

FOR RELEASE: September 6, 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)

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

**NMI at 53.7%**

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 August 2012.

**Business Activity Index at 55.6%**

**New Orders Index at 53.7%**

**Employment Index at 53.8%**

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in August for the 32nd 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™ Non-Manufacturing Business Survey Committee. "The NMI™ registered 53.7 percent in August, 1.1 percentage points higher than the 52.6 percent registered in July. This indicates continued growth this month at a slighter faster rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index registered 55.6 percent, which is 1.6 percentage points lower than the 57.2 percent reported in July, reflecting growth for the 37th consecutive month. The New Orders Index decreased by 0.6 percentage point to 53.7 percent. The Employment Index increased by 4.5 percentage points to 53.8 percent, indicating growth in employment after one month of contraction. The Prices Index increased 9.4 percentage points to 64.3 percent, indicating substantially higher month-over-month prices when

compared to July. According to the NMI™, 10 non-manufacturing industries reported growth in August. Respondents' comments continue to be mixed, and for the most part reflect uncertainty about business conditions and the economy."

## **INDUSTRY PERFORMANCE**

The 10 non-manufacturing industries reporting growth in August — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Finance & Insurance; Accommodation & Food Services; Utilities; Management of Companies & Support Services; Retail Trade; Real Estate, Rental & Leasing; Transportation & Warehousing; Professional, Scientific & Technical Services; and Other Services. The five industries reporting contraction in August are: Mining; Wholesale Trade; Information; Arts, Entertainment & Recreation; and Health Care & Social Assistance.

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

- "Markets and customers we serve remain strong and have not caused any adverse impact to our business." (Management of Companies & Support Services)
- "Economy still stagnant. Small jobs keeping us going. Expect some improvement in capital spending in fourth quarter." (Professional, Scientific & Technical Services)
- "Small slowdown in tourism. Commodity prices on the rise." (Arts, Entertainment & Recreation)
- "Budgets are tighter; there are fewer new purchases being pursued that were not planned or budgeted." (Finance & Insurance)
- "Overall conditions continue to be unpredictable. Sales are inconsistent as customers reel to the news of the day, which creates havoc on the supply chain to respond." (Retail Trade)
- "Customers appear to be refocusing their resources on internal costs and efficiencies." (Wholesale Trade)

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

Index	Non-Manufacturing						Manufacturing		
	Series Index Aug	Series Index Jul	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Aug	Series Index Jul	Percent Point Change
<b>NMI™/PMI™</b>	53.7	52.6	+1.1	Growing	Faster	32	49.6	49.8	-0.2
<b>Business Activity/Production</b>	55.6	57.2	-1.6	Growing	Slower	37	47.2	51.3	-4.1
<b>New Orders</b>	53.7	54.3	-0.6	Growing	Slower	37	47.1	48.0	-0.9
<b>Employment</b>	53.8	49.3	+4.5	Growing	From Contracting	1	51.6	52.0	-0.4
<b>Supplier Deliveries</b>	51.5	49.5	+2.0	Slowing	From Faster	1	49.3	48.7	+0.6
<b>Inventories</b>	52.5	54.5	-2.0	Growing	Slower	7	53.0	49.0	+4.0
<b>Prices</b>	64.3	54.9	+9.4	Increasing	Faster	2	54.0	39.5	+14.5
<b>Backlog of Orders</b>	50.5	44.5	+6.0	Growing	From Contracting	1	42.5	43.0	-0.5
<b>New Export Orders</b>	52.0	51.0	+1.0	Growing	Faster	2	47.0	46.5	+0.5
<b>Imports</b>	49.5	44.5	+5.0	Contracting	Slower	2	49.0	50.5	-1.5
<b>Inventory Sentiment</b>	67.0	59.0	+8.0	Too High	Faster	183	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**

Air Freight; Airfares (8); Asphalt; Carbon Steel Products; Corrugated Cartons; Dairy (2); #1 Diesel Fuel; #2 Diesel Fuel; Fresh Beef\* (2); Fuel (2); Gasoline (8); Lumber — Pine, Spruce and Treated; Oils; Plastic/Poly Bags\*; and Steel Products.

### **Commodities Down in Price**

Beef\*; Cellular Equipment; Copper Products; Laptop Computers; Network Supplies; and Plastic/Poly Bags\*.

### **Commodities in Short Supply**

There are no 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.

---

## **AUGUST 2012 NON-MANUFACTURING INDEX SUMMARIES**

---

### **NMI™**

In August, the NMI™ registered 53.7 percent, indicating continued growth in the non-manufacturing sector for the 32nd 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>
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
Mar 2012	56.0	Sep 2011	52.6
Average for 12 months – 53.9 High – 57.3 Low – 52.1			

## Business Activity

ISM's Non-Manufacturing Business Activity Index in August registered 55.6 percent, 1.6 percentage points lower than the 57.2 percent registered in July. Eleven industries reported increased business activity, and five industries reported decreased activity for the month of August. Comments from respondents include: "Demand appears to be less" and "Clients deciding to act and not wait any longer."

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

<b>Business Activity</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Aug 2012	25	56	19	55.6
Jul 2012	29	52	19	57.2
Jun 2012	28	54	18	51.7
May 2012	31	55	14	55.6

## New Orders

ISM's Non-Manufacturing New Orders Index grew in August for the 37th consecutive month. The index registered 53.7 percent, a decrease of 0.6 percentage point from the 54.3 percent reported in July. Comments from respondents include: "Number of new work orders increased" and "Supporting new capital projects."

The 10 industries reporting growth of new orders in August — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Utilities; Educational Services; Transportation & Warehousing; Professional, Scientific & Technical Services; Real Estate, Rental & Leasing; Finance & Insurance; Accommodation & Food Services; Retail Trade; and Health Care & Social Assistance. The five industries reporting contraction of new orders in August are: Wholesale Trade; Mining; Construction; Information; and Arts, Entertainment & Recreation.

New Orders	% Higher	% Same	% Lower	Index
Aug 2012	22	60	18	53.7
Jul 2012	25	55	20	54.3
Jun 2012	28	55	17	53.3
May 2012	31	55	14	55.5

## Employment

Employment activity in the non-manufacturing sector grew in August after one month of contraction. ISM's Non-Manufacturing Employment Index registered 53.8 percent. This reflects an increase of 4.5 percentage points when compared to the 49.3 percent registered in July. Nine industries reported increased employment, six industries reported decreased employment, and three industries reported unchanged employment compared to July. Comments from respondents include: "Increased staff to support several new or expanding contracts" and "Positions that had been open for up to two years are now being filled — finally."

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

Employment	% Higher	% Same	% Lower	Index
Aug 2012	22	60	18	53.8
Jul 2012	23	59	18	49.3
Jun 2012	28	58	14	52.3
May 2012	23	67	10	50.8

## Supplier Deliveries

The Supplier Deliveries Index registered 51.5 percent in August, 2 percentage points higher than the 49.5 percent registered in July, indicating that supplier deliveries were slower in August. A reading above 50 percent indicates slower deliveries, and below 50 percent indicates faster deliveries.

The seven industries reporting slower deliveries in August — listed in order — are: Accommodation & Food Services; Real Estate, Rental & Leasing; Management of Companies & Support Services; Other Services; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Wholesale Trade. The five industries reporting faster supplier deliveries in August are: Mining; Educational Services; Transportation & Warehousing; Public Administration; and Construction. Six industries reported no change in supplier deliveries in August compared to July.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Aug 2012	10	83	7	51.5
Jul 2012	7	85	8	49.5
Jun 2012	10	82	8	51.0
May 2012	9	88	3	53.0

## Inventories

ISM's Non-Manufacturing Inventories Index grew in August for the seventh consecutive month. The index registered 52.5 percent, which is 2 percentage points lower than the 54.5 percent reported in July. Of the total respondents in July, 26 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Protecting cash flow" and "Hedging to average future food inflation costs."

The 10 industries reporting an increase in inventories in August — listed in order — are: Mining; Utilities; Agriculture, Forestry, Fishing & Hunting; Transportation & Warehousing; Other Services; Retail Trade; Accommodation & Food Services; Public Administration; Management of Companies & Support Services; and Finance & Insurance. The four

industries reporting decreases in inventories in August are: Information; Health Care & Social Assistance; Construction; and Professional, Scientific & Technical Services.

Inventories	% Higher	% Same	% Lower	Index
Aug 2012	22	61	17	52.5
Jul 2012	23	63	14	54.5
Jun 2012	22	62	16	53.0
May 2012	23	66	11	56.0

## Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased significantly in August. ISM's Non-Manufacturing Prices Index for August registered 64.3 percent, 9.4 percentage points higher than the 54.9 percent reported in July. In August, the percentage of respondents reporting higher prices is 28 percent, the percentage indicating no change in prices paid is 65 percent, and 7 percent of the respondents reported lower prices.

Thirteen non-manufacturing industries reported an increase in prices paid during the month of August, in the following order: Utilities; Retail Trade; Accommodation & Food Services; Other Services; Wholesale Trade; Public Administration; Educational Services; Arts, Entertainment & Recreation; Real Estate, Rental & Leasing; Professional, Scientific & Technical Services; Finance & Insurance; Construction; and Health Care & Social Assistance. The three industries reporting a decrease in prices paid during August are: Agriculture, Forestry, Fishing & Hunting; Information; and Mining.

Prices	% Higher	% Same	% Lower	Index
Aug 2012	28	65	7	64.3
Jul 2012	19	71	10	54.9
Jun 2012	14	73	13	48.9
May 2012	19	72	9	49.8

## Backlog of Orders

ISM's Non-Manufacturing Backlog of Orders Index grew in August following two consecutive months of contraction. The index registered 50.5 percent, which is 6 percentage points higher than the 44.5 percent reported in July. Of the total respondents in August, 44 percent indicated they do not measure backlog of orders.



The six industries reporting an increase in order backlogs in August — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Utilities; Retail Trade; Information; Management of Companies & Support Services; and Professional, Scientific & Technical Services. The six industries reporting lower backlog of orders in August — listed in order — are: Other Services; Health Care & Social Assistance; Finance & Insurance; Public Administration; Construction; and Mining.

Backlog of Orders	% Higher	% Same	% Lower	Index
Aug 2012	16	69	15	50.5
Jul 2012	10	69	21	44.5
Jun 2012	13	69	18	47.5
May 2102	16	74	10	53.0

### **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 August for the second consecutive month. The New Export Orders Index for August registered 52 percent, which is 1 percentage point higher than the 51 percent reported in July. Of the total respondents in July, 63 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 August — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Management of Companies & Support Services; Other Services; Public Administration; Information; and Professional, Scientific & Technical Services. The four industries reporting a decrease in export orders in August are: Mining; Wholesale Trade; Finance & Insurance; and Retail Trade.

New Export Orders	% Higher	% Same	% Lower	Index
Aug 2012	20	64	16	52.0
Jul 2012	17	68	15	51.0
Jun 2012	23	53	24	49.5
May 2012	17	72	11	53.0

## Imports

The ISM Non-Manufacturing Imports Index contracted in August for the second consecutive month after seven previous months of growth. The index registered 49.5 percent, which is 5 percentage points higher than the 44.5 percent reported in July. Fifty-eight percent of respondents reported that they do not use, or do not track, the use of imported materials.

The six industries reporting an increase in imports for the month of August — listed in order — are: Construction; Finance & Insurance; Other Services; Retail Trade; Professional, Scientific & Technical Services; and Accommodation & Food Services. The three industries reporting a decrease in imports for the month of August are: Health Care & Social Assistance; Wholesale Trade; and Information. Eight industries reported no change in imports for the month of August compared to July.

Imports	% Higher	% Same	% Lower	Index
Aug 2012	8	83	9	49.5
Jul 2012	4	81	15	44.5
Jun 2012	15	77	8	53.5
May 2012	8	90	2	53.0

## Inventory Sentiment

The ISM Non-Manufacturing Inventory Sentiment Index in August registered 67 percent, which is 8 percentage points higher than the 59 percent reported in July. This indicates that respondents believe their inventories are still too high at this time. In August, 35 percent of respondents said their inventories were too high, 1 percent said their inventories were too low, and 64 percent said their inventories were about right.

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

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Aug 2012	35	64	1	67.0
Jul 2012	20	78	2	59.0
Jun 2012	31	67	2	64.5
May 2012	33	60	7	63.0

### 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 September 2012 data will be released at 10:00 a.m. (ET) on Wednesday, October 3, 2012.