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

September 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 September 2013.

Business Activity Index at 55.1%

New Orders Index at 59.6%

Employment Index at 52.7%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in September for the 45th 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 September, 4.2 percentage points lower than August's reading of 58.6 percent. This indicates continued growth at a slower rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index decreased to 55.1 percent, which is 7.1 percentage points lower than the 62.2 percent reported in August, reflecting growth for the 50th consecutive month but at a significantly slower rate. The New Orders Index decreased by 0.9 percentage point to 59.6 percent, and the Employment Index decreased 4.3 percentage points to 52.7 percent, indicating growth in employment for the 14th consecutive month. The Prices Index increased 3.8 percentage points to 57.2 percent, indicating prices increased at a faster rate in September when compared to August. According to the NMI™, 11 non-manufacturing industries reported growth in September. The majority of the respondents' comments continue to be positive; however, there is an increase in the degree of uncertainty regarding the future business climate and the direction of the economy."

INDUSTRY PERFORMANCE

The 11 non-manufacturing industries reporting growth in September — listed in order — are: Retail Trade; Management of Companies & Support Services; Transportation & Warehousing; Construction; Utilities; Information; Finance & Insurance; Other Services; Wholesale Trade; Professional, Scientific & Technical Services; and Public Administration. The four industries reporting contraction in September are: Arts, Entertainment & Recreation; Educational Services; Health Care & Social Assistance; and Mining.

WHAT RESPONDENTS ARE SAYING ...

- "Overall business conditions are slowing — small manpower decrease of 5 percent." (Construction)
- "Business levels continue to be strong. Shifting from transient to group travelers." (Accommodation & Food Services)
- "Increased activity following summer vacations, but several postponements as well. Clients still unsure about the economy and business costs (e.g., healthcare)." (Professional, Scientific & Technical Services)
- "The federal government's spending is increasing greatly as agencies execute their final budgets and utilize fiscal year 2013 appropriated funds prior to their expiration on September 30th. This has caused a major increase in procurement activity for goods and services. Budgets are uncertain for fiscal year 2014, so some items requiring funding in future years are not being purchased." (Public Administration)
- "Business has leveled off — not much in the way of growth." (Retail Trade)
- "Some pick-up in sequential sales growth, but still flat with last year." (Wholesale Trade)

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

Index	Non-Manufacturing						Manufacturing		
	Series Index Sep	Series Index Aug	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Sep	Series Index Aug	Percent Point Change
NMI™/PMI™	54.4	58.6	-4.2	Growing	Slower	45	56.2	55.7	+0.5
Business Activity/Production	55.1	62.2	-7.1	Growing	Slower	50	62.6	62.4	+0.2
New Orders	59.6	60.5	-0.9	Growing	Slower	50	60.5	63.2	-2.7
Employment	52.7	57.0	-4.3	Growing	Slower	14	55.4	53.3	+2.1
Supplier Deliveries	50.0	54.5	-4.5	Unchanged	From Slowing	1	52.6	52.3	+0.3
Inventories	54.5	56.0	-1.5	Growing	Slower	8	50.0	47.5	+2.5
Prices	57.2	53.4	+3.8	Increasing	Faster	48	56.5	54.0	+2.5
Backlog of Orders	50.5	50.5	0.0	Growing	Same	2	49.5	46.5	+3.0
New Export Orders	57.5	50.5	+7.0	Growing	Faster	2	52.0	55.5	-3.5
Imports	51.5	55.0	-3.5	Growing	Slower	4	55.0	58.0	-3.0
Inventory Sentiment	62.0	63.5	-1.5	Too High	Slower	196	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	43.0	42.5	+0.5

* **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

Cheese; #1 Diesel Fuel; #2 Diesel Fuel (2); and Fuel (9).

Commodities Down in Price

Gasoline; Lumber — Pine, Plywood Products and Treated; and Soy Oil.

Commodities in Short Supply

Helium (4) is the only commodity reported in short supply.

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

SEPTEMBER 2013 NON-MANUFACTURING INDEX SUMMARIES

NMI™

In September, the NMI™ registered 54.4 percent, indicating continued growth in the non-manufacturing sector for the 45th 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>
Sep 2013	54.4	Mar 2013	54.4
Aug 2013	58.6	Feb 2013	56.0
Jul 2013	56.0	Jan 2013	55.2
Jun 2013	52.8	Dec 2012	55.7
May 2013	53.7	Nov 2012	54.8
Apr 2013	53.1	Oct 2012	54.8
Average for 12 months – 55.0 High – 58.6 Low – 52.8			

Business Activity

ISM's Non-Manufacturing Business Activity Index in September registered 55.1 percent, 7.1 percentage points lower than the 62.2 percent registered in August. Twelve industries reported increased business activity, and five industries reported decreased activity for the month of September. Comments from respondents include: "The turmoil and uncertainty of the current state of politics and the U.S. involvement overseas continues to drag on the economy" and "Seasonal growth/improved economic environment."

The industries reporting growth of business activity in September — listed in order — are: Retail Trade; Agriculture, Forestry, Fishing & Hunting; Management of Companies & Support Services; Utilities; Construction; Information; Real Estate, Rental & Leasing; Finance & Insurance; Other Services; Wholesale Trade; Transportation & Warehousing;

and Public Administration. The industries reporting decreased business activity in September are: Arts, Entertainment & Recreation; Educational Services; Health Care & Social Assistance; Accommodation & Food Services; and Mining.

Business Activity	% Higher	% Same	% Lower	Index
Sep 2013	27	56	17	55.1
Aug 2013	28	61	11	62.2
Jul 2013	31	55	14	60.4
Jun 2013	26	56	18	51.6

New Orders

ISM's Non-Manufacturing New Orders Index grew in September for the 50th consecutive month. The index registered 59.6 percent, a decrease of 0.9 percentage point from the 60.5 percent reported in August. Comments from respondents include: "Slowing demand" and "Additional capital project work."

The 13 industries reporting growth of new orders in September — listed in order — are: Construction; Utilities; Retail Trade; Transportation & Warehousing; Information; Finance & Insurance; Real Estate, Rental & Leasing; Wholesale Trade; Other Services; Management of Companies & Support Services; Professional, Scientific & Technical Services; Health Care & Social Assistance; and Public Administration. The industries reporting contraction of new orders in September are: Arts, Entertainment & Recreation; Educational Services; and Mining.

New Orders	% Higher	% Same	% Lower	Index
Sep 2013	29	59	12	59.6
Aug 2013	25	63	12	60.5
Jul 2013	25	59	16	57.7
Jun 2013	23	61	16	52.9

Employment

Employment activity in the non-manufacturing sector grew in September for the 14th consecutive month. ISM's Non-Manufacturing Employment Index registered 52.7 percent, which reflects a decrease of 4.3 percentage points when compared to the 57 percent registered in August. Nine industries reported increased employment, and seven industries reported decreased employment. Comments from respondents include: "Right-sizing the workforce" and "Hiring, but unable to fill all open positions."

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

Employment	% Higher	% Same	% Lower	Index
Sep 2013	20	60	20	52.7
Aug 2013	26	58	16	57.0
Jul 2013	25	62	13	53.2
Jun 2013	31	57	12	55.1

Supplier Deliveries

The Supplier Deliveries Index remained unchanged at 50 percent in September, which is a decrease of 4.5 percentage points compared to the August reading of 54.5 percent. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The seven industries reporting slower deliveries in September — listed in order — are: Educational Services; Construction; Transportation & Warehousing; Retail Trade; Professional, Scientific & Technical Services; Health Care & Social Assistance; and Accommodation & Food Services. The seven industries reporting faster deliveries in September — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Mining; Wholesale Trade; Other Services; Public Administration; Finance & Insurance; and Information.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Sep 2013	7	86	7	50.0
Aug 2013	11	87	2	54.5
Jul 2013	7	91	2	52.5
Jun 2013	7	89	4	51.5

Inventories

ISM's Non-Manufacturing Inventories Index grew in September for the eighth consecutive month. The index registered 54.5 percent, which is 1.5 percentage points lower than the 56 percent reported in August. Of the total respondents in September, 23 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Stockpiling inventory for jobs won" and "Needed to support additional stores."

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

Inventories	% Higher	% Same	% Lower	Index
Sep 2013	24	61	15	54.5
Aug 2013	25	62	13	56.0
Jul 2013	22	63	15	53.5
Jun 2013	22	65	13	54.5

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in September for the 48th consecutive month. ISM's Non-Manufacturing Prices Index for September registered 57.2 percent, 3.8 percentage points higher than the 53.4 percent reported in August. In September, the percentage of respondents reporting higher prices is 16 percent, the percentage indicating no change in prices paid is 78 percent, and 6 percent of the respondents reported lower prices.

Nine non-manufacturing industries reported an increase in prices paid during the month of September, in the following order: Mining; Educational Services; Retail Trade; Public Administration; Wholesale Trade; Other Services; Utilities; Health Care & Social Assistance; and Finance & Insurance. The five industries reporting a decrease in prices paid during September are: Agriculture, Forestry, Fishing & Hunting; Management of Companies & Support Services; Accommodation & Food Services; Information; and Professional, Scientific & Technical Services.

Prices	% Higher	% Same	% Lower	Index
Sep 2013	16	78	6	57.2
Aug 2013	13	78	9	53.4
Jul 2013	21	72	7	60.1
Jun 2013	19	74	7	56.8

Backlog of Orders

ISM's Non-Manufacturing Backlog of Orders Index grew in September for the second consecutive month. The index registered 50.5 percent, which is the same reading that was reported in August. Of the total respondents in September, 38 percent indicated they do not measure backlog of orders.

The six industries reporting an increase in order backlogs in September — listed in order — are: Accommodation & Food Services; Transportation & Warehousing; Real Estate, Rental & Leasing; Construction; Information; and Professional, Scientific & Technical Services. The six industries reporting a decrease in order backlogs — listed in order — are: Mining; Retail Trade; Health Care & Social Assistance; Finance & Insurance; Public Administration; and Wholesale Trade.

Backlog of Orders	% Higher	% Same	% Lower	Index
Sep 2013	15	71	14	50.5
Aug 2013	12	77	11	50.5
Jul 2013	11	71	18	46.5
Jun 2013	13	78	9	52.0

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 September for the second consecutive month. The New Export Orders Index for September registered 57.5 percent, which is 7 percentage points higher than the 50.5 percent reported in August. Of the total respondents in September, 60 percent indicated they either do not perform, or do not separately measure, orders for work outside of the United States.

The eight industries reporting an increase in new export orders in September — listed in order — are: Mining; Utilities; Public Administration; Management of Companies & Support Services; Professional, Scientific & Technical

Services; Information; Accommodation & Food Services; and Wholesale Trade. The only industry reporting a decrease in export orders in September is Arts, Entertainment & Recreation. Seven industries reported no change in export orders in September compared to August.

New Export Orders	% Higher	% Same	% Lower	Index
Sep 2013	23	69	8	57.5
Aug 2013	11	79	10	50.5
Jul 2013	13	73	14	49.5
Jun 2013	16	63	21	47.5

Imports

The ISM Non-Manufacturing Imports Index grew in September for the fourth consecutive month. This month's reading at 51.5 percent is 3.5 percentage points lower than the 55 percent reported in August. Fifty-two percent of respondents reported that they do not use, or do not track the use of, imported materials.

The four industries reporting an increase in imports for the month of September are: Agriculture, Forestry, Fishing & Hunting; Public Administration; Mining; and Retail Trade. The four industries reporting a decrease in imports for the month of September are: Health Care & Social Assistance; Finance & Insurance; Wholesale Trade; and Accommodation & Food Services. Nine industries reported no change in imports for the month of September compared to August.

Imports	% Higher	% Same	% Lower	Index
Sep 2013	11	81	8	51.5
Aug 2013	16	78	6	55.0
Jul 2013	8	85	7	50.5
Jun 2013	11	85	4	53.5

Inventory Sentiment

The ISM Non-Manufacturing Inventory Sentiment Index in September registered 62 percent, which is 1.5 percentage points lower than the 63.5 percent reported in August. This indicates that respondents believe their inventories are still too high at this time. In September, 31 percent of respondents said their inventories were too high, 7 percent said their inventories were too low, and 62 percent said their inventories were about right.

The 12 industries reporting a feeling that their inventories are too high in September — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Mining; Utilities; Arts, Entertainment & Recreation; Other Services; Wholesale Trade; Finance & Insurance; Retail Trade; Health Care & Social Assistance; Professional, Scientific & Technical Services; Accommodation & Food Services; and Information. The only industry reporting a feeling that its inventory is too low in September is Construction.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Sep 2013	31	62	7	62.0
Aug 2013	34	59	7	63.5
Jul 2013	32	64	4	64.0
Jun 2013	27	69	4	61.5

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 October 2013 data will be released at 10:00 a.m. (ET) on Tuesday, November 5, 2013.