 percent, a decrease of 1.8 percentage points compared to the September reading of 44.1 percent, indicating order backlogs contracted for the 25th consecutive month after a 27-month period of expansion. Of the six largest manufacturing industries, two (Food, Beverage & Tobacco Products; and Computer & Electronic Products) reported expanded order backlogs in October. “The index remained in contraction in October, as continued contraction in new orders and reduced production levels compared to September were insufficient to prevent backlogs from slowing their decline,” says Fiore.

Of the 18 manufacturing industries, three reported growth in order backlogs in October: Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; and Computer & Electronic Products. The 10 industries reporting lower backlogs in October — in the following order — are: Furniture & Related Products; Paper Products; Nonmetallic Mineral Products; Transportation Equipment; Fabricated Metal Products; Primary Metals; Chemical Products; Electrical Equipment, Appliances & Components; Machinery; and Plastics & Rubber Products.

Backlog of Orders	% Reporting	%Higher	%Same	%Lower	Net	Index
Oct 2024	93	14.1	56.4	29.5	-15.4	42.3
Sep 2024	92	14.5	59.1	26.4	-11.9	44.1
Aug 2024	91	13.1	61.0	25.9	-12.8	43.6
Jul 2024	91	12.9	57.5	29.6	-16.7	41.7

New Export Orders[†]

ISM®’s New Export Orders Index registered 45.5 percent in October, up 0.2 percentage point from September’s reading of 45.3 percent. “The New Export Orders Index reading indicates that export orders contracted for a fifth month after expanding in May and contracting in April, with two straight months of expansion before that. New export orders continue to be weak as international trading partners struggle with weak economies,” says Fiore.

The only industry reporting growth in new export orders in October is Food, Beverage & Tobacco Products. The nine industries reporting a decrease in new export orders in October — in the following order — are: Paper Products; Plastics & Rubber Products; Electrical Equipment, Appliances &

Components; Computer & Electronic Products; Primary Metals; Fabricated Metal Products; Chemical Products; Transportation Equipment; and Machinery. Seven industries reported no change in exports in October.

New Export Orders	% Reporting	%Higher	%Same	%Lower	Net	Index
Oct 2024	74	7.7	75.6	16.7	-9.0	45.5
Sep 2024	73	7.2	76.1	16.7	-9.5	45.3
Aug 2024	74	7.2	82.8	10.0	-2.8	48.6
Jul 2024	74	8.9	80.2	10.9	-2.0	49.0

Imports[†]

ISM®'s Imports Index continued to indicate cooling in October; the reading of 48.3 percent is the same reading as reported in September. "Imports contracted for the fifth month in a row after five consecutive months of expansion, preceded by 14 consecutive months of contraction. Panelists' companies continue to limit their investments in inventory, as overall growth prospects remain unclear. Ocean freight costs continue to rise, and access to equipment remains challenged," says Fiore.

The six industries reporting an increase in import volumes in October — in the following order — are: Apparel, Leather & Allied Products; Textile Mills; Food, Beverage & Tobacco Products; Fabricated Metal Products; Electrical Equipment, Appliances & Components; and Primary Metals. The six industries that reported lower volumes of imports in October, in order, are: Paper Products; Furniture & Related Products; Transportation Equipment; Machinery; Chemical Products; and Computer & Electronic Products. Six industries reported no change in imports in October as compared to September.

Imports	% Reporting	%Higher	%Same	%Lower	Net	Index
Oct 2024	84	11.7	73.1	15.2	-3.5	48.3
Sep 2024	82	10.2	76.2	13.6	-3.4	48.3
Aug 2024	84	10.1	78.9	11.0	-0.9	49.6
Jul 2024	84	9.8	77.5	12.7	-2.9	48.6

[†]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 168 days, a decrease of six days compared to September. Average lead time in October for Production Materials was 81 days, an increase of one day compared to September. Average lead time for Maintenance, Repair and Operating (MRO) Supplies was 46 days, unchanged from September.

Capital Expenditures	Hand-to-Mouth	Percent Reporting					Average Days
		30 Days	60 Days	90 Days	6 Months	1 Year+	
Oct 2024	16	5	12	12	28	27	168
Sep 2024	16	3	10	13	30	28	174
Aug 2024	16	5	11	12	30	26	167
Jul 2024	16	3	7	14	32	28	177

Percent Reporting							
Production Materials	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Oct 2024	9	25	26	26	9	5	81
Sep 2024	7	26	28	27	7	5	80
Aug 2024	6	29	26	26	9	4	79
Jul 2024	7	29	25	27	8	4	77

Percent Reporting							
MRO Supplies	Hand-to-Mouth	30 Days	60 Days	90 Days	6 Months	1 Year+	Average Days
Oct 2024	30	34	18	12	5	1	46
Sep 2024	27	37	19	11	5	1	46
Aug 2024	30	35	20	11	3	1	43
Jul 2024	28	35	19	13	4	1	46

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 2024.

The data presented herein is obtained from a survey of manufacturing 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.

Survey responses reflect the change, if any, in the current month compared to the previous month. For nine indicators (New Orders, Backlog of Orders, New Export Orders, Imports, Production, Supplier Deliveries, 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. For Customers' Inventories, respondents report their

assessment of their customers' stock levels of respondent companies' products this month (rather than last month): too high, about right, and too low. 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[®], 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[®] 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[®] 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. With some of the indicators within this report, ISM[®] has indicated the departure point between expansion and decline of comparable government series, as determined by regression analysis. For the Customers' Inventories Index, numerically, a reading of 50 percent is "about right." However, in practice and in the context of other data, customers' inventories may be considered to be "about right" if the diffusion index is between 52 percent (the high side of about right) and 48 percent (the low side of about right).

The **Manufacturing ISM[®] Report On Business[®]** 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[®] 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[®] 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[®] Report On Business[®]** 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.

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The next **Manufacturing ISM[®] Report On Business[®]** featuring November 2024 data will be released at 10:00 a.m. ET on Monday, December 2, 2024.

*Unless the New York Stock Exchange is closed.