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**Contact:** Rose Marie Goupil  
ISM, ROB Media Relations  
Tempe, Arizona  
800/888-6276, Ext. 3015  
E-mail: [rgoupil@ism.ws](mailto:rgoupil@ism.ws)

## **May 2013 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 May 2013.

**Business Activity Index at 56.5%**

**New Orders Index at 56%**

**Employment Index at 50.1%**

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in May for the 41st 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 May, 0.6 percentage point higher than the 53.1 percent registered in April. This indicates continued growth at a slightly faster rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index registered 56.5 percent, which is 1.5 percentage points higher than the 55 percent reported in April, reflecting growth for the 46th consecutive month. The New Orders Index increased by 1.5 percentage points to 56 percent, and the Employment Index decreased 1.9 percentage points to 50.1 percent, indicating growth in employment for the 10th consecutive month. The Prices Index decreased 0.1 percentage point to 51.1 percent, indicating prices increased at a slower rate in May when compared to April. According to the NMI™, 13 non-manufacturing industries reported growth in May. The majority of

respondents' comments are optimistic about business conditions. However, there is a degree of uncertainty about the long-term outlook."

## **INDUSTRY PERFORMANCE**

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

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

- "Sales remain slightly higher than the same period last year, but still below pre-recession sales figures." (Public Administration)
- "The job order market slowed in April/May. We saw a slight increase in employment due to working down the order/inquiry backlog." (Professional, Scientific & Technical Services)
- "Business seems to be improving through the second half of the year." (Information)
- "Fairly stable the last month; overall optimistic going forward." (Accommodation & Food Services)
- "The flat sequential sales — which began in January 2012 — are still continuing. At this point, we do not predict any lift in the foreseeable future. We do not see any negatives; it appears that business has reached its 'cruising altitude' and is staying there." (Wholesale Trade)
- "Healthcare reform and sequestration are having a strong negative impact on business." (Health Care & Social Assistance)
- "North America continues to improve at a modest rate. Europe is still a problem for global recovery." (Mining)

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

	Non-Manufacturing						Manufacturing		
Index	Series Index May	Series Index Apr	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index May	Series Index Apr	Percent Point Change
<b>NMI™/PMI™</b>	53.7	53.1	+0.6	Growing	Faster	41	49.0	50.7	-1.7
<b>Business Activity/Production</b>	56.5	55.0	+1.5	Growing	Faster	46	48.6	53.5	-4.9
<b>New Orders</b>	56.0	54.5	+1.5	Growing	Faster	46	48.8	52.3	-3.5
<b>Employment</b>	50.1	52.0	-1.9	Growing	Slower	10	50.1	50.2	-0.1
<b>Supplier Deliveries</b>	52.0	51.0	+1.0	Slowing	Faster	5	48.7	50.9	-2.2
<b>Inventories</b>	51.5	56.0	-4.5	Growing	Slower	4	49.0	46.5	+2.5
<b>Prices</b>	51.1	51.2	-0.1	Increasing	Slower	44	49.5	50.0	-0.5
<b>Backlog of Orders</b>	51.5	51.5	0.0	Growing	Same	4	48.0	53.0	-5.0
<b>New Export Orders</b>	50.0	53.5	-3.5	Unchanged	From Growing	1	51.0	54.0	-3.0
<b>Imports</b>	49.5	58.5	-9.0	Contracting	From Growing	1	54.5	55.0	-0.5
<b>Inventory Sentiment</b>	62.5	60.5	+2.0	Too High	Faster	192	N/A	N/A	N/A
<b>Customers' Inventories</b>	N/A	N/A	N/A	N/A	N/A	N/A	46.0	44.5	+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.

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

### **Commodities Up in Price**

Airfares; Beef (6); #1 Diesel Fuel; #2 Diesel Fuel; Construction Subcontractors; Consulting Services; Fuel (5); Gasoline\*; Lab Services; Labor; Petroleum Based Products; Reagents; and Shrimp.

### **Commodities Down in Price**

Copper Cable; Gasoline\* (3); Lumber — Pine, Spruce and Treated; Paper; and Produce.

### **Commodities in Short Supply**

Medical Supplies is the only commodity 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.

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## MAY 2013 NON-MANUFACTURING INDEX SUMMARIES

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### NMI™

In May, the NMI™ registered 53.7 percent, indicating continued growth in the non-manufacturing sector for the 41st 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>
May 2013	53.7	Nov 2012	54.8
Apr 2013	53.1	Oct 2012	54.8
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
Average for 12 months – 54.4 High – 56.0 Low – 52.7			

### Business Activity

ISM's Non-Manufacturing Business Activity Index in May registered 56.5 percent, 1.5 percentage points higher than the 55 percent registered in April. Thirteen industries reported increased business activity, and three industries reported decreased activity for the month of May. Comments from respondents include: "Number of work orders increased" and "Improved economic environment."

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

<b>Business Activity</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
May 2013	31	56	13	56.5
Apr 2013	33	52	15	55.0
Mar 2013	36	51	13	56.5
Feb 2013	32	50	18	56.9

## **New Orders**

ISM's Non-Manufacturing New Orders Index grew in May for the 46th consecutive month. The index registered 56 percent, an increase of 1.5 percentage points from the 54.5 percent reported in April. Comments from respondents include: "Award of new contracts" and "[Increase in new orders] due to active marketing activities and sales initiatives."

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

<b>New Orders</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
May 2013	30	58	12	56.0
Apr 2013	30	56	14	54.5
Mar 2013	31	57	12	54.6
Feb 2013	31	56	13	58.2

## **Employment**

Employment activity in the non-manufacturing sector grew in May for the 10th consecutive month. ISM's Non-Manufacturing Employment Index registered 50.1 percent, which reflects a decrease of 1.9 percentage points when compared to the 52 percent registered in April. Eleven industries reported increased employment, and five industries reported decreased employment. Comments from respondents include: "New projects starting" and "Continued outsourcing."

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

<b>Employment</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
May 2013	24	61	15	50.1
Apr 2013	28	57	15	52.0
Mar 2013	26	58	16	53.3
Feb 2013	26	61	13	57.2

### **Supplier Deliveries**

The Supplier Deliveries Index registered 52 percent in May, indicating that supplier deliveries were slower in May for the fifth consecutive month. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The six industries reporting slower deliveries in May — listed in order — are: Educational Services; Other Services; Professional, Scientific & Technical Services; Accommodation & Food Services; Wholesale Trade; and Retail Trade. The four industries reporting faster supplier deliveries in May are: Mining; Agriculture, Forestry, Fishing & Hunting; Transportation & Warehousing; and Finance & Insurance. Eight industries reported no change in supplier deliveries in May compared to April.

<b>Supplier Deliveries</b>	<b>% Slower</b>	<b>% Same</b>	<b>% Faster</b>	<b>Index</b>
May 2013	8	88	4	52.0
Apr 2013	7	88	5	51.0
Mar 2013	9	88	3	53.0
Feb 2013	9	85	6	51.5

### **Inventories**

ISM's Non-Manufacturing Inventories Index grew in May for the fourth consecutive month. The index registered 51.5 percent, which is 4.5 percentage points lower than the 56 percent reported in April. Of the total respondents in May,

26 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Long-term strategy of reducing inventory levels" and "Reflection of lower census."

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

<b>Inventories</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
May 2013	21	61	18	51.5
Apr 2013	25	62	13	56.0
Mar 2013	16	71	13	51.5
Feb 2013	20	68	12	54.0

## **Prices**

Prices paid by non-manufacturing organizations for purchased materials and services increased in May for the 44th consecutive month. ISM's Non-Manufacturing Prices Index for May registered 51.1 percent, 0.1 percentage point lower than the 51.2 percent reported in April. In May, the percentage of respondents reporting higher prices is 20 percent, the percentage indicating no change in prices paid is 69 percent, and 11 percent of the respondents reported lower prices.

Ten non-manufacturing industries reported an increase in prices paid during the month of May, in the following order: Accommodation & Food Services; Educational Services; Agriculture, Forestry, Fishing & Hunting; Mining; Wholesale Trade; Management of Companies & Support Services; Public Administration; Construction; Professional, Scientific & Technical Services; and Retail Trade. The two industries reporting a decrease in prices paid during May are: Information; and Finance & Insurance. Six industries reported no change in prices paid in May compared to April.

Prices	% Higher	% Same	% Lower	Index
May 2013	20	69	11	51.1
Apr 2013	22	68	10	51.2
Mar 2013	26	68	6	55.9
Feb 2013	31	63	6	61.7

## Backlog of Orders

ISM's Non-Manufacturing Backlog of Orders Index registered 51.5 percent in May, which is the same reading that was reported in April. Of the total respondents in May, 36 percent indicated they do not measure backlog of orders.

The six industries reporting an increase in order backlogs in May — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Utilities; Construction; Real Estate, Rental & Leasing; Professional, Scientific & Technical Services; and Health Care & Social Assistance. The six industries reporting a decrease in order backlogs — listed in order — are: Other Services; Mining; Finance & Insurance; Wholesale Trade; Public Administration; and Retail Trade.

Backlog of Orders	% Higher	% Same	% Lower	Index
May 2013	14	75	11	51.5
Apr 2013	15	73	12	51.5
Mar 2013	18	73	9	54.5
Feb 2013	18	73	9	54.5

## 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 remained unchanged for the month of May. The New Export Orders Index for May registered 50 percent, which is 3.5 percentage points lower than the 53.5 percent reported in April. Of the total respondents in May, 60 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 May — listed in order — are: Mining; Arts, Entertainment & Recreation; Retail Trade; Information; Accommodation & Food Services; and Wholesale Trade. The five industries reporting a decrease in export orders in May are: Management of Companies & Support Services; Agriculture, Forestry, Fishing & Hunting; Other Services; Finance & Insurance; and Professional, Scientific &

Technical Services. Seven industries reported no change in new export orders for the month of May compared to April.

<b>New Export Orders</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
May 2013	16	68	16	50.0
Apr 2013	22	63	15	53.5
Mar 2013	29	55	16	56.5
Feb 2013	29	63	8	60.5

## **Imports**

The ISM Non-Manufacturing Imports Index contracted in May after four consecutive months of growth. This month's reading at 49.5 percent is 9 percentage points lower than the 58.5 percent reported in April. Fifty-seven 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 May are: Information; Finance & Insurance; Arts, Entertainment & Recreation; Accommodation & Food Services; and Wholesale Trade. The four industries reporting a decrease in imports for the month of May are: Mining; Other Services; Educational Services; and Professional, Scientific & Technical Services. Nine industries reported no change in imports for the month of May compared to April.

<b>Imports</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
May 2013	11	77	12	49.5
Apr 2013	20	77	3	58.5
Mar 2013	21	73	6	57.5
Feb 2013	12	81	7	52.5

## **Inventory Sentiment**

The ISM Non-Manufacturing Inventory Sentiment Index in May registered 62.5 percent, which is 2 percentage points higher than the 60.5 percent reported in April. This indicates that respondents believe their inventories are still too high at this time. In May, 30 percent of respondents said their inventories were too high, 5 percent said their inventories were too low, and 65 percent said their inventories were about right.

The 11 industries reporting a feeling that their inventories are too high in May — listed in order — are: Mining; Other Services; Arts, Entertainment & Recreation; Finance & Insurance; Management of Companies & Support Services; Wholesale Trade; Utilities; Transportation & Warehousing; Retail Trade; Public Administration; and Professional, Scientific & Technical Services. The only industry reporting that their inventories are too low in May is Construction.

<b>Inventory Sentiment</b>	<b>%Too High</b>	<b>%About Right</b>	<b>%Too Low</b>	<b>Index</b>
May 2013	30	65	5	62.5
Apr 2013	27	67	6	60.5
Mar 2013	24	71	5	59.5
Feb 2013	27	71	2	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**® survey is 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 report 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 June 2013 data will be released at 10:00 a.m. (ET) on Wednesday, July 3, 2013.