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## **February 2013 Non-Manufacturing ISM Report On Business®**

**NMI™ at 56%**

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 February 2013.

**Business Activity Index at 56.9%**

**New Orders Index at 58.2%**

**Employment Index at 57.2%**

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in February for the 38th 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 percent in February, 0.8 percentage point higher than the 55.2 percent registered in January. This indicates continued growth at a slightly faster rate in the non-manufacturing sector. This month's reading also reflects the highest NMI™ since February 2012, when the index registered 56.1 percent. The Non-Manufacturing Business Activity Index registered 56.9 percent, which is 0.5 percentage point higher than the 56.4 percent reported in January, reflecting growth for the 43rd consecutive month. The New Orders Index increased by 3.8 percentage points to 58.2 percent, and the Employment Index decreased 0.3 percentage point to 57.2 percent, indicating growth in employment for the seventh consecutive month. The Prices Index increased 3.7 percentage points to 61.7 percent, indicating prices increased at a faster rate in February when compared to January. According to the NMI™, 13 non-manufacturing industries reported growth in February. The

majority of respondents' comments reflect a growing optimism about the trend of the economy and overall business conditions."

## **INDUSTRY PERFORMANCE**

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

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

- "Our business is beginning to turn up slightly." (Health Care & Social Assistance)
- "Business seems to be improving; RFQ volume and orders also up." (Management of Companies & Support Services)
- "Continuing to see slight uptrend in activity, primarily related to 1st quarter initiatives started." (Finance & Insurance)
- "Construction market showing some positive signs." (Real Estate, Rental & Leasing)
- "The economy continues to slowly pick up, perhaps at an even faster pace than had been previously projected. New housing permits and business licenses are at a multiyear high, although still lower than pre-recession." (Public Administration)
- "February bouncing back to forecast levels, which was 11 percent over 2012." (Wholesale Trade)
- "Business is picking up; more projects to bid and things are improving." (Construction)

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

	Non-Manufacturing						Manufacturing		
Index	Series Index Feb	Series Index Jan	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Feb	Series Index Jan	Percent Point Change
<b>NMI™/PMI™</b>	56.0	55.2	+0.8	Growing	Faster	38	54.2	53.1	+1.1
<b>Business Activity/Production</b>	56.9	56.4	+0.5	Growing	Faster	43	57.6	53.6	+4.0
<b>New Orders</b>	58.2	54.4	+3.8	Growing	Faster	43	57.8	53.3	+4.5
<b>Employment</b>	57.2	57.5	-0.3	Growing	Slower	7	52.6	54.0	-1.4
<b>Supplier Deliveries</b>	51.5	52.5	-1.0	Slowing	Slower	2	51.4	53.6	-2.2
<b>Inventories</b>	54.0	47.0	+7.0	Growing	From Contracting	1	51.5	51.0	+0.5
<b>Prices</b>	61.7	58.0	+3.7	Increasing	Faster	41	61.5	56.5	+5.0
<b>Backlog of Orders</b>	54.5	49.0	+5.5	Growing	From Contracting	1	55.0	47.5	+7.5
<b>New Export Orders</b>	60.5	55.5	+5.0	Growing	Faster	2	53.5	50.5	+3.0
<b>Imports</b>	52.5	51.0	+1.5	Growing	Faster	2	54.0	50.0	+4.0
<b>Inventory Sentiment</b>	62.5	64.0	-1.5	Too High	Slower	189	N/A	N/A	N/A
<b>Customers' Inventories</b>	N/A	N/A	N/A	N/A	N/A	N/A	46.5	48.5	-2.0

\* **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 (2); Aluminum Products; Beef (3); Chicken Products (2); Corrugated (2); #1 Diesel Fuel (2); #2 Diesel Fuel (2); Fuel (2); Gasoline (2); #2 Heating Fuel; Lumber — Pine, Plywood and Treated (4); Paper; Pharmacy Products (3); Pipe, Valves and Fittings (2); Plastic Products; Safety Products (2); Urea 46-0-0; and Wire Products.

### **Commodities Down in Price**

Cheese (2); Copier Equipment; and Copy Paper.

### **Commodities in Short Supply**

Glass Containers; and Pharmacy Products (2).

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

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## FEBRUARY 2013 NON-MANUFACTURING INDEX SUMMARIES

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### NMI™

In February, the NMI™ registered 56 percent, indicating continued growth in the non-manufacturing sector for the 38th consecutive month. This month's reading also reflects the highest NMI™ since February 2012, when the index registered 56.1 percent. 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>
Feb 2013	56.0	Aug 2012	54.3
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
Average for 12 months – 54.5 High – 56.0 Low – 52.7			

### Business Activity

ISM's Non-Manufacturing Business Activity Index in February registered 56.9 percent, 0.5 percentage point higher than the 56.4 percent registered in January. Eleven industries reported increased business activity, and six industries reported decreased activity for the month of February. Comments from respondents include: "Increased consumer spending" and "Growth in the marketplace."

The industries reporting growth of business activity in February — listed in order — are: Management of Companies & Support Services; Health Care & Social Assistance; Real Estate, Rental & Leasing; Transportation & Warehousing; Public Administration; Utilities; Other Services; Construction; Wholesale Trade; Professional, Scientific & Technical Services; and Finance & Insurance. The industries reporting decreased business activity in February — listed in order

— are: Arts, Entertainment & Recreation; Mining; Information; Educational Services; Accommodation & Food Services; and Retail Trade.

<b>Business Activity</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Feb 2013	32	50	18	56.9
Jan 2013	31	44	25	56.4
Dec 2012	37	45	18	60.8
Nov 2012	31	55	14	60.9

## **New Orders**

ISM's Non-Manufacturing New Orders Index grew in February for the 43rd consecutive month. The index registered 58.2 percent, an increase of 3.8 percentage points from the 54.4 percent reported in January. Comments from respondents include: "Growing popularity of our products and services" and "2013 capital budgets approved."

The 14 industries reporting growth of new orders in February — listed in order — are: Management of Companies & Support Services; Real Estate, Rental & Leasing; Professional, Scientific & Technical Services; Transportation & Warehousing; Wholesale Trade; Finance & Insurance; Educational Services; Public Administration; Utilities; Retail Trade; Other Services; Construction; Health Care & Social Assistance; and Accommodation & Food Services. The three industries reporting contraction of new orders in February are: Mining; Arts, Entertainment & Recreation; and Information.

<b>New Orders</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Feb 2013	31	56	13	58.2
Jan 2013	28	51	21	54.4
Dec 2012	32	50	18	58.3
Nov 2012	28	59	13	58.0

## **Employment**

Employment activity in the non-manufacturing sector grew in February for the seventh consecutive month. ISM's Non-Manufacturing Employment Index registered 57.2 percent, which reflects a decrease of 0.3 percentage point when compared to the 57.5 percent registered in January. Eleven industries reported increased employment, five industries reported decreased employment, and two industries reported unchanged employment compared to

January. Comments from respondents include: "Positions are still being filled, but slowly" and "Staff added to accommodate demand."

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

<b>Employment</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Feb 2013	26	61	13	57.2
Jan 2013	20	64	16	57.5
Dec 2012	21	66	13	55.3
Nov 2012	18	62	20	51.4

## **Supplier Deliveries**

The Supplier Deliveries Index registered 51.5 percent in February, indicating that supplier deliveries were slower in February for the second 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 February — listed in order — are: Educational Services; Real Estate, Rental & Leasing; Utilities; Construction; Management of Companies & Support Services; Health Care & Social Assistance; Wholesale Trade; and Public Administration. The six industries reporting faster supplier deliveries in February — listed in order — are: Mining; Other Services; Professional, Scientific & Technical Services; Transportation & Warehousing; Information; and Finance & Insurance.

<b>Supplier Deliveries</b>	<b>% Slower</b>	<b>% Same</b>	<b>% Faster</b>	<b>Index</b>
Feb 2013	9	85	6	51.5
Jan 2013	10	85	5	52.5
Dec 2012	6	85	9	48.5
Nov 2012	5	88	7	49.0

## Inventories

ISM's Non-Manufacturing Inventories Index grew significantly in February. The index registered 54 percent, which is 7 percentage points higher than the 47 percent reported in January. Of the total respondents in February, 27 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "New product launch" and "Preparation for Chinese New Year."

The 10 industries reporting an increase in inventories in February — listed in order — are: Mining; Agriculture, Forestry, Fishing & Hunting; Utilities; Wholesale Trade; Real Estate, Rental & Leasing; Construction; Transportation & Warehousing; Health Care & Social Assistance; Retail Trade; and Accommodation & Food Services. The five industries reporting decreases in inventories in February are: Educational Services; Arts, Entertainment & Recreation; Management of Companies & Support Services; Information; and Finance & Insurance.

Inventories	% Higher	% Same	% Lower	Index
Feb 2013	20	68	12	54.0
Jan 2013	16	62	22	47.0
Dec 2012	20	60	20	50.0
Nov 2012	11	72	17	47.0

## Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in February for the 41st consecutive month. ISM's Non-Manufacturing Prices Index for February registered 61.7 percent, 3.7 percentage points higher than the 58 percent reported in January. In February, the percentage of respondents reporting higher prices is 31 percent, the percentage indicating no change in prices paid is 63 percent, and 6 percent of the respondents reported lower prices.

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



Prices	% Higher	% Same	% Lower	Index
Feb 2013	31	63	6	61.7
Jan 2013	23	72	5	58.0
Dec 2012	15	76	9	56.1
Nov 2012	18	72	10	56.9

### Backlog of Orders

ISM's Non-Manufacturing Backlog of Orders Index grew in February. The index registered 54.5 percent, which is 5.5 percentage points higher than the 49 percent reported in January. Of the total respondents in February, 40 percent indicated they do not measure backlog of orders.

The nine industries reporting an increase in order backlogs in February — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Real Estate, Rental & Leasing; Utilities; Construction; Information; Health Care & Social Assistance; Public Administration; Professional, Scientific & Technical Services; and Wholesale Trade. The four industries reporting lower backlog of orders in February are: Other Services; Mining; Retail Trade; and Finance & Insurance.

Backlog of Orders	% Higher	% Same	% Lower	Index
Feb 2013	18	73	9	54.5
Jan 2013	15	68	17	49.0
Dec 2012	14	71	15	49.5
Nov 2012	17	73	10	53.5

### 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 substantially in February for the second consecutive month. The New Export Orders Index for February registered 60.5 percent, which is 5 percentage points higher than the 55.5 percent reported in January. Of the total respondents in January, 68 percent indicated they either do not perform, or do not separately measure, orders for work outside of the United States.

The nine industries reporting an increase in new export orders in February — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Construction; Public Administration; Information; Transportation & Warehousing;

Accommodation & Food Services; Other Services; Wholesale Trade; and Professional, Scientific & Technical Services. The only industry reporting a decrease in export orders in February is Retail Trade.

<b>New Export Orders</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Feb 2013	29	63	8	60.5
Jan 2013	27	57	16	55.5
Dec 2012	15	69	16	49.5
Nov 2012	13	70	17	48.0

## **Imports**

The ISM Non-Manufacturing Imports Index grew in February for the second consecutive month. This month's reading at 52.5 percent is 1.5 percentage points higher than the 51 percent reported in January. Fifty-eight 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 February are: Agriculture, Forestry, Fishing & Hunting; Information; Accommodation & Food Services; Retail Trade; and Wholesale Trade. The two industries reporting a decrease in imports for the month of February are: Health Care & Social Assistance; and Management of Companies & Support Services. Eleven industries reported no change in imports for the month of February compared to January.

<b>Imports</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Feb 2013	12	81	7	52.5
Jan 2013	10	82	8	51.0
Dec 2012	9	80	11	49.0
Nov 2012	18	75	7	55.5

## **Inventory Sentiment**

The ISM Non-Manufacturing Inventory Sentiment Index in February registered 62.5 percent, which is 1.5 percentage points lower than the 64 percent reported in January. This indicates that respondents believe their inventories are still too high at this time. In February, 27 percent of respondents said their inventories were too high, 2 percent said their inventories were too low, and 71 percent said their inventories were about right.

The 10 industries reporting a feeling that their inventories are too high in February — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Utilities; Mining; Arts, Entertainment & Recreation; Wholesale Trade; Other Services; Finance & Insurance; Professional, Scientific & Technical Services; Public Administration; and Health Care & Social Assistance. The only industry reporting that their inventories are too low in February is Construction. Six industries indicated no change in inventory sentiment for the month of February compared to January.

<b>Inventory Sentiment</b>	<b>%Too High</b>	<b>%About Right</b>	<b>%Too Low</b>	<b>Index</b>
Feb 2013	27	71	2	62.5
Jan 2013	33	62	5	64.0
Dec 2012	24	68	8	58.0
Nov 2012	29	67	4	62.5

### **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<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 enhance the value and performance of procurement and supply chain management practitioners and their organizations worldwide.

The full text version of the **Non-Manufacturing ISM Report On Business**® is posted on ISM's website 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 March 2013 data will be released at 10:00 a.m. (ET) on Wednesday, April 3, 2013.