

FOR RELEASE: November 5, 2012

**Contact:** Rose Marie Goupil  
ISM, ROB Media Relations  
Tempe, Arizona  
800/888-6276, Ext. 3015  
E-mail: [rgoupil@ism.ws](mailto:rgoupil@ism.ws)

## **October 2012 Non-Manufacturing ISM Report On Business<sup>®</sup>**

**NMI<sup>™</sup> at 54.2%**

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 2012.

**Business Activity Index at 55.4%**

**New Orders Index at 54.8%**

**Employment Index at 54.9%**

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in October for the 34th consecutive month, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM Report On Business<sup>®</sup>**.

The report was issued today by Anthony Nieves, C.P.M., CFPM, chair of the Institute for Supply Management<sup>™</sup> Non-Manufacturing Business Survey Committee. "The NMI<sup>™</sup> registered 54.2 percent in October, 0.9 percentage point lower than the 55.1 percent registered in September. This indicates continued growth this month at a slightly slower rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index registered 55.4 percent, which is 4.5 percentage points lower than the 59.9 percent reported in September, reflecting growth for the 39th consecutive month. The New Orders Index decreased by 2.9 percentage points to 54.8 percent. The Employment Index increased by 3.8 percentage points to 54.9 percent, indicating growth in employment for the third consecutive month. The Prices Index decreased 2.5 percentage points to 65.6 percent, indicating prices increased at a slower rate in October when compared to September. According to the NMI<sup>™</sup>, 13 non-manufacturing industries reported growth in October. The majority of the respondents' comments reflect a positive but guarded outlook on business conditions and the economy."

## **INDUSTRY PERFORMANCE**

The 13 non-manufacturing industries reporting growth in October — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Construction; Other Services; Management of Companies & Support Services; Finance & Insurance; Professional, Scientific & Technical Services; Accommodation & Food Services; Transportation & Warehousing; Real Estate, Rental & Leasing; Health Care & Social Assistance; Information; Educational Services; and Retail Trade. The five industries reporting contraction in October are: Mining; Arts, Entertainment & Recreation; Wholesale Trade; Utilities; and Public Administration.

## **WHAT RESPONDENTS ARE SAYING ...**

- "Business with markets and customers we serve remains strong." (Management of Companies & Support Services)
- "Business is steady, with good fourth quarter expected." (Information)
- "The sluggish pace of economic recovery coupled with rapid increases in gas prices on the West Coast continue to drag down customer traffic and discretionary spending. Levels remain well below last year." (Arts, Entertainment & Recreation)
- "Ongoing concerns about healthcare reform; reluctance to expand or hire." (Health Care & Social Assistance)
- "Outlook is positive yet still guarded. Clients have some pent-up demand that they are acting on with short-term contracts." (Professional, Scientific & Technical Services)
- "More companies seeking relief from fuel increases." (Public Administration)

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

OCTOBER 2012									
	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
<b>NMI™/PMI™</b>	54.2	55.1	-0.9	Growing	Slower	34	51.7	51.5	+0.2
<b>Business Activity/Production</b>	55.4	59.9	-4.5	Growing	Slower	39	52.4	49.5	+2.9
<b>New Orders</b>	54.8	57.7	-2.9	Growing	Slower	39	54.2	52.3	+1.9
<b>Employment</b>	54.9	51.1	+3.8	Growing	Faster	3	52.1	54.7	-2.6
<b>Supplier Deliveries</b>	51.5	51.5	0.0	Slowing	Same	3	49.6	50.3	-0.7
<b>Inventories</b>	46.5	48.5	-2.0	Contracting	Faster	2	50.0	50.5	-0.5
<b>Prices</b>	65.6	68.1	-2.5	Increasing	Slower	4	55.0	58.0	-3.0
<b>Backlog of Orders</b>	49.0	48.0	+1.0	Contracting	Slower	2	41.5	44.0	-2.5
<b>New Export Orders</b>	47.5	50.5	-3.0	Contracting	From Growing	1	48.0	48.5	-0.5
<b>Imports</b>	49.5	50.0	-0.5	Contracting	From Unchanged	1	47.5	49.5	-2.0
<b>Inventory Sentiment</b>	64.0	65.0	-1.0	Too High	Slower	185	N/A	N/A	N/A
<b>Customers' Inventories</b>	N/A	N/A	N/A	N/A	N/A	N/A	49.0	49.5	-0.5

\* **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 and Supplier Deliveries.

\*\* Number of months moving in current direction.

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

### **Commodities Up in Price**

Beef; Chemical Products; Chicken; Computer Products; Copper Products; Corrugated Products; Dairy (2); #1 Diesel Fuel (3); #2 Diesel Fuel\* (3); Food Products (2); Fuel (4); Fuel Surcharges; Gasoline\* (10); Gasoline Related (2); Medical Supplies\*; Oils; Packaging Supplies; Pallets; Paper; Pharmaceuticals; Pharmacy Products; Plastic/Poly Bags (3); Pork; Produce; and Urea.

### **Commodities Down in Price**

#2 Diesel Fuel\*; Gasoline\*; Lumber; Medical Supplies\*; and Soybean Meal.

### **Commodities in Short Supply**

Pharmaceuticals; and Pharmacy Products are the only commodities reported in short supply.

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

\*Reported as both up and down in price.

---

## OCTOBER 2012 NON-MANUFACTURING INDEX SUMMARIES

---

### NMI™

In October, the NMI™ registered 54.2 percent, indicating continued growth in the non-manufacturing sector for the 34th 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 2012	54.2	Apr 2012	53.5
Sep 2012	55.1	Mar 2012	56.0
Aug 2012	53.7	Feb 2012	57.3
Jul 2012	52.6	Jan 2012	56.8
Jun 2012	52.1	Dec 2011	53.0
May 2012	53.7	Nov 2011	52.6
Average for 12 months – 54.2 High – 57.3 Low – 52.1			

### Business Activity

ISM's Non-Manufacturing Business Activity Index in October registered 55.4 percent, 4.5 percentage points lower than the 59.9 percent registered in September. Ten industries reported increased business activity, and five industries reported decreased activity for the month of October. Comments from respondents include: "Economic outlook appears to be dimmer in 2013. Company implemented spend freeze before the fourth quarter" and "Slight delay in several major capital projects."

The industries reporting growth of business activity in October — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Construction; Finance & Insurance; Other Services; Professional, Scientific & Technical Services; Information; Health Care & Social Assistance; Accommodation & Food Services; Management of Companies & Support Services; and Educational Services. The industries reporting decreased business activity in October are: Arts, Entertainment & Recreation; Mining; Wholesale Trade; Utilities; and Public Administration.

	%	%	%	
--	---	---	---	--

Business Activity	Higher	Same	Lower	Index
Oct 2012	27	55	18	55.4
Sep 2012	30	59	11	59.9
Aug 2012	25	56	19	55.6
Jul 2012	29	52	19	57.2

## New Orders

ISM's Non-Manufacturing New Orders Index grew in October for the 39th consecutive month. The index registered 54.8 percent, a decrease of 2.9 percentage points from the 57.7 percent reported in September. Comments from respondents include: "Higher awards due to lower unemployment rate and increased business activity with existing clients" and "End-of-year budget spending."

The 10 industries reporting growth of new orders in October — listed in order — are: Construction; Agriculture, Forestry, Fishing & Hunting; Professional, Scientific & Technical Services; Other Services; Finance & Insurance; Health Care & Social Assistance; Management of Companies & Support Services; Accommodation & Food Services; Educational Services; and Public Administration. The four industries reporting contraction of new orders in October are: Mining; Wholesale Trade; Arts, Entertainment & Recreation; and Utilities.

New Orders	% Higher	% Same	% Lower	Index
Oct 2012	29	49	22	54.8
Sept 2012	24	65	11	57.7
Aug 2012	22	60	18	53.7
Jul 2012	25	55	20	54.3

## Employment

Employment activity in the non-manufacturing sector grew in October for the third consecutive month. ISM's Non-Manufacturing Employment Index registered 54.9 percent, which reflects an increase of 3.8 percentage points when compared to the 51.1 percent registered in September. Seven industries reported increased employment, seven industries reported decreased employment, and four industries reported unchanged employment compared to September. Comments from respondents include: "Additional work related to integrating recent acquisitions" and "Assumed responsibility for new process."

The industries reporting an increase in employment in October — listed in order — are: Management of Companies & Support Services; Other Services; Agriculture, Forestry, Fishing & Hunting; Retail Trade; Construction; Health Care & Social Assistance; and Finance & Insurance. The industries reporting a reduction in employment in October — listed in order — are: Mining; Arts, Entertainment & Recreation; Utilities; Educational Services; Professional, Scientific & Technical Services; Information; and Wholesale Trade.

Employment	% Higher	% Same	% Lower	Index
Oct 2012	19	63	18	54.9
Sep 2012	22	55	23	51.1
Aug 2012	22	60	18	53.8
Jul 2012	23	59	18	49.3

## Supplier Deliveries

The Supplier Deliveries Index registered 51.5 percent in October, which is the same percentage that was reported in both September and August, indicating that supplier deliveries were slower in October for the third consecutive month. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The eight industries reporting slower deliveries in October — listed in order — are: Utilities; Agriculture, Forestry, Fishing & Hunting; Educational Services; Management of Companies & Support Services; Transportation & Warehousing; Real Estate, Rental & Leasing; Accommodation & Food Services; and Information. The four industries reporting faster supplier deliveries in October are: Mining; Health Care & Social Assistance; Wholesale Trade; and Public Administration. Six industries reported no change in supplier deliveries in October compared to September.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Oct 2012	8	87	5	51.5
Sep 2012	8	87	5	51.5
Aug 2012	10	83	7	51.5
Jul 2012	7	85	8	49.5

## Inventories

ISM's Non-Manufacturing Inventories Index contracted for the second consecutive month in October after seven months of growth. The index registered 46.5 percent, which is 2 percentage points lower than the 48.5 percent reported in September. Of the total respondents in September, 27 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Deliberate plan to reduce stock" and "Beginning to right-size in line with declining sales."

The seven industries reporting an increase in inventories in October — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Mining; Utilities; Management of Companies & Support Services; Transportation & Warehousing; Retail Trade; and Accommodation & Food Services. The seven industries reporting decreases in inventories in October — listed in order — are: Arts, Entertainment & Recreation; Educational Services; Finance & Insurance; Wholesale Trade; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Public Administration.

Inventories	% Higher	% Same	% Lower	Index
Oct 2012	12	69	19	46.5
Sep 2012	15	67	18	48.5
Aug 2012	22	61	17	52.5
Jul 2012	23	63	14	54.5

## Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in October for the fourth consecutive month. ISM's Non-Manufacturing Prices Index for October registered 65.6 percent, 2.5 percentage points lower than the 68.1 percent reported in September. In October, the percentage of respondents reporting higher prices is 25 percent, the percentage indicating no change in prices paid is 68 percent, and 7 percent of the respondents reported lower prices.

Fourteen non-manufacturing industries reported an increase in prices paid during the month of October, in the following order: Accommodation & Food Services; Educational Services; Management of Companies & Support Services; Agriculture, Forestry, Fishing & Hunting; Mining; Retail Trade; Information; Arts, Entertainment & Recreation; Utilities; Wholesale Trade; Public Administration; Professional, Scientific & Technical Services; Health Care & Social Assistance; and Finance & Insurance. No industry reported a decrease in prices paid during October.



Prices	% Higher	% Same	% Lower	Index
Oct 2012	25	68	7	65.6
Sep 2012	28	71	1	68.1
Aug 2012	28	65	7	64.3
Jul 2012	19	71	10	54.9

### Backlog of Orders

ISM's Non-Manufacturing Backlog of Orders Index contracted in October, representing the fourth time the index has contracted in the last five months. The index registered 49 percent, which is 1 percentage point higher than the 48 percent reported in September. Of the total respondents in October, 37 percent indicated they do not measure backlog of orders.

The six industries reporting an increase in order backlogs in October — listed in order — are: Construction; Educational Services; Management of Companies & Support Services; Finance & Insurance; Professional, Scientific & Technical Services; and Transportation & Warehousing. The seven industries reporting lower backlog of orders in October — listed in order — are: Mining; Other Services; Agriculture, Forestry, Fishing & Hunting; Accommodation & Food Services; Wholesale Trade; Health Care & Social Assistance; and Information.

Backlog of Orders	% Higher	% Same	% Lower	Index
Oct 2012	15	68	17	49.0
Sep 2012	14	68	18	48.0
Aug 2012	16	69	15	50.5
Jul 2012	10	69	21	44.5

### 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 contracted in October after three consecutive months of growth. The New Export Orders Index for October registered 47.5 percent, which is 3 percentage points lower than the 50.5 percent reported in September. Of the total respondents in September, 64 percent indicated they either do not perform, or do not separately measure, orders for work outside of the United States.

The four industries reporting an increase in new export orders in October are: Construction; Information; Public Administration; and Accommodation & Food Services. The six industries reporting a decrease in export orders in October — listed in order — are: Mining; Management of Companies & Support Services; Other Services; Wholesale Trade; Professional, Scientific & Technical Services; and Finance & Insurance. Seven industries reported no change in export orders in October compared to September.

New Export Orders	% Higher	% Same	% Lower	Index
Oct 2012	11	73	16	47.5
Sep 2012	15	71	14	50.5
Aug 2012	20	64	16	52.0
Jul 2012	17	68	15	51.0

## Imports

The ISM Non-Manufacturing Imports Index contracted in October for the third time in the last four months. This month's reading at 49.5 percent is 0.5 percentage point lower than the 50 percent reported in September. Fifty-eight 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 imports for the month of October are: Public Administration; Agriculture, Forestry, Fishing & Hunting; and Retail Trade. The three industries reporting a decrease in imports for the month of October are: Educational Services; Wholesale Trade; and Accommodation & Food Services. Twelve industries reported no change in imports for the month of October compared to September.

Imports	% Higher	% Same	% Lower	Index
Oct 2012	9	81	10	49.5
Sep 2012	9	82	9	50.0
Aug 2012	8	83	9	49.5
Jul 2012	4	81	15	44.5

## Inventory Sentiment

The ISM Non-Manufacturing Inventory Sentiment Index in October registered 64 percent, which is 1 percentage point lower than the 65 percent reported in September. This indicates that respondents believe their inventories are

still too high at this time. In October, 31 percent of respondents said their inventories were too high, 3 percent said their inventories were too low, and 66 percent said their inventories were about right.

The 12 industries reporting a feeling that their inventories are too high in October — listed in order — are: Wholesale Trade; Mining; Utilities; Arts, Entertainment & Recreation; Finance & Insurance; Management of Companies & Support Services; Retail Trade; Accommodation & Food Services; Information; Professional, Scientific & Technical Services; Public Administration; and Health Care & Social Assistance. The two industries reporting that their inventories are too low in October are: Agriculture, Forestry, Fishing & Hunting; and Construction.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Oct 2012	31	66	3	64.0
Sep 2012	31	68	1	65.0
Aug 2012	35	64	1	67.0
Jul 2012	20	78	2	59.0

### 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<sup>®</sup>** 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 first supply institute in the world. Founded in 1915, ISM exists to lead and serve the supply management profession and is a highly influential and respected association in the global marketplace. 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](http://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 2012 data will be released at 10:00 a.m. (ET) on Wednesday, December 5, 2012.