ISM: Economic Recovery Will Continue

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Economic growth in the United States will continue in 2013, say the nation's purchasing and supply management executives in their December 2012 Semiannual Economic Forecast.

(Tempe, Arizona) — Economic growth in the United States will continue in 2013, say the nation's purchasing and supply management executives in their December 2012 Semiannual Economic Forecast. Expectations are for a continuation of the economic recovery that began in mid-2009, as indicated in the monthly ISM Report On Business®. The manufacturing sector is optimistic about growth in 2013, with revenues expected to increase in 17 manufacturing industries, and the non-manufacturing sector predicts that 14 of its industries will see higher revenues. Capital expenditures, a major driver in the U.S. economy, are expected to increase by 7.6 percent in the manufacturing sector and by 7 percent in the non-manufacturing sector. Manufacturing, however, expects that its employment base will grow by less than 1 percent, while non-manufacturing expects employment growth of 1.3 percent.

These projections are part of the forecast issued by the Business Survey Committee of the Institute for Supply Management™ (ISM). The forecast was released today by Bradley J. Holcomb, CPSM, CPSD, chair of the ISM Manufacturing Business Survey Committee; and by Anthony S. Nieves, C.P.M., CFPM, chair of the ISM Non-Manufacturing Business Survey Committee.

Manufacturing Summary

Expectations for 2013 are positive as 62 percent of survey respondents expect revenues to be greater in 2013 than in 2012. The panel of purchasing and supply executives expects a 4.6 percent net increase in overall revenues for 2013, compared to a 4 percent increase reported for 2012 over 2011 revenues. The 17 manufacturing industries expecting revenue improvement over 2012 — listed in order — are: Primary Metals; Petroleum & Coal Products; Computer & Electronic Products; Wood Products; Furniture & Related Products; Printing & Related Support Activities; Food, Beverage & Tobacco Products; Paper Products; Chemical Products; Plastics & Rubber Products; Apparel, Leather & Allied Products; Miscellaneous Manufacturing; Transportation Equipment; Machinery; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; and Fabricated Metal Products.

"Manufacturing purchasing and supply executives expect to see continued growth in 2013. They are optimistic about their overall business prospects for the first half of 2013, and are even more optimistic about the second half of 2013," said Holcomb. "Manufacturing experienced five consecutive months of growth from January through May 2012, while four of the last six months from June through November 2012 registered slight contraction (as measured by and reported in the

monthly Manufacturing ISM Report On Business®), but our forecast for 2013 calls for a resumption of growth in 2013. Respondents expect raw materials pricing pressures in 2013 to be higher than in 2012, and expect their margins will improve slightly."

In the manufacturing sector, respondents report operating at 77.5 percent of their normal capacity, down from 81.6 percent reported in April 2012. Purchasing and supply executives predict that capital expenditures will increase by 7.6 percent in 2013 over 2012, compared to a 3.7 percent increase reported for 2012 over 2011. Survey respondents also forecast that they will increase inventories by 0.3 percent to support their planned level of sales in 2013. Manufacturers have an expectation that employment in the sector will increase by 0.8 percent in 2013, while labor and benefit costs are expected to increase an average of 1.7 percent. Manufacturing purchasers are predicting growth in exports and imports in 2013. Respondents also expect the U.S. dollar to strengthen on average against the currencies of major trading partners.

The panel also predicts the prices they pay for raw materials will increase 2.1 percent during the first four months of 2013, and will increase an additional 0.7 percent during the balance of the year, with an overall increase of 2.8 percent for 2013. This compares to a reported 0.8 percent increase in raw materials prices for 2012 compared with 2011.

Survey respondents report that the most challenging problems facing their businesses as they plan for 2013 are: poor sales (37.8 percent); government regulations (30.5 percent); inflation (9.8 percent); taxes (9.1 percent); quality of labor (4.9 percent); interest rates and finance (4.3 percent); and cost of labor (3.7 percent).

The panel also indicated that supply chain management practices will be improved in 2013 using the following strategies, listed in order: strategic sourcing/supply base rationalization; inventory management and control; process and information systems improvements; supplier performance management; and demand planning to reduce supply lead times.

Find the full version of the report at www.ism.ws *[1].*

In addition to the forecast, the Manufacturing ISM Report On Business® is issued monthly and is considered by many economists to be the most reliable near-term economic barometer available. It is reviewed regularly by government agencies and economic business leaders. The report, compiled from responses to questions asked of purchasing and supply executives across the country, tracks industrial production, new orders, inventories, supplier deliveries, imports, exports, backlog of orders, employment, customers' inventories, buying policies and prices. The report has been issued by the association since 1931, except during World War II.

The next Manufacturing ISM Report On Business® featuring the December 2012 data will be released at 10:00 a.m. (ET) on Wednesday, January 2, 2013.

The next Non-Manufacturing ISM Report On Business® featuring the December 2012 data will be released at 10:00 a.m. (ET) on Friday, January 4, 2013.

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