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January 2013 Non-Manufacturing ISM Report On Business[®]

NMI[™] at 55.2%

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 January 2013.

This report reflects the U.S. Department of Commerce's recently completed annual adjustments to the seasonal adjustment factors used to calculate the indexes.

Business Activity Index at 56.4%

New Orders Index at 54.4%

Employment Index at 57.5%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in January for the 37th 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 55.2 percent in January, 0.5 percentage point lower than the seasonally adjusted 55.7 percent registered in December. This indicates continued growth at a slightly slower rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index registered 56.4 percent, which is 4.4 percentage points lower than the seasonally adjusted 60.8 percent reported in December, reflecting growth for the 42nd consecutive month. The New Orders Index decreased by 3.9 percentage points to 54.4 percent,

and the Employment Index increased 2.2 percentage points to 57.5 percent, indicating growth in employment for the sixth consecutive month. The Prices Index increased 1.9 percentage points to 58 percent, indicating prices increased at a faster rate in January when compared to December. According to the NMI™, eight non-manufacturing industries reported growth in January. Respondents' comments are mixed about the economy and business conditions; however, the majority of respondents are optimistic about the overall direction."

INDUSTRY PERFORMANCE

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

WHAT RESPONDENTS ARE SAYING ...

- "Sales are up slightly compared to this same period last year. This is offset by slight increases in costs for personnel benefits, fuel and other operating costs." (Public Administration)
- "Business is good, but we find ourselves in a very competitive environment." (Construction)
- "No change in business levels since prior month, but optimism growing that commercial and industrial construction will experience growth in 2013." (Real Estate, Rental & Leasing)
- "Healthcare reform causing continued slowdown and less investment." (Health Care & Social Assistance)
- "Seeing increasing prices on services and goods — some not substantiated. Business outlook continues to show small signs of improvement in parts of our business, but other parts are lagging behind." (Professional, Scientific & Technical Services)
- "There seems to be some stabilization in recent months. Business seems a little more confident, and consumers are participating once again." (Retail Trade)
- "Business is slightly softer than this time last year, but there are a lot of projects on the horizon which gives us confidence." (Wholesale Trade)

**ISM NON-MANUFACTURING SURVEY RESULTS AT A GLANCE
COMPARISON OF ISM NON-MANUFACTURING AND ISM MANUFACTURING
SURVEYS*
JANUARY 2013**

Index	Non-Manufacturing						Manufacturing		
	Serie s Index Jan	Serie s Index Dec	Perce nt Point Change	Directi on	Rate of Change	Trend** (Months)	Serie s Index Jan	Serie s Index Dec	Perce nt Point Change
NMI™/PMI™	55.2	55.7	-0.5	Growing	Slower	37	53.1	50.2	+2.9
Business Activity/Production	56.4	60.8	-4.4	Growing	Slower	42	53.6	52.6	+1.0
New Orders	54.4	58.3	-3.9	Growing	Slower	42	53.3	49.7	+3.6
Employment	57.5	55.3	+2.2	Growing	Faster	6	54.0	51.9	+2.1
Supplier Deliveries	52.5	48.5	+4.0	Slowing	From Faster	1	53.6	53.7	-0.1
Inventories	47.0	50.0	-3.0	Contractin g	From Unchanged	1	51.0	43.0	+8.0
Prices	58.0	56.1	+1.9	Increasing	Faster	40	56.5	55.5	+1.0
Backlog of Orders	49.0	49.5	-0.5	Contractin g	Faster	2	47.5	48.5	-1.0
New Export Orders	55.5	49.5	+6.0	Growing	From Contractin g	1	50.5	51.5	-1.0
Imports	51.0	49.0	+2.0	Growing	From Contractin g	1	50.0	51.5	-1.5
Inventory Sentiment	64.0	58.0	+6.0	Too High	Faster	188	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	48.5	47.0	+1.5

* **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.

Indexes reflect newly released seasonal adjustment factors.

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

Commodities Up in Price

Airfares; Beef (2); Cheese*; Chicken Products; Corrugated; #1 Diesel Fuel; #2 Diesel Fuel; Fuel; Gasoline; Hotel Rates; Labor; Lumber — Pine, Spruce, Plywood and Treated (3); Medical Supplies; Pharmacy Products (2); Pipe, Valves and Fittings; Safety Products (2); and Wallboard.

Commodities Down in Price

Cheese*; Computer Products (2); Dairy (2); and Paper.

Commodities in Short Supply

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.

JANUARY 2013 NON-MANUFACTURING INDEX SUMMARIES

NMI™

In January, the NMI™ registered 55.2 percent, indicating continued growth in the non-manufacturing sector for the 37th 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

NMI™ HISTORY			
<i>Month</i>	<i>NMI™</i>	<i>Month</i>	<i>NMI™</i>
Jan 2013	55.2	Jul 2012	52.9
Dec 2012	55.7	Jun 2012	52.7
Nov 2012	54.8	May 2012	54.1
Oct 2012	54.8	Apr 2012	53.7
Sep 2012	55.2	Mar 2012	55.0
Aug 2012	54.3	Feb 2012	56.1
Average for 12 months – 54.5 High – 56.1 Low – 52.7			

Business Activity

ISM's Non-Manufacturing Business Activity Index in January registered 56.4 percent, 4.4 percentage points lower than the seasonally adjusted 60.8 percent registered in December. Ten industries reported increased business activity, and six industries reported decreased activity for the month of January. Comments from respondents include: "Consumer confidence" and "[Ordering for] 2013 capital budgets."

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

Business Activity	% Higher	% Same	% Lower	Index
Jan 2013	31	44	25	56.4
Dec 2012	37	45	18	60.8
Nov 2012	31	55	14	60.9
Oct 2012	27	55	18	56.8

New Orders

ISM's Non-Manufacturing New Orders Index grew in January for the 42nd consecutive month. The index registered 54.4 percent, a decrease of 3.9 percentage points from the seasonally adjusted 58.3 percent reported in December. Comments from respondents include: "External client inquiries have slowed, especially on major projects" and "Soft demand at this time."

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

New Orders	% Higher	% Same	% Lower	Index
Jan 2013	28	51	21	54.4
Dec 2012	32	50	18	58.3
Nov 2012	28	59	13	58.0
Oct 2012	29	49	22	56.1

Employment

Employment activity in the non-manufacturing sector grew in January for the sixth consecutive month. ISM's Non-Manufacturing Employment Index registered 57.5 percent, which reflects an increase of 2.2 percentage points when compared to the seasonally adjusted 55.3 percent registered in December. Nine industries reported increased employment, seven industries reported decreased employment, and two industries reported unchanged employment compared to December. Comments from respondents include: "Hiring more sales and marketing staff" and "Open and new positions were filled."

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

Employment	% Higher	% Same	% Lower	Index
Jan 2013	20	64	16	57.5
Dec 2012	21	66	13	55.3
Nov 2012	18	62	20	51.4
Oct 2012	19	63	18	54.8

Supplier Deliveries

The Supplier Deliveries Index registered 52.5 percent in January, indicating that supplier deliveries were slower in January after two consecutive months of faster deliveries. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The nine industries reporting slower deliveries in January — listed in order — are: Mining; Agriculture, Forestry, Fishing & Hunting; Real Estate, Rental & Leasing; Educational Services; Other Services; Wholesale Trade; Management of Companies & Support Services; Health Care & Social Assistance; and Construction. The four industries reporting faster supplier deliveries in January are: Information; Finance & Insurance; Public Administration; and Transportation & Warehousing.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Jan 2013	10	85	5	52.5
Dec 2012	6	85	9	48.5
Nov 2012	5	88	7	49.0
Oct 2012	8	87	5	51.5

Inventories

ISM's Non-Manufacturing Inventories Index contracted in January for the fourth time in the last five months. The index registered 47 percent, which is 3 percentage points lower than the 50 percent reported in December. Of the total respondents in January, 27 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Deliberate reduction of inventory" and "Holding levels tight."

The seven industries reporting an increase in inventories in January — listed in order — are: Mining; Agriculture, Forestry, Fishing & Hunting; Utilities; Real Estate, Rental & Leasing; Health Care & Social Assistance; Retail Trade; and Public Administration. The nine industries reporting decreases in inventories in January — listed in order — are:

Other Services; Arts, Entertainment & Recreation; Transportation & Warehousing; Information; Professional, Scientific & Technical Services; Accommodation & Food Services; Management of Companies & Support Services; Wholesale Trade; and Construction.

Inventories	% Higher	% Same	% Lower	Index
Jan 2013	16	62	22	47.0
Dec 2012	20	60	20	50.0
Nov 2012	11	72	17	47.0
Oct 2012	12	69	19	46.5

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in January for the 40th consecutive month. ISM's Non-Manufacturing Prices Index for January registered 58 percent, 1.9 percentage points higher than the seasonally adjusted 56.1 percent reported in December. In January, the percentage of respondents reporting higher prices is 23 percent, the percentage indicating no change in prices paid is 72 percent, and 5 percent of the respondents reported lower prices.

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

Prices	% Higher	% Same	% Lower	Index
Jan 2013	23	72	5	58.0
Dec 2012	15	76	9	56.1
Nov 2012	18	72	10	56.9
Oct 2012	25	68	7	60.8

Backlog of Orders

ISM's Non-Manufacturing Backlog of Orders Index contracted in January for the fourth time in the past five months. The index registered 49 percent, which is 0.5 percentage point lower than the 49.5 percent reported in December. Of the total respondents in January, 37 percent indicated they do not measure backlog of orders.

The six industries reporting an increase in order backlogs in January — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Utilities; Retail Trade; Real Estate, Rental & Leasing; Finance & Insurance; and Public Administration. The five industries reporting lower backlog of orders in January are: Mining; Other Services; Wholesale Trade; Health Care & Social Assistance; and Professional, Scientific & Technical Services. Seven industries indicated no change in backlog of orders for the month of January compared to December.

Backlog of Orders	% Higher	% Same	% Lower	Index
Jan 2013	15	68	17	49.0
Dec 2012	14	71	15	49.5
Nov 2012	17	73	10	53.5
Oct 2012	15	68	17	49.0

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 January after three consecutive months of contraction. The New Export Orders Index for January registered 55.5 percent, which is 6 percentage points higher than the 49.5 percent reported in December. Of the total respondents in December, 66 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 January — listed in order — are: Mining; Retail Trade; Agriculture, Forestry, Fishing & Hunting; Information; Arts, Entertainment & Recreation; Construction; and Management of Companies & Support Services. The five industries reporting a decrease in export orders in January are: Transportation & Warehousing; Other Services; Professional, Scientific & Technical Services; Wholesale Trade; and Finance & Insurance.

New Export Orders	% Higher	% Same	% Lower	Index
Jan 2013	27	57	16	55.5
Dec 2012	15	69	16	49.5
Nov 2012	13	70	17	48.0
Oct 2012	11	73	16	47.5

Imports

The ISM Non-Manufacturing Imports Index grew in January after contracting four times in the last seven months. This month's reading at 51 percent is 2 percentage points higher than the 49 percent reported in December. Sixty-one percent of respondents reported that they do not use, or do not track the use of, imported materials.

The five industries reporting an increase in imports for the month of January are: Public Administration; Information; Retail Trade; Wholesale Trade; and Accommodation & Food Services. The three industries reporting a decrease in imports for the month of January are: Educational Services; Transportation & Warehousing; and Management of Companies & Support Services. Ten industries reported no change in imports for the month of January compared to December.

Imports	% Higher	% Same	% Lower	Index
Jan 2013	10	82	8	51.0
Dec 2012	9	80	11	49.0
Nov 2012	18	75	7	55.5
Oct 2012	9	81	10	49.5

Inventory Sentiment

The ISM Non-Manufacturing Inventory Sentiment Index in January registered 64 percent, which is 6 percentage points higher than the 58 percent reported in December. This indicates that respondents believe their inventories are still too high at this time. In January, 33 percent of respondents said their inventories were too high, 5 percent said their inventories were too low, and 62 percent said their inventories were about right.

The 10 industries reporting a feeling that their inventories are too high in January — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Mining; Educational Services; Finance & Insurance; Wholesale Trade; Professional, Scientific & Technical Services; Public Administration; Utilities; Retail Trade; and Health Care & Social

Assistance. The two industries reporting that their inventories are too low in January are: Transportation & Warehousing; and Construction. Six industries indicated no change in inventory sentiment for the month of January compared to December.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Jan 2013	33	62	5	64.0
Dec 2012	24	68	8	58.0
Nov 2012	29	67	4	62.5
Oct 2012	31	66	3	64.0

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 February 2013 data will be released at 10:00 a.m. (ET) on Tuesday, March 5, 2013.