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

NMI[™] at 52.2%

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 June 2013.

Business Activity Index at 51.7%

New Orders Index at 50.8%

Employment Index at 54.7%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in June for the 42nd 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 52.2 percent in June, 1.5 percentage points lower than the 53.7 percent registered in May. This indicates continued growth at a slightly slower rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index registered 51.7 percent, which is 4.8 percentage points lower than the 56.5 percent reported in May, reflecting growth for the 47th consecutive month. The New Orders Index decreased by 5.2 percentage points to 50.8 percent, and the Employment Index increased 4.6 percentage points to 54.7 percent, indicating growth in employment for the 11th consecutive month. The Prices Index increased 1.4 percentage points to 52.5 percent, indicating prices increased at a faster rate in June when compared to May. According to the NMI[™], 14 non-manufacturing industries reported growth in June. Respondents' comments are mixed about business conditions depending upon the industry and company. The majority indicate that growth has been slow and incremental; however, it is still better year over year."

INDUSTRY PERFORMANCE

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

WHAT RESPONDENTS ARE SAYING ...

- "Sales increased slightly again for the fourth consecutive month over last year's sales for the same period. Hiring increased slightly as well." (Public Administration)
- "Lower revenues due to healthcare reform, causing pressure to cut costs and headcount." (Health Care & Social Assistance)
- "Business is steady, but profitability is coming from cost savings measures. Some divisions expected to be flat or slightly below expectations." (Professional, Scientific & Technical Services)
- "Business environment certainty continues to stabilize. Effects on our business lag. We expect as housing and building continue to improve, we will see gains." (Management of Companies & Support Services)
- "Slow growth — intense downward price pressure from customers." (Wholesale Trade)
- "The roller coaster ride is not over yet. Customer counts are well below expectations, but overall revenue is higher than expected. The fluctuations are significant, week to week as much as YTD, resulting in problems with accurate forecasting." (Arts, Entertainment & Recreation)

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

Index	Non-Manufacturing						Manufacturing		
	Series Index Jun	Series Index May	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Jun	Series Index May	Percent Point Change
NMI™/PMI™	52.2	53.7	-1.5	Growing	Slower	42	50.9	49.0	+1.9
Business Activity/Production	51.7	56.5	-4.8	Growing	Slower	47	53.4	48.6	+4.8
New Orders	50.8	56.0	-5.2	Growing	Slower	47	51.9	48.8	+3.1
Employment	54.7	50.1	+4.6	Growing	Faster	11	48.7	50.1	-1.4
Supplier Deliveries	51.5	52.0	-0.5	Slowing	Slower	6	50.0	48.7	+1.3
Inventories	54.5	51.5	+3.0	Growing	Faster	5	50.5	49.0	+1.5
Prices	52.5	51.1	+1.4	Increasing	Faster	45	52.5	49.5	+3.0
Backlog of Orders	52.0	51.5	+0.5	Growing	Faster	5	46.5	48.0	-1.5
New Export Orders	47.5	50.0	-2.5	Contracting	From Unchanged	1	54.5	51.0	+3.5
Imports	53.5	49.5	+4.0	Growing	From Contracting	1	56.0	54.5	+1.5
Inventory Sentiment	61.5	62.5	-1.0	Too High	Slower	193	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	45.0	46.0	-1.0

* **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); Asphalt Products; Beef (7); Cheese; Corrugated Boxes; Dairy; #1 Diesel Fuel (2); #2 Diesel Fuel* (2); Engine Components; Fabricated Pipe; Fuel* (6); Gasoline* (2); Pharmacy Drugs; Pharmacy Supplies; Poultry; and Services.

Commodities Down in Price

Copper Products; #2 Diesel Fuel*; Eggs; Fuel*; Gasoline* (4); Lumber — Pine, Spruce and Treated (2); Natural Gas; Plastic Containers; and Steel Products.

Commodities in Short Supply

Helium 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.

JUNE 2013 NON-MANUFACTURING INDEX SUMMARIES

NMI™

In June, the NMI™ registered 52.2 percent, indicating continued growth in the non-manufacturing sector for the 42nd consecutive month. This month's reading reflects the lowest reading for the index since February 2010, when the index registered 51.7 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>
Jun 2013	52.2	Dec 2012	55.7
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
Average for 12 months – 54.4 High – 56.0 Low – 52.2			

Business Activity

ISM's Non-Manufacturing Business Activity Index in June registered 51.7 percent, 4.8 percentage points lower than the 56.5 percent registered in May. This month's reading reflects the lowest level for the index since November 2009, when the index registered 50.9 percent. Eleven industries reported increased business activity, and seven industries reported decreased activity for the month of June. Comments from respondents include: "More back to normal after spike" and "Projects are wrapping up and not being replaced."

The industries reporting growth of business activity in June — listed in order — are: Transportation & Warehousing; Management of Companies & Support Services; Utilities; Accommodation & Food Services; Wholesale Trade; Arts, Entertainment & Recreation; Real Estate, Rental & Leasing; Retail Trade; Information; Professional, Scientific & Technical Services; and Finance & Insurance. The industries reporting decreased business activity in June — listed in

order — are: Mining; Educational Services; Other Services; Construction; Public Administration; Health Care & Social Assistance; and Agriculture, Forestry, Fishing & Hunting.

Business Activity	% Higher	% Same	% Lower	Index
Jun 2013	26	56	18	51.7
May 2013	31	56	13	56.5
Apr 2013	33	52	15	55.0
Mar 2013	36	51	13	56.5

New Orders

ISM's Non-Manufacturing New Orders Index grew in June for the 47th consecutive month. The index registered 50.8 percent, a decrease of 5.2 percentage points from the 56 percent reported in May. This month's reading reflects the lowest level for the index since July 2009, when it registered 49.7 percent. Comments from respondents include: "Fewer sales" and "Planning/requests leveled off."

The nine industries reporting growth of new orders in June — listed in order — are: Arts, Entertainment & Recreation; Transportation & Warehousing; Agriculture, Forestry, Fishing & Hunting; Management of Companies & Support Services; Wholesale Trade; Retail Trade; Utilities; Information; and Public Administration. The five industries reporting contraction of new orders in June are: Educational Services; Mining; Other Services; Construction; and Health Care & Social Assistance.

New Orders	% Higher	% Same	% Lower	Index
Jun 2013	23	61	16	50.8
May 2013	30	58	12	56.0
Apr 2013	30	56	14	54.5
Mar 2013	31	57	12	54.6

Employment

Employment activity in the non-manufacturing sector grew in June for the 11th consecutive month. ISM's Non-Manufacturing Employment Index registered 54.7 percent, which reflects an increase of 4.6 percentage points when compared to the 50.1 percent registered in May. Ten industries reported increased employment, and five industries

reported decreased employment. Comments from respondents include: "Hiring additional resources for new orders" and "Continued growth of business."

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

Employment	% Higher	% Same	% Lower	Index
Jun 2013	31	57	12	54.7
May 2013	24	61	15	50.1
Apr 2013	28	57	15	52.0
Mar 2013	26	58	16	53.3

Supplier Deliveries

The Supplier Deliveries Index registered 51.5 percent in June, indicating that supplier deliveries were slower in June for the sixth 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 June — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Educational Services; Arts, Entertainment & Recreation; Real Estate, Rental & Leasing; Wholesale Trade; Management of Companies & Support Services; Construction; and Professional, Scientific & Technical Services. The four industries reporting faster deliveries in June are: Mining; Transportation & Warehousing; Finance & Insurance; and Information. Six industries reported no change in supplier deliveries in June compared to May.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Jun 2013	7	89	4	51.5
May 2013	8	88	4	52.0
Apr 2013	7	88	5	51.0
Mar 2013	9	88	3	53.0

Inventories

ISM's Non-Manufacturing Inventories Index grew in June for the fifth consecutive month. The index registered 54.5 percent, which is 3 percentage points higher than the 51.5 percent reported in May. Of the total respondents in June, 25 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Building inventory for new orders" and "Warehouses purchased more inventory than needed."

The nine industries reporting an increase in inventories in June — listed in order — are: Mining; Agriculture, Forestry, Fishing & Hunting; Utilities; Information; Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Transportation & Warehousing; Wholesale Trade; and Public Administration. The three industries reporting decreases in inventories in June are: Health Care & Social Assistance; Retail Trade; and Professional, Scientific & Technical Services.

Inventories	% Higher	% Same	% Lower	Index
Jun 2013	22	65	13	54.5
May 2013	21	61	18	51.5
Apr 2013	25	62	13	56.0
Mar 2013	16	71	13	51.5

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in June for the 45th consecutive month. ISM's Non-Manufacturing Prices Index for June registered 52.5 percent, 1.4 percentage points higher than the 51.1 percent reported in May. In June, the percentage of respondents reporting higher prices is 19 percent, the percentage indicating no change in prices paid is 74 percent, and 7 percent of the respondents reported lower prices.

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

Prices	% Higher	% Same	% Lower	Index
Jun 2013	19	74	7	52.5
May 2013	20	69	11	51.1
Apr 2013	22	68	10	51.2
Mar 2013	26	68	6	55.9

Backlog of Orders

ISM's Non-Manufacturing Backlog of Orders Index registered 52 percent in June, which is 0.5 percentage point higher than the 51.5 percent that was reported in May. Of the total respondents in June, 40 percent indicated they do not measure backlog of orders.

The seven industries reporting an increase in order backlogs in June — listed in order — are: Real Estate, Rental & Leasing; Retail Trade; Information; Finance & Insurance; Construction; Professional, Scientific & Technical Services; and Health Care & Social Assistance. The three industries reporting a decrease in order backlogs are: Other Services; Utilities; and Mining. Seven industries reported no change in order backlogs in June compared to May.

Backlog of Orders	% Higher	% Same	% Lower	Index
Jun 2013	13	78	9	52.0
May 2013	14	75	11	51.5
Apr 2013	15	73	12	51.5
Mar 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 contracted for the month of June. The New Export Orders Index for June registered 47.5 percent, which is 2.5 percentage points lower than the 50 percent reported in May. Of the total respondents in June, 65 percent indicated they either do not perform, or do not separately measure, orders for work outside of the United States.

The four industries reporting an increase in new export orders in June are: Construction; Transportation & Warehousing; Arts, Entertainment & Recreation; and Management of Companies & Support Services. The seven industries reporting a decrease in export orders in June — listed in order — are: Agriculture, Forestry, Fishing &

Hunting; Professional, Scientific & Technical Services; Health Care & Social Assistance; Wholesale Trade; Finance & Insurance; Other Services; and Retail Trade. Six industries reported no change in new export orders for the month of June compared to May.

New Export Orders	% Higher	% Same	% Lower	Index
Jun 2013	16	63	21	47.5
May 2013	16	68	16	50.0
Apr 2013	22	63	15	53.5
Mar 2013	29	55	16	56.5

Imports

The ISM Non-Manufacturing Imports Index grew in June after a month of contraction. This month's reading at 53.5 percent is 4 percentage points higher than the 49.5 percent reported in May. Fifty-four 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 June are: Arts, Entertainment & Recreation; Information; Finance & Insurance; Wholesale Trade; and Professional, Scientific & Technical Services. The two industries reporting a decrease in imports for the month of June are: Other Services; and Agriculture, Forestry, Fishing & Hunting. Eleven industries reported no change in imports for the month of June compared to May.

Imports	% Higher	% Same	% Lower	Index
Jun 2013	11	85	4	53.5
May 2013	11	77	12	49.5
Apr 2013	20	77	3	58.5
Mar 2013	21	73	6	57.5

Inventory Sentiment

The ISM Non-Manufacturing Inventory Sentiment Index in June registered 61.5 percent, which is 1 percentage point lower than the 62.5 percent reported in May. This indicates that respondents believe their inventories are still too high at this time. In June, 27 percent of respondents said their inventories were too high, 4 percent said their inventories were too low, and 69 percent said their inventories were about right.

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

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Jun 2013	27	69	4	61.5
May 2013	30	65	5	62.5
Apr 2013	27	67	6	60.5
Mar 2013	24	71	5	59.5

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[®]** 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 report, 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 on the third business day of every month after 10:10 a.m. (ET).

The next **Non-Manufacturing ISM Report On Business**® featuring the July 2013 data will be released at 10:00 a.m. (ET) on Monday, August 5, 2013