

## March 2013 Non-Manufacturing ISM Report On Business®

**NMI™ at 54.4%**

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 March 2013.

**Business Activity Index at 56.5%**

**New Orders Index at 54.6%**

**Employment Index at 53.3%**

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in March for the 39th 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 54.4 percent in March, 1.6 percentage points lower than the 56 percent registered in February. This indicates continued growth at a slightly slower rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index registered 56.5 percent, which is 0.4 percentage point lower than the 56.9 percent reported in February, reflecting growth for the 44th consecutive month. The New Orders Index decreased by 3.6 percentage points to 54.6 percent, and the Employment Index decreased 3.9 percentage points to 53.3 percent, indicating growth in employment for the eighth consecutive month. The Prices Index decreased 5.8 percentage points to 55.9 percent, indicating prices increased at a slower rate in March when compared to February. According to the NMI™, 15 non-manufacturing industries reported growth in March. The majority of respondents' comments continue to be positive about business conditions; however, there is an underlying concern regarding the uncertainty of the future economy."

### **INDUSTRY PERFORMANCE**

The 15 non-manufacturing industries reporting growth in March — listed in order — are: Construction; Management of Companies & Support Services; Transportation & Warehousing; Accommodation & Food Services; Educational Services; Retail Trade; Professional, Scientific & Technical Services; Utilities; Wholesale Trade; Public Administration; Information; Real Estate, Rental & Leasing; Finance & Insurance; Arts, Entertainment & Recreation; and Other Services. The three industries reporting contraction in March are: Mining; Health Care & Social Assistance; and Agriculture, Forestry, Fishing & Hunting.

## WHAT RESPONDENTS ARE SAYING ...

- "The economy and our business appear to be improving." (Management of Companies & Support Services)
- "Volumes are down slightly, but spending per person is up." (Arts, Entertainment & Recreation)
- "Economy and all of our business units appear to be on track for positive gains this year. It may be a struggle, but economic indicators and signs of business growth point to increased spending from our customers." (Professional, Scientific & Technical Services)
- "Local business climate seems more upbeat as the market moves higher." (Public Administration)
- "Winter weather has affected construction, but the spring building season looks encouraging." (Wholesale Trade)
- "Sales increased 17 percent last year; sales continue to rise this quarter." (Retail Trade)
- "Anticipate a plentiful season, requiring strategic planning with packaging inventories." (Agriculture, Forestry, Fishing & Hunting)

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

Index	Non-Manufacturing						Manufacturing		
	Series Index Mar	Series Index Feb	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Mar	Series Index Feb	Percent Point Change
<b>NMI™/PMI™</b>	54.4	56.0	-1.6	Growing	Slower	39	51.3	54.2	-2.9
<b>Business Activity/Production</b>	56.5	56.9	-0.4	Growing	Slower	44	52.2	57.6	-5.4
<b>New Orders</b>	54.6	58.2	-3.6	Growing	Slower	44	51.4	57.8	-6.4
<b>Employment</b>	53.3	57.2	-3.9	Growing	Slower	8	54.2	52.6	+1.6
<b>Supplier Deliveries</b>	53.0	51.5	+1.5	Slowing	Faster	3	49.4	51.4	-2.0
<b>Inventories</b>	51.5	54.0	-2.5	Growing	Slower	2	49.5	51.5	-2.0
<b>Prices</b>	55.9	61.7	-5.8	Increasing	Slower	42	54.5	61.5	-7.0
<b>Backlog of Orders</b>	54.5	54.5	0.0	Growing	Same	2	51.0	55.0	-4.0
<b>New Export Orders</b>	56.5	60.5	-4.0	Growing	Slower	3	56.0	53.5	+2.5
<b>Imports</b>	57.5	52.5	+5.0	Growing	Faster	3	54.0	54.0	0.0
<b>Inventory Sentiment</b>	59.5	62.5	-3.0	Too High	Slower	190	N/A	N/A	N/A
<b>Customers' Inventories</b>	N/A	N/A	N/A	N/A	N/A	N/A	47.5	46.5	+1.0

\* **Non-Manufacturing ISM Report On Business**<sup>®</sup> data is seasonally adjusted for Business Activity, New Orders, Prices and Employment. **Manufacturing ISM Report On Business**<sup>®</sup> 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**

Beef (4); Chicken Products (3); Crab Products; #1 Diesel Fuel\* (3); #2 Diesel Fuel (3); Eggs; Food Products; Freight Costs; Fuel (3); Fuel Surcharges; Gasoline\* (3); Gypsum Board; #2 Heating Fuel (2); Hotel Rates; Lumber — Pine and Treated (5); Natural Gas; Office Supplies; Pharmacy Products (4); Plywood; Produce; Roofing Products; Roofing Shingles; Transportation Costs; and Waste Disposal.

### **Commodities Down in Price**

Cheese (3); #1 Diesel Fuel\*; Gasoline\*; and Soy Products.

### **Commodities in Short Supply**

Helium; IV Products; and Pharmacy Products (3).

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

\*Reported as both up and down in price.

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## MARCH 2013 NON-MANUFACTURING INDEX SUMMARIES

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### NMI™

In March, the NMI™ registered 54.4 percent, indicating continued growth in the non-manufacturing sector for the 39th 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>
Mar 2013	54.4	Sep 2012	55.2
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
Average for 12 months – 54.5 High – 56.0 Low – 52.7			

### Business Activity

ISM's Non-Manufacturing Business Activity Index in March registered 56.5 percent, 0.4 percentage point lower than the 56.9 percent registered in February. Thirteen industries reported increased business activity, and four industries reported decreased activity for the month of March. Comments from respondents include: "Getting ready for higher business activity in coming months" and "Increased retail sales."

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

<b>Business Activity</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Mar 2013	36	51	13	56.5
Feb 2013	32	50	18	56.9
Jan 2013	31	44	25	56.4
Dec 2012	37	45	18	60.8

## **New Orders**

ISM's Non-Manufacturing New Orders Index grew in March for the 44th consecutive month. The index registered 54.6 percent, a decrease of 3.6 percentage points from the 58.2 percent reported in February. Comments from respondents include: "Higher demand" and "New product launch."

The 15 industries reporting growth of new orders in March — listed in order — are: Transportation & Warehousing; Management of Companies & Support Services; Construction; Accommodation & Food Services; Real Estate, Rental & Leasing; Utilities; Retail Trade; Educational Services; Arts, Entertainment & Recreation; Professional, Scientific & Technical Services; Public Administration; Wholesale Trade; Information; Finance & Insurance; and Other Services. The three industries reporting contraction of new orders in March are: Mining; Health Care & Social Assistance; and Agriculture, Forestry, Fishing & Hunting.

<b>New Orders</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Mar 2013	31	57	12	54.6
Feb 2013	31	56	13	58.2
Jan 2013	28	51	21	54.4
Dec 2012	32	50	18	58.3

## **Employment**

Employment activity in the non-manufacturing sector grew in March for the eighth consecutive month. ISM's Non-Manufacturing Employment Index registered 53.3 percent, which reflects a decrease of 3.9 percentage points when compared to the 57.2 percent registered in February. Twelve industries reported increased employment, and six industries reported decreased employment. Comments from respondents include: "Continue to increase headcount in support of business changes" and "Beginning to add people for increased orders."

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

<b>Employment</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Mar 2013	26	58	16	53.3
Feb 2013	26	61	13	57.2
Jan 2013	20	64	16	57.5
Dec 2012	21	66	13	55.3

### **Supplier Deliveries**

The Supplier Deliveries Index registered 53 percent in March, indicating that supplier deliveries were slower in March for the third 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 March — listed in order — are: Educational Services; Utilities; Retail Trade; Wholesale Trade; Construction; Information; Professional, Scientific & Technical Services; and Health Care & Social Assistance. The only industry reporting faster supplier deliveries in March is Accommodation & Food Services. Nine industries reported no change in supplier deliveries in March compared to February.

<b>Supplier Deliveries</b>	<b>% Slower</b>	<b>% Same</b>	<b>% Faster</b>	<b>Index</b>
Mar 2013	9	88	3	53.0
Feb 2013	9	85	6	51.5
Jan 2013	10	85	5	52.5
Dec 2012	6	85	9	48.5

### **Inventories**

ISM's Non-Manufacturing Inventories Index grew in March for the second consecutive month. The index registered 51.5 percent, which is 2.5 percentage points lower than the 54 percent reported in February. Of the total

respondents in March, 28 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "[Inventory build-up] to support higher demand" and "Using more stock for projects."

The 11 industries reporting an increase in inventories in March — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Mining; Real Estate, Rental & Leasing; Utilities; Retail Trade; Accommodation & Food Services; Construction; Information; Wholesale Trade; Professional, Scientific & Technical Services; and Health Care & Social Assistance. The four industries reporting decreases in inventories in March are: Other Services; Arts, Entertainment & Recreation; Public Administration; and Finance & Insurance.

<b>Inventories</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Mar 2013	16	71	13	51.5
Feb 2013	20	68	12	54.0
Jan 2013	16	62	22	47.0
Dec 2012	20	60	20	50.0

## **Prices**

Prices paid by non-manufacturing organizations for purchased materials and services increased in March for the 42nd consecutive month. ISM's Non-Manufacturing Prices Index for March registered 55.9 percent, 5.8 percentage points lower than the 61.7 percent reported in February. In March, the percentage of respondents reporting higher prices is 26 percent, the percentage indicating no change in prices paid is 68 percent, and 6 percent of the respondents reported lower prices.

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

Prices	% Higher	% Same	% Lower	Index
Mar 2013	26	68	6	55.9
Feb 2013	31	63	6	61.7
Jan 2013	23	72	5	58.0
Dec 2012	15	76	9	56.1

## Backlog of Orders

ISM's Non-Manufacturing Backlog of Orders Index grew in March for the second consecutive month. The index registered 54.5 percent, which is the same reading that was reported in February. Of the total respondents in March, 40 percent indicated they do not measure backlog of orders.

The seven industries reporting an increase in order backlogs in March — listed in order — are: Construction; Real Estate, Rental & Leasing; Utilities; Educational Services; Information; Health Care & Social Assistance; and Public Administration. The four industries reporting lower backlog of orders in March are: Other Services; Professional, Scientific & Technical Services; Finance & Insurance; and Wholesale Trade. Seven industries reported no change in backlog of orders for the month of March compared to February.

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

## 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 March for the third consecutive month. The New Export Orders Index for March registered 56.5 percent, which is 4 percentage points lower than the 60.5 percent reported in February. Of the total respondents in February, 67 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 March — listed in order — are: Construction; Agriculture, Forestry, Fishing & Hunting; Retail Trade; Management of Companies & Support Services; Arts,



Entertainment & Recreation; Accommodation & Food Services; Information; Health Care & Social Assistance; and Public Administration. The two industries reporting a decrease in export orders in March are: Finance & Insurance; and Professional, Scientific & Technical Services.

<b>New Export Orders</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Mar 2013	29	55	16	56.5
Feb 2013	29	63	8	60.5
Jan 2013	27	57	16	55.5
Dec 2012	15	69	16	49.5

## **Imports**

The ISM Non-Manufacturing Imports Index grew in March for the third consecutive month. This month's reading at 57.5 percent is 5 percentage points higher than the 52.5 percent reported in February. Fifty-seven percent of respondents reported that they do not use, or do not track the use of, imported materials.

The eight industries reporting an increase in imports for the month of March — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Information; Accommodation & Food Services; Finance & Insurance; Other Services; Management of Companies & Support Services; Retail Trade; and Professional, Scientific & Technical Services. The two industries reporting a decrease in imports for the month of March are: Mining; and Arts, Entertainment & Recreation. Eight industries reported no change in imports for the month of March compared to February.

<b>Imports</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Mar 2013	21	73	6	57.5
Feb 2013	12	81	7	52.5
Jan 2013	10	82	8	51.0
Dec 2012	9	80	11	49.0

## **Inventory Sentiment**

The ISM Non-Manufacturing Inventory Sentiment Index in March registered 59.5 percent, which is 3 percentage points lower than the 62.5 percent reported in February. This indicates that respondents believe their inventories are still too high at this time. In March, 24 percent of respondents said their inventories were too high, 5 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 March — listed in order — are: Real Estate, Rental & Leasing; Management of Companies & Support Services; Utilities; Professional, Scientific & Technical Services; Arts, Entertainment & Recreation; Wholesale Trade; Retail Trade; Public Administration; Finance & Insurance; and Construction. The only industry reporting that its inventories are too low in March is Transportation & Warehousing.

<b>Inventory Sentiment</b>	<b>%Too High</b>	<b>%About Right</b>	<b>%Too Low</b>	<b>Index</b>
Mar 2013	24	71	5	59.5
Feb 2013	27	71	2	62.5
Jan 2013	33	62	5	64.0
Dec 2012	24	68	8	58.0

### **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 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 April 2013 data will be released at 10:00 a.m. (ET) on Friday, May 3, 2013.