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July 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 July 2013.

Business Activity Index at 60.4%

New Orders Index at 57.7%

Employment Index at 53.2%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in July for the 43rd 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 July, 3.8 percentage points higher than the 52.2 percent registered in June. This indicates continued growth at a faster rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index increased substantially to 60.4 percent, which is 8.7 percentage points higher than the 51.7 percent reported in June, reflecting growth for the 48th consecutive month. The New Orders Index increased significantly by 6.9 percentage points to 57.7 percent, and the Employment Index decreased 1.5 percentage points to 53.2 percent, indicating growth in employment for the 12th consecutive month. The Prices Index increased 7.6 percentage points to 60.1 percent, indicating prices increased at a significantly faster rate in July when compared to June. According to the NMI[™], 16 non-manufacturing industries reported growth in July. Respondents' comments are mostly positive about business conditions and the overall economy."

INDUSTRY PERFORMANCE

The 16 non-manufacturing industries reporting growth in July — listed in order — are: Arts, Entertainment & Recreation; Construction; Information; Wholesale Trade; Retail Trade; Finance & Insurance; Real Estate, Rental & Leasing; Agriculture, Forestry, Fishing & Hunting; Utilities; Educational Services; Other Services; Management of Companies & Support Services; Professional, Scientific & Technical Services; Accommodation & Food Services; Public Administration; and Transportation & Warehousing. The two industries reporting contraction in July are: Mining; and Health Care & Social Assistance.

WHAT RESPONDENTS ARE SAYING ...

- "The economy seems to be getting stronger with commodity prices increasing." (Information)
- "Sequestration and healthcare reform causing uncertainty and lower revenues." (Health Care & Social Assistance)
- "Business orders continue to grow, but at a slow pace. We are seeing growth in areas where we have been flat for many months. Economy seems to be stabilizing in some areas and heating up in others." (Professional, Scientific & Technical Services)
- "The auto industry continues to be strong, and we expect it to continue throughout 2013." (Retail Trade)
- "Competitive environment remains challenging." (Accommodation & Food Services)
- "Local business continues at same pace as last year. Capital investment continues to be positive." (Wholesale Trade)

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

	Non-Manufacturing						Manufacturing		
Index	Series Index Jul	Series Index Jun	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Jul	Series Index Jun	Percent Point Change
NMI™/PMI™	56.0	52.2	+3.8	Growing	Faster	43	55.4	50.9	+4.5
Business Activity/Production	60.4	51.7	+8.7	Growing	Faster	48	65.0	53.4	+11.6
New Orders	57.7	50.8	+6.9	Growing	Faster	48	58.3	51.9	+6.4
Employment	53.2	54.7	-1.5	Growing	Slower	12	54.4	48.7	+5.7
Supplier Deliveries	52.5	51.5	+1.0	Slowing	Faster	7	52.1	50.0	+2.1
Inventories	53.5	54.5	-1.0	Growing	Slower	6	47.0	50.5	-3.5
Prices	60.1	52.5	+7.6	Increasing	Faster	46	49.0	52.5	-3.5
Backlog of Orders	46.5	52.0	-5.5	Contracting	From Growing	1	45.0	46.5	-1.5
New Export Orders	49.5	47.5	+2.0	Contracting	Slower	2	53.5	54.5	-1.0
Imports	50.5	53.5	-3.0	Growing	Slower	2	57.5	56.0	+1.5
Inventory Sentiment	64.0	61.5	+2.5	Too High	Faster	194	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	47.5	45.0	+2.5

* **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 (3); Beef (8); Corrugated Boxes (2); Corrugated Packaging; #1 Diesel Fuel (3); Fuel (7); Gasoline (3); Hotel Rates; Insurance; Paper Products; Pharmacy Drugs (2); Pharmacy Supplies (2); Procurement Personnel; and Software Maintenance.

Commodities Down in Price

Computers and Peripherals is the only commodity reported down in price.

Commodities in Short Supply

Helium (2) is the only commodity reported in short supply.

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

JULY 2013 NON-MANUFACTURING INDEX SUMMARIES

NMI™

In July, the NMI™ registered 56 percent, indicating continued growth in the non-manufacturing sector for the 43rd 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>
Jul 2013	56.0	Jan 2013	55.2
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
Average for 12 months – 54.6 High – 56.0 Low – 52.2			

Business Activity

ISM's Non-Manufacturing Business Activity Index in July registered 60.4 percent, 8.7 percentage points higher than the 51.7 percent registered in June. This month's reading reflects the highest reading for the index since December 2012, when the index registered 60.8 percent. Twelve industries reported increased business activity, and four industries reported decreased activity for the month of July. Comments from respondents include: "Large projects starting" and "Volumes are slightly higher, mostly due to housing."

The industries reporting growth of business activity in July — listed in order — are: Arts, Entertainment & Recreation; Information; Utilities; Retail Trade; Construction; Wholesale Trade; Real Estate, Rental & Leasing; Finance & Insurance; Management of Companies & Support Services; Professional, Scientific & Technical Services;

Accommodation & Food Services; and Public Administration. The industries reporting decreased business activity in July are: Educational Services; Health Care & Social Assistance; Transportation & Warehousing; and Mining.

Business Activity	% Higher	% Same	% Lower	Index
Jul 2013	31	55	14	60.4
Jun 2013	26	56	18	51.7
May 2013	31	56	13	56.5
Apr 2013	33	52	15	55.0

New Orders

ISM's Non-Manufacturing New Orders Index grew in July for the 48th consecutive month. The index registered 57.7 percent, an increase of 6.9 percentage points from the 50.8 percent reported in June. Comments from respondents include: "Fiscal year-end purchases are being executed based on forecasted budgets" and "Increase in orders coming in."

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

New Orders	% Higher	% Same	% Lower	Index
Jul 2013	25	59	16	57.7
Jun 2013	23	61	16	50.8
May 2013	30	58	12	56.0
Apr 2013	30	56	14	54.5

Employment

Employment activity in the non-manufacturing sector grew in July for the 12th consecutive month. ISM's Non-Manufacturing Employment Index registered 53.2 percent, which reflects a decrease of 1.5 percentage points when compared to the 54.7 percent registered in June. Twelve industries reported increased employment, and four

industries reported decreased employment. Comments from respondents include: "Employment ramp up" and "Adding staff in anticipation of new store openings."

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

Employment	% Higher	% Same	% Lower	Index
Jul 2013	25	62	13	53.2
Jun 2013	31	57	12	54.7
May 2013	24	61	15	50.1
Apr 2013	28	57	15	52.0

Supplier Deliveries

The Supplier Deliveries Index registered 52.5 percent in July, indicating that supplier deliveries were slower in July for the seventh 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 July — listed in order — are: Educational Services; Construction; Information; Wholesale Trade; Professional, Scientific & Technical Services; Finance & Insurance; Public Administration; and Health Care & Social Assistance. The two industries reporting faster deliveries in July are: Arts, Entertainment & Recreation; and Mining. Eight industries reported no change in supplier deliveries in July compared to June.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Jul 2013	7	91	2	52.5
Jun 2013	7	89	4	51.5
May 2013	8	88	4	52.0
Apr 2013	7	88	5	51.0

Inventories

ISM's Non-Manufacturing Inventories Index grew in July for the sixth consecutive month. The index registered 53.5 percent, which is 1 percentage point lower than the 54.5 percent reported in June. Of the total respondents in July, 27 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Supporting specific business needs" and "Increased inventory to support additional new stores."

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

Inventories	% Higher	% Same	% Lower	Index
Jul 2013	22	63	15	53.5
Jun 2013	22	65	13	54.5
May 2013	21	61	18	51.5
Apr 2013	25	62	13	56.0

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in July for the 46th consecutive month. ISM's Non-Manufacturing Prices Index for July registered 60.1 percent, 7.6 percentage points higher than the 52.5 percent reported in June. In July, the percentage of respondents reporting higher prices is 21 percent, the percentage indicating no change in prices paid is 72 percent, and 7 percent of the respondents reported lower prices.

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

Prices	% Higher	% Same	% Lower	Index
Jul 2013	21	72	7	60.1
Jun 2013	19	74	7	52.5
May 2013	20	69	11	51.1
Apr 2013	22	68	10	51.2

Backlog of Orders

ISM's Non-Manufacturing Backlog of Orders contracted in July after five consecutive months of growth. The index registered 46.5 percent, which is 5.5 percentage points lower than the 52 percent that was reported in June. Of the total respondents in July, 35 percent indicated they do not measure backlog of orders.

The two industries reporting an increase in order backlogs in July are: Construction; and Transportation & Warehousing. The nine industries reporting a decrease in order backlogs — listed in order — are: Other Services; Mining; Public Administration; Health Care & Social Assistance; Professional, Scientific & Technical Services; Information; Accommodation & Food Services; Finance & Insurance; and Wholesale Trade. Seven industries reported no change in order backlogs in July compared to June.

Backlog of Orders	% Higher	% Same	% Lower	Index
Jul 2013	11	71	18	46.5
Jun 2013	13	78	9	52.0
May 2013	14	75	11	51.5
Apr 2013	15	73	12	51.5

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 second consecutive month in July. The New Export Orders Index for July registered 49.5 percent, which is 2 percentage points higher than the 47.5 percent reported in June. Of the

total respondents in July, 59 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 July — listed in order — are: Utilities; Construction; Arts, Entertainment & Recreation; Retail Trade; Transportation & Warehousing; Management of Companies & Support Services; and Information. The seven industries reporting a decrease in export orders in July — listed in order — are: Educational Services; Agriculture, Forestry, Fishing & Hunting; Finance & Insurance; Other Services; Wholesale Trade; Accommodation & Food Services; and Professional, Scientific & Technical Services.

New Export Orders	% Higher	% Same	% Lower	Index
Jul 2013	13	73	14	49.5
Jun 2013	16	63	21	47.5
May 2013	16	68	16	50.0
Apr 2013	22	63	15	53.5

Imports

The ISM Non-Manufacturing Imports Index grew in July for the second consecutive month. This month's reading at 50.5 percent is 3 percentage points lower than the 53.5 percent reported in June. Fifty-five percent of respondents reported that they do not use, or do not track the use of, imported materials.

The six industries reporting an increase in imports for the month of July — listed in order — are: Arts, Entertainment & Recreation; Utilities; Transportation & Warehousing; Management of Companies & Support Services; Other Services; and Retail Trade. The five industries reporting a decrease in imports for the month of July are: Mining; Finance & Insurance; Information; Accommodation & Food Services; and Wholesale Trade. Seven industries reported no change in imports for the month of July compared to June.

Imports	% Higher	% Same	% Lower	Index
Jul 2013	8	85	7	50.5
Jun 2013	11	85	4	53.5
May 2013	11	77	12	49.5
Apr 2013	20	77	3	58.5

Inventory Sentiment

The ISM Non-Manufacturing Inventory Sentiment Index in July registered 64 percent, which is 2.5 percentage points higher than the 61.5 percent reported in June. This indicates that respondents believe their inventories are still too high at this time. In July, 32 percent of respondents said their inventories were too high, 4 percent said their inventories were too low, and 64 percent said their inventories were about right.

The 12 industries reporting a feeling that their inventories are too high in July — listed in order — are: Arts, Entertainment & Recreation; Information; Mining; Utilities; Management of Companies & Support Services; Retail Trade; Finance & Insurance; Wholesale Trade; Health Care & Social Assistance; Public Administration; Professional, Scientific & Technical Services; and Accommodation & Food Services. No industry reported a feeling that its inventories are too low in July.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Jul 2013	32	64	4	64.0
Jun 2013	27	69	4	61.5
May 2013	30	65	5	62.5
Apr 2013	27	67	6	60.5

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 August 2013 data will be released at 10:00 a.m. (ET) on Thursday, September 5, 2013.