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October 2011 Non-Manufacturing ISM Report On Business[®]

NMI at 52.9%

DO NOT CONFUSE THIS NATIONAL REPORT with the various regional purchasing reports released across the country. The national report's information reflects the entire United States, 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 2011.

Business Activity Index at 53.8%
New Orders Index at 52.4%
Employment Index at 53.3%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in October for the 23rd consecutive month, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM Report On Business[®]**.

The report was issued today by Anthony Nieves, C.P.M., CFPM, chair of the Institute for Supply Management[™] Non-Manufacturing Business Survey Committee. "The NMI registered 52.9 percent in October, 0.1 percentage point lower than the 53 percent registered in September, and indicating continued growth at a slightly slower rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index decreased 3.3 percentage points to 53.8 percent, reflecting growth for the 27th consecutive month. The New Orders Index decreased by 4.1 percentage points to 52.4 percent. The Employment Index increased 4.6 percentage points to 53.3 percent, indicating growth in employment after one month of contraction. The Prices Index decreased 4.8 percentage points to 57.1 percent, indicating prices increased at a slower rate in October when compared to September. According to the NMI, eight non-manufacturing industries reported growth in October. Even though there is month-over-month growth in the Employment Index, respondents are still expressing concern over available labor resources and

job growth. The continued strong push for inventory reduction by supply management professionals has resulted in contraction in the Inventories Index for the first time in eight months. Respondents' comments are mixed and reflect concern about future business conditions."

INDUSTRY PERFORMANCE (Based on the NMI)

The eight non-manufacturing industries reporting growth in October based on the NMI composite index — listed in order — are: Management of Companies & Support Services; Information; Transportation & Warehousing; Mining; Retail Trade; Other Services; Accommodation & Food Services; and Professional, Scientific & Technical Services. The eight industries reporting contraction in October — listed in order — are: Arts, Entertainment & Recreation; Public Administration; Real Estate, Rental & Leasing; Educational Services; Finance & Insurance; Utilities; Construction; and Wholesale Trade.

WHAT RESPONDENTS ARE SAYING ...

- "Business is fairly flat, with a slight increase noted for the month." (Health Care & Social Assistance)
- "Sales are increasing slightly, but are still lower than they have been historically." (Public Administration)
- "Some slowdown in the last month." (Finance & Insurance)
- "Business is steady, with a lot of price competition at the selling end of our business." (Agriculture, Forestry, Fishing & Hunting)
- "The poor economy is creating a drag on expected revenue through the end of this year." (Information)
- "Overall, we are still growing, but we are beginning to see some cautiousness reflected in our customers." (Wholesale Trade)

**ISM NON-MANUFACTURING SURVEY RESULTS AT A GLANCE
COMPARISON OF ISM NON-MANUFACTURING AND ISM MANUFACTURING SURVEYS*
OCTOBER 2011**

	Non-Manufacturing						Manufacturing		
Index	Series Index Oct	Series Index Sep	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Oct	Series Index Sep	Percent Point Change
NMI/PMI	52.9	53.0	-0.1	Growing	Slower	23	50.8	51.6	-0.8
Business Activity/Production	53.8	57.1	-3.3	Growing	Slower	27	50.1	51.2	-1.1
New Orders	52.4	56.5	-4.1	Growing	Slower	27	52.4	49.6	+2.8
Employment	53.3	48.7	+4.6	Growing	From Contracting	1	53.5	53.8	-0.3
Supplier Deliveries	52.0	49.5	+2.5	Slowing	From Faster	1	51.3	51.4	-0.1
Inventories	45.5	51.5	-6.0	Contracting	From Growing	1	46.7	52.0	-5.3
Prices	57.1	61.9	-4.8	Increasing	Slower	27	41.0	56.0	-15.0
Backlog of Orders	47.0	52.5	-5.5	Contracting	From Growing	1	47.5	41.5	+6.0
New Export Orders	54.0	52.0	+2.0	Growing	Faster	3	50.0	53.5	-3.5
Imports	48.0	47.5	+0.5	Contracting	Slower	2	49.5	54.5	-5.0
Inventory Sentiment	57.5	59.0	-1.5	Too High	Slower	173	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	43.5	49.0	-5.5

* **Non-Manufacturing ISM Report On Business**[®] data is seasonally adjusted for Business Activity, New Orders, Prices and Employment. **Manufacturing ISM Report On Business**[®] data is seasonally adjusted for New Orders, Production, Employment, Supplier Deliveries and Inventories.

** Number of months moving in current direction.

COMMODITIES REPORTED UP / DOWN IN PRICE, and IN SHORT SUPPLY

Commodities Up in Price

Airfares; Fluorescent Lamps; Food and Beverage (3); Freight Charges; Lighting Supplies; Oil Products; Paper Products (2); Plywood; PVC Products; Software Maintenance; and Steel Products (2).

Commodities Down in Price

Carbon Pipe; Copper; Copper Pipe; Fuel; and Gasoline (5).

Commodities in Short Supply

No commodities are reported in short supply.

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

OCTOBER 2011 NON-MANUFACTURING INDEX SUMMARIES

In October, the NMI registered 52.9 percent, indicating continued growth in the non-manufacturing sector for the 23rd consecutive month. A reading above 50 percent indicates the non-manufacturing sector economy is generally expanding; below 50 percent indicates the non-manufacturing sector is generally contracting.

NMI HISTORY

<i>Month</i>	<i>NMI</i>	<i>Month</i>	<i>NMI</i>
Oct 2011	52.9	Apr 2011	52.8
Sep 2011	53.0	Mar 2011	57.3
Aug 2011	53.3	Feb 2011	59.7
Jul 2011	52.7	Jan 2011	59.4
Jun 2011	53.3	Dec 2010	57.1
May 2011	54.6	Nov 2010	56.0
Average for 12 months – 55.2 High – 59.7 Low – 52.7			

Business Activity

ISM's Non-Manufacturing Business Activity Index in October registered 53.8 percent, a decrease of 3.3 percentage points when compared to the 57.1 percent registered in September. Nine industries reported increased business activity, and five industries reported decreased activity for the month of October. Comments from respondents include: "Aggressive calling on customers" and "More projects started."

The industries reporting growth of business activity in October — listed in order — are: Information; Management of Companies & Support Services; Accommodation & Food Services; Mining; Transportation & Warehousing; Retail Trade; Other Services; Finance & Insurance; and Health Care & Social Assistance. The industries reporting decreased business activity in October are: Educational Services; Public Administration; Wholesale Trade; Construction; and Utilities.

Business Activity	% Higher	% Same	% Lower	Index
Oct 2011	24	57	19	53.8
Sep 2011	27	59	14	57.1
Aug 2011	27	54	19	55.6

Jul 2011	30	50	20	56.1
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New Orders

ISM's Non-Manufacturing New Orders Index grew in October for the 27th consecutive month. The index registered 52.4 percent, a decrease of 4.1 percentage points from the 56.5 percent reported in September. Comments from respondents include: "Increased client activity" and "[New orders increased] due to higher occupancy."

The 10 industries reporting growth of new orders in October — listed in order — are: Management of Companies & Support Services; Information; Transportation & Warehousing; Mining; Retail Trade; Other Services; Professional, Scientific & Technical Services; Construction; Wholesale Trade; and Health Care & Social Assistance. The five industries reporting contraction of new orders in October are: Educational Services; Public Administration; Finance & Insurance; Utilities; and Accommodation & Food Services.

New Orders	% Higher	% Same	% Lower	Index
Oct 2011	23	57	20	52.4
Sep 2011	25	60	15	56.5
Aug 2011	27	50	23	52.8
Jul 2011	24	55	21	51.7

Employment

Employment activity in the non-manufacturing sector grew in October after one month of contraction, as ISM's Non-Manufacturing Employment Index registered 53.3 percent. This reflects an increase of 4.6 percentage points when compared to the 48.7 percent registered in September. Eight industries reported increased employment, seven industries reported decreased employment, and three industries reported unchanged employment compared to September. Comments from respondents include: "New positions being created and filled due to increase in business activity and expansion" and "Slowly adding back support staff — still 25 percent below high-water mark of June 2008."

The industries reporting an increase in employment in October — listed in order — are: Management of Companies & Support Services; Mining; Retail Trade; Transportation & Warehousing; Information; Educational Services; Other Services; and Professional, Scientific & Technical Services. The industries reporting a reduction in employment in October — listed in order — are: Arts, Entertainment & Recreation; Real Estate, Rental & Leasing; Finance & Insurance; Public Administration; Construction; Accommodation & Food Services; and Health Care & Social Assistance.

Employment	% Higher	% Same	% Lower	Index
Oct 2011	16	64	20	53.3
Sep 2011	10	73	17	48.7
Aug 2011	16	69	15	51.6
Jul 2011	27	58	15	52.5

Supplier Deliveries

The Supplier Deliveries Index registered 52 percent in October, 2.5 percentage points higher than the 49.5 percent registered in September, indicating that supplier deliveries were slower in October. A reading above 50 percent indicates slower deliveries.

The six industries reporting slower deliveries in October — listed in order — are: Transportation & Warehousing; Educational Services; Other Services; Public Administration; Information; and Wholesale Trade. The two industries reporting faster supplier deliveries in October are: Utilities; and Finance & Insurance. Ten industries reported no change in supplier deliveries in October compared to September.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Oct 2011	7	90	3	52.0
Sep 2011	6	87	7	49.5
Aug 2011	10	86	4	53.0
Jul 2011	7	87	6	50.5

Inventories

ISM's Non-Manufacturing Inventories Index contracted in October, registering 45.5 percent. The index is 6 percentage points lower than the 51.5 percent reading that was reported in September. Of the total respondents in October, 27 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Working down inventory level" and "Adjusting to business level."

The five industries reporting an increase in inventories in October are: Agriculture, Forestry, Fishing & Hunting; Retail Trade; Mining; Transportation & Warehousing; and Health Care & Social Assistance. The nine industries reporting decreases in inventories in October — listed in order — are: Arts, Entertainment & Recreation; Management of Companies & Support Services;

Information; Other Services; Finance & Insurance; Utilities; Professional, Scientific & Technical Services; Public Administration; and Wholesale Trade.

Inventories	% Higher	% Same	% Lower	Index
Oct 2011	14	63	23	45.5
Sep 2011	19	65	16	51.5
Aug 2011	21	65	14	53.5
Jul 2011	24	65	11	56.5

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased at a slower rate in October. ISM's Non-Manufacturing Prices Index for October registered 57.1 percent, 4.8 percentage points lower than the 61.9 percent reported in September. In October, the percentage of respondents reporting higher prices is 21 percent, the percentage indicating no change in prices paid is 68 percent, and 11 percent of the respondents reported lower prices.

Nine non-manufacturing industries reported an increase in prices paid, in the following order: Accommodation & Food Services; Arts, Entertainment & Recreation; Utilities; Mining; Retail Trade; Public Administration; Wholesale Trade; Health Care & Social Assistance; and Other Services. The six industries reporting a decrease in prices paid — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Educational Services; Construction; Information; Professional, Scientific & Technical Services; and Finance & Insurance.

Prices	% Higher	% Same	% Lower	Index
Oct 2011	21	68	11	57.1
Sep 2011	24	69	7	61.9
Aug 2011	28	64	8	64.2
Jul 2011	30	61	9	56.6

Backlog of Orders

ISM's Non-Manufacturing Backlog of Orders Index contracted in October for the fourth time in five months. The index registered 47 percent, 5.5 percentage points lower than the 52.5 percent reported in September. Of the total respondents in October, 38 percent indicated they do not measure backlog of orders.

The three industries reporting an increase in order backlogs in October are: Transportation & Warehousing; Construction; and Professional, Scientific & Technical Services. The seven industries reporting lower backlog of orders in October — listed in order — are: Utilities; Health Care & Social Assistance; Information; Finance & Insurance; Other Services; Public Administration; and Wholesale Trade. Eight industries reported no change in order backlogs for the month of October compared to September.

Backlog of Orders	% Higher	% Same	% Lower	Index
Oct 2011	10	74	16	47.0
Sep 2011	13	79	8	52.5
Aug 2011	14	67	19	47.5
Jul 2011	6	76	18	44.0

New Export Orders

Orders and requests for services and other non-manufacturing activities to be provided outside of the United States by domestically based personnel grew in October for the third consecutive month. The New Export Orders Index for October registered 54 percent, which is 2 percentage points higher than the 52 percent reported in September. Of the total respondents in October, 65 percent indicated they either do not perform, or do not separately measure, orders for work outside of the United States.

The six industries reporting an increase in new export orders in October — listed in order — are: Retail Trade; Agriculture, Forestry, Fishing & Hunting; Information; Construction; Accommodation & Food Services; and Other Services. The five industries reporting a decrease in export orders in October are: Arts, Entertainment & Recreation; Public Administration; Finance & Insurance; Wholesale Trade; and Professional, Scientific & Technical Services.

New Export Orders	% Higher	% Same	% Lower	Index
Oct 2011	21	66	13	54.0
Sep 2011	15	74	11	52.0
Aug 2011	20	73	7	56.5

Jul 2011	17	64	19	49.0
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Imports

The ISM Non-Manufacturing Imports Index contracted in October for the second consecutive month. The index registered 48 percent, which is 0.5 percentage point higher than the 47.5 percent reported in September. Sixty-two percent of respondents reported that they do not use, or do not track, the use of imported materials.

The three industries reporting an increase in the use of imports in October are: Agriculture, Forestry, Fishing & Hunting; Transportation & Warehousing; and Retail Trade. The four industries reporting a decrease in imports for the month of October are: Educational Services; Arts, Entertainment & Recreation; Information; and Wholesale Trade. Eleven industries reported no change in imports for the month of October compared to September.

Imports	% Higher	% Same	% Lower	Index
Oct 2011	10	76	14	48.0
Sep 2011	8	79	13	47.5
Aug 2011	13	81	6	53.5
Jul 2011	14	67	19	47.5

Inventory Sentiment

The ISM Non-Manufacturing Inventory Sentiment Index in October registered 57.5 percent, which is 1.5 percentage points lower than the 59 percent reported in September. This indicates that respondents believe their inventories are still too high at this time. In October, 20 percent of respondents said their inventories were too high, 5 percent said their inventories were too low, and 75 percent said their inventories were about right.

The seven industries reporting a feeling that their inventories are too high in October — listed in order — are: Finance & Insurance; Other Services; Arts, Entertainment & Recreation; Professional, Scientific & Technical Services; Wholesale Trade; Utilities; and Public Administration. No industry reported that inventories are too low in October. Nine industries reported no change in inventory sentiment in October compared to September.

Inventory Sentiment	% Too High	% About Right	% Too Low	Index
Oct 2011	20	75	5	57.5

Sep 2011	21	76	3	59.0
Aug 2011	23	66	11	56.0
Jul 2011	27	65	8	59.5

About this Report

The data presented herein is obtained from a survey of non-manufacturing supply managers 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. Use of the data is in the public domain and should be compared to all other economic data sources when used in decision-making.

Data and Method of Presentation

The **Non-Manufacturing ISM Report On Business**[®] is based on data compiled from purchasing and supply executives nationwide. Membership of the Non-Manufacturing Business Survey Committee is diversified by NAICS, based on each industry's contribution to gross domestic product (GDP). The Non-Manufacturing 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).

Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (Business Activity, New Orders, Backlog of Orders, New Export Orders, Inventory Change, Inventory Sentiment, Imports, Prices, Employment and Supplier Deliveries), this report shows the percentage reporting each response, and the diffusion index. Responses represent raw data and are never changed. Data is seasonally adjusted for Business Activity, New Orders, Prices and Employment. All seasonal adjustment factors are supplied by the U.S. Department of Commerce and are subject annually to relatively minor changes when conditions warrant them. The remaining indexes have not indicated significant seasonality.

The NMI (Non-Manufacturing Index) 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. An index reading above 50 percent indicates that the non-manufacturing economy in that index is generally expanding; below 50

percent indicates that it is generally declining. Supplier Deliveries is an exception. A Supplier Deliveries Index above 50 percent indicates slower deliveries and below 50 percent indicates faster deliveries.

The **Non-Manufacturing ISM Report On Business**[®] surveys are sent out to Non-Manufacturing Business Survey Committee respondents the first part of each month. Respondents are asked to ONLY report on information for the current month. 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 in order to give the most accurate picture of current business activity. ISM then compiles the reports for release on the third business day of the following month.

The industries reporting growth, as indicated in the **Non-Manufacturing ISM Report On Business**[®] 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.

The **Non-Manufacturing ISM Report On Business**[®] is published monthly by the Institute for Supply Management[™], the largest supply management research and education organization in the United States. The Institute for Supply Management[™], established in 1915, is the largest supply management organization in the world as well as one of the most respected. ISM's mission is to lead the supply management profession through its standards of excellence, research, promotional activities and education.

The full text version of the **Non-Manufacturing ISM Report On Business**[®] is posted on ISM's Web site at www.ism.ws on the third business day of every month after 10:10 a.m. (ET).

The next **Non-Manufacturing ISM Report On Business**[®] featuring the November 2011 data will be released at 10:00 a.m. (ET) on Monday, December 5, 2011.