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

NMI[™] at 56.1%

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 December 2012.

Business Activity Index at 60.3%

New Orders Index at 59.3%

Employment Index at 56.3%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in December for the 36th 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 56.1 percent in December, 1.4 percentage points higher than the 54.7 percent registered in November. This indicates continued growth at a slightly faster rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index registered 60.3 percent, which is 0.9 percentage point lower than the 61.2 percent reported in November, reflecting growth for the 41st consecutive month. The New Orders Index increased by 1.2 percentage points to 59.3 percent. The Employment Index increased by 6 percentage points to 56.3 percent, indicating growth in employment for the fifth consecutive month at a significantly faster rate. The Prices Index decreased 0.4 percentage point to 56.6 percent, indicating prices increased at a slightly slower rate in December when compared to November. According to the NMI[™], 13 non-manufacturing industries reported growth in December. Respondents' comments remain mixed and are mostly positive about business conditions and the economy."

INDUSTRY PERFORMANCE

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

WHAT RESPONDENTS ARE SAYING ...

- "Although our business activity level is the same as a month ago, it is still higher than normal with plans to continue at that rate for the foreseeable future." (Educational Services)
- "Business conditions are picking up despite the current economic state and the federal budget issues." (Professional, Scientific & Technical Services)
- "Consumer optimism increased; lower gasoline prices lead to higher retail sales." (Public Administration)
- "The holidays will slow construction some, but overall business remains about 25 percent ahead of last year. Weather has been favorable." (Wholesale Trade)
- "Due to the extra week between Thanksgiving and Christmas, we are seeing our customers shopping later this year." (Retail Trade)
- "Business has picked up significantly during this last quarter of the year." (Transportation & Warehousing)
- "Preparing for substantial business due to heavier than normal crop forecast." (Agriculture, Forestry, Fishing & Hunting)

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

Index	Non-Manufacturing						Manufacturing		
	Serie s Index Dec	Serie s Index Nov	Perce nt Point Change	Direction	Rate of Change	Trend** (Months)	Serie s Index Dec	Serie s Index Nov	Perce nt Point Change
NMI™/PMI™	56.1	54.7	+1.4	Growing	Faster	36	50.7	49.5	+1.2
Business Activity/Produ ction	60.3	61.2	-0.9	Growing	Slower	41	52.6	53.7	-1.1
New Orders	59.3	58.1	+1.2	Growing	Faster	41	50.3	50.3	0.0
Employment	56.3	50.3	+6.0	Growing	Faster	5	52.7	48.4	+4.3
Supplier Deliveries	48.5	49.0	-0.5	Faster	Faster	2	54.7	50.3	+4.4
Inventories	50.0	47.0	+3.0	Unchanged	From Contractin g	1	43.0	45.0	-2.0
Prices	56.6	57.0	-0.4	Increasing	Slower	6	55.5	52.5	+3.0
Backlog of Orders	49.5	53.5	-4.0	Contractin g	From Growing	1	48.5	41.0	+7.5
New Export Orders	49.5	48.0	+1.5	Contractin g	Slower	3	51.5	47.0	+4.5
Imports	49.0	55.5	-6.5	Contractin g	From Growing	1	51.5	48.0	+3.5
Inventory Sentiment	58.0	62.5	-4.5	Too High	Slower	187	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	47.0	42.5	+4.5

* **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

Bearings; Beef; Carbon Pipe; Cement; Corn Products; Dairy* (4); Lumber — Pine, Spruce and Treated (2); Pharmacy Products; Professional Services; Safety Products; and Services.

Commodities Down in Price

Computer Products; Copper Products; Dairy*; #1 Diesel Fuel; #2 Diesel Fuel (3); Fuel (2); Gasoline (3); Natural Gas; and Steel Products (2).

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.

*Reported as both up and down in price.

DECEMBER 2012 NON-MANUFACTURING INDEX SUMMARIES

NMI™

In December, the NMI™ registered 56.1 percent, indicating continued growth in the non-manufacturing sector for the 36th 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>
Dec 2012	56.1	Jun 2012	52.1

Nov 2012	54.7	May 2012	53.7
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
Average for 12 months – 54.7 High – 57.3 Low – 52.1			

Business Activity

ISM's Non-Manufacturing Business Activity Index in December registered 60.3 percent, 0.9 percentage point lower than the 61.2 percent registered in November. Thirteen industries reported increased business activity, and five industries reported decreased activity for the month of December. Comments from respondents include: "Year-end surge" and "More orders being released from clients."

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

Business Activity	% Higher	% Same	% Lower	Index
Dec 2012	37	45	18	60.3
Nov 2012	31	55	14	61.2
Oct 2012	27	55	18	55.4
Sep 2012	30	59	11	59.9

New Orders

ISM's Non-Manufacturing New Orders Index grew in December for the 41st consecutive month. The index registered 59.3 percent, an increase of 1.2 percentage points from the 58.1 percent reported in November. Comments from

respondents include: "To make up for the slow months and to finalize already approved investment by year end" and "New incoming projects."

The 11 industries reporting growth of new orders in December — listed in order — are: Information; Construction; Mining; Finance & Insurance; Retail Trade; Other Services; Public Administration; Health Care & Social Assistance; Management of Companies & Support Services; Transportation & Warehousing; and Professional, Scientific & Technical Services. The four industries reporting contraction of new orders in December are: Educational Services; Accommodation & Food Services; Wholesale Trade; and Utilities.

New Orders	% Higher	% Same	% Lower	Index
Dec 2012	32	50	18	59.3
Nov 2012	28	59	13	58.1
Oct 2012	29	49	22	54.8
Sept 2012	24	65	11	57.7

Employment

Employment activity in the non-manufacturing sector grew in December for the fifth consecutive month. ISM's Non-Manufacturing Employment Index registered 56.3 percent, which reflects an increase of 6 percentage points when compared to the 50.3 percent registered in November. Ten industries reported increased employment, five industries reported decreased employment, and three industries reported unchanged employment compared to November. Comments from respondents include: "Hiring freeze was lifted" and "Increasing staff to support new ventures."

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

Employment	% Higher	% Same	% Lower	Index
Dec 2012	21	66	13	56.3

Nov 2012	18	62	20	50.3
Oct 2012	19	63	18	54.9
Sep 2012	22	55	23	51.1

Supplier Deliveries

The Supplier Deliveries Index registered 48.5 percent in December, indicating that supplier deliveries were faster in December for the second consecutive month. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The five industries reporting slower deliveries in December are: Utilities; Educational Services; Information; Wholesale Trade; and Professional, Scientific & Technical Services. The seven industries reporting faster supplier deliveries in December — listed in order — are: Transportation & Warehousing; Other Services; Retail Trade; Construction; Health Care & Social Assistance; Finance & Insurance; and Public Administration.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Dec 2012	6	85	9	48.5
Nov 2012	5	88	7	49.0
Oct 2012	8	87	5	51.5
Sep 2012	8	87	5	51.5

Inventories

ISM's Non-Manufacturing Inventories Index remained unchanged in December following three consecutive months of contraction. The index registered 50 percent, which is 3 percentage points higher than the 47 percent reported in November. Of the total respondents in December, 26 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Actively trying to reduce inventory" and "Same levels; consumption up; more turns."

The eight industries reporting an increase in inventories in December — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Real Estate, Rental & Leasing; Construction; Retail Trade; Transportation & Warehousing; Information; Wholesale Trade; and Professional, Scientific & Technical Services. The five industries reporting decreases in inventories in December are: Other Services; Finance & Insurance; Health Care & Social Assistance; Utilities; and Accommodation & Food Services.

Inventories	% Higher	% Same	% Lower	Index
Dec 2012	20	60	20	50.0
Nov 2012	11	72	17	47.0
Oct 2012	12	69	19	46.5
Sep 2012	15	67	18	48.5

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in December for the sixth consecutive month. ISM's Non-Manufacturing Prices Index for December registered 56.6 percent, 0.4 percentage point lower than the 57 percent reported in November. In December, the percentage of respondents reporting higher prices is 15 percent, the percentage indicating no change in prices paid is 76 percent, and 9 percent of the respondents reported lower prices.

Seven non-manufacturing industries reported an increase in prices paid during the month of December, in the following order: Utilities; Wholesale Trade; Accommodation & Food Services; Professional, Scientific & Technical Services; Health Care & Social Assistance; Information; and Finance & Insurance. The six industries reporting a decrease in prices paid during December — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Mining; Educational Services; Management of Companies & Support Services; Public Administration; and Retail Trade.

Prices	% Higher	% Same	% Lower	Index
Dec 2012	15	76	9	56.6
Nov 2012	18	72	10	57.0
Oct 2012	25	68	7	65.6
Sep 2012	28	71	1	68.1

Backlog of Orders

ISM's Non-Manufacturing Backlog of Orders Index contracted in December for the third time in the past four months. The index registered 49.5 percent, which is 4 percentage points lower than the 53.5 percent reported in November. Of the total respondents in December, 38 percent indicated they do not measure backlog of orders.

The seven industries reporting an increase in order backlogs in December — listed in order — are: Construction; Management of Companies & Support Services; Health Care & Social Assistance; Information; Finance & Insurance;

Public Administration; and Wholesale Trade. The six industries reporting lower backlog of orders in December — listed in order — are: Other Services; Mining; Professional, Scientific & Technical Services; Accommodation & Food Services; Utilities; and Retail Trade.

Backlog of Orders	% Higher	% Same	% Lower	Index
Dec 2012	14	71	15	49.5
Nov 2012	17	73	10	53.5
Oct 2012	15	68	17	49.0
Sep 2012	14	68	18	48.0

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 contracted in December for the third consecutive month. The New Export Orders Index for December registered 49.5 percent, which is 1.5 percentage points higher than the 48 percent reported in November. Of the total respondents in November, 68 percent indicated they either do not perform, or do not separately measure, orders for work outside of the United States.

The seven industries reporting an increase in new export orders in December — listed in order — are: Mining; Agriculture, Forestry, Fishing & Hunting; Construction; Educational Services; Public Administration; Information; and Retail Trade. The five industries reporting a decrease in export orders in December are: Management of Companies & Support Services; Professional, Scientific & Technical Services; Wholesale Trade; Accommodation & Food Services; and Finance & Insurance.

New Export Orders	% Higher	% Same	% Lower	Index
Dec 2012	15	69	16	49.5
Nov 2012	13	70	17	48.0
Oct 2012	11	73	16	47.5
Sep 2012	15	71	14	50.5

Imports

The ISM Non-Manufacturing Imports Index contracted in December for the fourth time in the last six months. This month's reading at 49 percent is 6.5 percentage points lower than the 55.5 percent reported in November. Sixty-one 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 December are: Information; Agriculture, Forestry, Fishing & Hunting; and Other Services. The four industries reporting a decrease in imports for the month of December are: Educational Services; Finance & Insurance; Wholesale Trade; and Retail Trade. Ten industries reported no change in imports for the month of December compared to November.

Imports	% Higher	% Same	% Lower	Index
Dec 2012	9	80	11	49.0
Nov 2012	18	75	7	55.5
Oct 2012	9	81	10	49.5
Sep 2012	9	82	9	50.0

Inventory Sentiment

The ISM Non-Manufacturing Inventory Sentiment Index in December registered 58 percent, which is 4.5 percentage points lower than the 62.5 percent reported in November. This indicates that respondents believe their inventories are still too high at this time. In December, 24 percent of respondents said their inventories were too high, 8 percent said their inventories were too low, and 68 percent said their inventories were about right.

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

Inventory Sentiment	% Too High	% About Right	% Too Low	Index
Dec 2012	24	68	8	58.0
Nov 2012	29	67	4	62.5
Oct 2012	31	66	3	64.0
Sep 2012	31	68	1	65.0

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**[®] 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 January 2013 data will be released at 10:00 a.m. (ET) on Tuesday, February 5, 2013.