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September 2012 Non-Manufacturing ISM Report On Business[®]

NMI™ at 55.1%

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 September 2012.

Business Activity Index at 59.9%

New Orders Index at 57.7%

Employment Index at 51.1%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in September for the 33rd 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 55.1 percent in September, 1.4 percentage points higher than the 53.7 percent registered in August. This indicates continued growth this month at a faster rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index registered 59.9 percent, which is 4.3 percentage points higher than the 55.6 percent reported in August, reflecting growth for the 38th consecutive month. The New Orders Index increased by 4 percentage points to 57.7 percent. The Employment Index decreased by 2.7 percentage points to 51.1 percent, indicating growth in employment for the second consecutive month but at

a slower rate. The Prices Index increased 3.8 percentage points to 68.1 percent, indicating higher month-over-month prices when compared to August. According to the NMI™, 12 non-manufacturing industries reported growth in September. Respondents' comments continue to be mixed; however, the majority indicate a slightly more positive perspective on current business conditions."

INDUSTRY PERFORMANCE

The 12 non-manufacturing industries reporting growth in September — listed in order — are: Transportation & Warehousing; Retail Trade; Construction; Utilities; Educational Services; Management of Companies & Support Services; Finance & Insurance; Public Administration; Accommodation & Food Services; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Information. The four industries reporting contraction in September are: Mining; Arts, Entertainment & Recreation; Real Estate, Rental & Leasing; and Other Services.

WHAT RESPONDENTS ARE SAYING ...

- "Business remains steady — optimistic for good fourth quarter." (Information)
- "Drought is putting pressure on food cost; tourism slowdown over the summer." (Arts, Entertainment & Recreation)
- "Things feel like the economy is moving. More new small business; unemployment declining; stock market up." (Health Care & Social Assistance)
- "Economic outlook is improving, but company is putting a major effort into more cost reductions and reorganization, resulting in more collaboration between procurement and our internal customers." (Professional, Scientific & Technical Services)
- "The general slowdown which began in March showed some reversal in August." (Wholesale Trade)

**ISM NON-MANUFACTURING SURVEY RESULTS AT A GLANCE
COMPARISON OF ISM NON-MANUFACTURING AND ISM MANUFACTURING
SURVEYS*
SEPTEMBER 2012**

Index	Non-Manufacturing						Manufacturing		
	Series Index Sep	Series Index Aug	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Sep	Series Index Aug	Percent Point Change
NMI™/PMI™	55.1	53.7	+1.4	Growing	Faster	33	51.5	49.6	+1.9
Business Activity/Production	59.9	55.6	+4.3	Growing	Faster	38	49.5	47.2	+2.3
New Orders	57.7	53.7	+4.0	Growing	Faster	38	52.3	47.1	+5.2
Employment	51.1	53.8	-2.7	Growing	Slower	2	54.7	51.6	+3.1
Supplier Deliveries	51.5	51.5	0.0	Slowing	Same	2	50.3	49.3	+1.0
Inventories	48.5	52.5	-4.0	Contracting	From Growing	1	50.5	53.0	-2.5
Prices	68.1	64.3	+3.8	Increasing	Faster	3	58.0	54.0	+4.0
Backlog of Orders	48.0	50.5	-2.5	Contracting	From Growing	1	44.0	42.5	+1.5
New Export Orders	50.5	52.0	-1.5	Growing	Slower	3	48.5	47.0	+1.5
Imports	50.0	49.5	+0.5	Unchanged	From Contracting	1	49.5	49.0	+0.5
Inventory Sentiment	65.0	67.0	-2.0	Too High	Slower	184	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	49.5	49.0	+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

Airfares (9); Copier Paper*; Dairy; #1 Diesel Fuel (2); #2 Diesel Fuel (2); Electronic Components; Food Products; Fuel (3); Gasoline (9); Gasoline Related; Plastic/Poly Bags (2); Plastic Products; Plastic Sheet; and Plywood.

Commodities Down in Price

Copier Paper*; and Natural Gas.

Commodities in Short Supply

Helium is the only commodity 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.

SEPTEMBER 2012 NON-MANUFACTURING INDEX SUMMARIES

NMI™

In September, the NMI™ registered 55.1 percent, indicating continued growth in the non-manufacturing sector for the 33rd 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>
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
Apr 2012	53.5	Oct 2011	52.6
Average for 12 months – 54.1 High – 57.3 Low – 52.1			

Business Activity

ISM's Non-Manufacturing Business Activity Index in September registered 59.9 percent, 4.3 percentage points higher than the 55.6 percent registered in August. Thirteen industries reported increased business activity, and three industries reported decreased activity for the month of September. Comments from respondents include: "Steady increase in customer demand for our products" and "New/increased sales booked."

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

Business Activity	% Higher	% Same	% Lower	Index
Sep 2012	30	59	11	59.9
Aug 2012	25	56	19	55.6
Jul 2012	29	52	19	57.2
Jun 2012	28	54	18	51.7

New Orders

ISM's Non-Manufacturing New Orders Index grew in September for the 38th consecutive month. The index registered 57.7 percent, an increase of 4 percentage points from the 53.7 percent reported in August. Comments from respondents include: "Building inventories for favorable sales outlook" and "Seasonal increase of orders."

The 13 industries reporting growth of new orders in September — listed in order — are: Transportation & Warehousing; Utilities; Retail Trade; Accommodation & Food Services; Educational Services; Construction; Management of Companies & Support Services; Finance & Insurance; Professional, Scientific & Technical Services; Public Administration; Wholesale Trade; Information; and Other Services. The two industries reporting contraction of new orders in September are: Mining; and Arts, Entertainment & Recreation.

New Orders	% Higher	% Same	% Lower	Index
Sept 2012	24	65	11	57.7
Aug 2012	22	60	18	53.7
Jul 2012	25	55	20	54.3
Jun 2012	28	55	17	53.3

Employment

Employment activity in the non-manufacturing sector grew in September for the second consecutive month. ISM's Non-Manufacturing Employment Index registered 51.1 percent. This reflects a decrease of 2.7 percentage points when compared to the 53.8 percent registered in August. Eight industries reported increased employment, seven industries reported decreased employment, and three industries reported unchanged employment compared to August. Comments from respondents include: "Trying to do more with [fewer] folks" and "Continued expansion of workforce."

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

Employment	% Higher	% Same	% Lower	Index
Sep 2012	22	55	23	51.1
Aug 2012	22	60	18	53.8
Jul 2012	23	59	18	49.3
Jun 2012	28	58	14	52.3

Supplier Deliveries

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

The eight industries reporting slower deliveries in September — listed in order — are: Educational Services; Real Estate, Rental & Leasing; Construction; Other Services; Management of Companies & Support Services; Public Administration; Health Care & Social Assistance; and Wholesale Trade. The three industries reporting faster supplier deliveries in September are: Mining; Finance & Insurance; and Professional, Scientific & Technical Services. Seven industries reported no change in supplier deliveries in September compared to August.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Sep 2012	8	87	5	51.5
Aug 2012	10	83	7	51.5
Jul 2012	7	85	8	49.5
Jun 2012	10	82	8	51.0

Inventories

ISM's Non-Manufacturing Inventories Index contracted in September after seven consecutive months of growth. The index registered 48.5 percent, which is 4 percentage points lower than the 52.5 percent reported in August. Of the

total respondents in August, 30 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Working through old inventory" and "Adjusting to decreased customer schedules."

The five industries reporting an increase in inventories in September are: Retail Trade; Accommodation & Food Services; Other Services; Transportation & Warehousing; and Public Administration. The eight industries reporting decreases in inventories in September — listed in order — are: Educational Services; Arts, Entertainment & Recreation; Management of Companies & Support Services; Wholesale Trade; Construction; Finance & Insurance; Health Care & Social Assistance; and Information.

Inventories	% Higher	% Same	% Lower	Index
Sep 2012	15	67	18	48.5
Aug 2012	22	61	17	52.5
Jul 2012	23	63	14	54.5
Jun 2012	22	62	16	53.0

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in September for the third consecutive month. ISM's Non-Manufacturing Prices Index for September registered 68.1 percent, 3.8 percentage points higher than the 64.3 percent reported in August. In September, the percentage of respondents reporting higher prices is 28 percent, the percentage indicating no change in prices paid is 71 percent, and 1 percent of the respondents reported lower prices.

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

Prices	% Higher	% Same	% Lower	Index
Sep 2012	28	71	1	68.1
Aug 2012	28	65	7	64.3
Jul 2012	19	71	10	54.9
Jun 2012	14	73	13	48.9

Backlog of Orders

ISM's Non-Manufacturing Backlog of Orders Index contracted in September after one month of growth, representing the third time the index has contracted in the last four months. The index registered 48 percent, which is 2.5 percentage points lower than the 50.5 percent reported in August. Of the total respondents in September, 37 percent indicated they do not measure backlog of orders.

The seven industries reporting an increase in order backlogs in September — listed in order — are: Retail Trade; Educational Services; Construction; Transportation & Warehousing; Management of Companies & Support Services; Professional, Scientific & Technical Services; and Public Administration. The eight industries reporting lower backlog of orders in September — listed in order — are: Utilities; Other Services; Arts, Entertainment & Recreation; Health Care & Social Assistance; Mining; Information; Finance & Insurance; and Wholesale Trade.

Backlog of Orders	% Higher	% Same	% Lower	Index
Sep 2012	14	68	18	48.0
Aug 2012	16	69	15	50.5
Jul 2012	10	69	21	44.5
Jun 2012	13	69	18	47.5

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 grew in September for the third consecutive month. The New Export Orders Index for September registered 50.5 percent, which is 1.5 percentage points lower than the 52 percent reported in August. Of the total respondents in August, 67 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 September are: Retail Trade; Information; Other Services; and Public Administration. The five industries reporting a decrease in export orders in September are: Finance & Insurance; Arts, Entertainment & Recreation; Construction; Accommodation & Food Services; and Wholesale Trade. Eight industries reported no change in export orders in September compared to August.

New Export Orders	% Higher	% Same	% Lower	Index
Sep 2012	15	71	14	50.5
Aug 2012	20	64	16	52.0
Jul 2012	17	68	15	51.0
Jun 2012	23	53	24	49.5

Imports

The ISM Non-Manufacturing Imports Index was unchanged at 50 percent in September after two months of contraction. This month's reading is 0.5 percentage point higher than the 49.5 percent reported in August. Sixty percent of respondents reported that they do not use, or do not track, the use of imported materials.

The four industries reporting an increase in imports for the month of September are: Public Administration; Retail Trade; Other Services; and Construction. The four industries reporting a decrease in imports for the month of September are: Educational Services; Arts, Entertainment & Recreation; Wholesale Trade; and Accommodation & Food Services. Ten industries reported no change in imports for the month of September compared to August.

Imports	% Higher	% Same	% Lower	Index
Sep 2012	9	82	9	50.0
Aug 2012	8	83	9	49.5
Jul 2012	4	81	15	44.5
Jun 2012	15	77	8	53.5

Inventory Sentiment

The ISM Non-Manufacturing Inventory Sentiment Index in September registered 65 percent, which is 2 percentage points lower than the 67 percent reported in August. This indicates that respondents believe their inventories are still too high at this time. In September, 31 percent of respondents said their inventories were too high, 1 percent said their inventories were too low, and 68 percent said their inventories were about right.

The 12 industries reporting a feeling that their inventories are too high in September — listed in order — are: Mining; Utilities; Arts, Entertainment & Recreation; Other Services; Wholesale Trade; Finance & Insurance; Professional, Scientific & Technical Services; Management of Companies & Support Services; Information; Accommodation & Food Services; Health Care & Social Assistance; and Public Administration. No industry reported that their inventories are too low in September.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Sep 2012	31	68	1	65.0
Aug 2012	35	64	1	67.0
Jul 2012	20	78	2	59.0
Jun 2012	31	67	2	64.5

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 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 on the third business day of every month after 10:10 a.m. (ET).

The next **Non-Manufacturing ISM Report On Business**® featuring the October 2012 data will be released at 10:00 a.m. (ET) on Monday, November 5, 2012.