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

NMI[®] at 55.4%

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 October 2013.

Business Activity Index at 59.7%

New Orders Index at 56.8%

Employment Index at 56.2%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in October for the 46th 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, CPSM, C.P.M., CFPM, chair of the Institute for Supply Management™ Non-Manufacturing Business Survey Committee. "The NMI[®] registered 55.4 percent in October, 1 percentage point higher than September's reading of 54.4 percent. This indicates continued growth at a faster rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index increased to 59.7 percent, which is 4.6 percentage points higher than the 55.1 percent reported in September, reflecting growth for the 51st consecutive month. The New Orders Index decreased by 2.8 percentage points to 56.8 percent, and the Employment Index increased 3.5 percentage points to 56.2 percent, indicating growth in employment for the 15th consecutive month. The Prices Index decreased 1.1 percentage points to 56.1 percent, indicating prices increased at a slower rate in October when compared to September. According to the NMI[®], 10 non-manufacturing industries reported growth in October. Respondents' comments are mixed with the majority reflecting an uptick in business. A number of respondents indicate that they are negatively impacted by the government shutdown."

INDUSTRY PERFORMANCE

The 10 non-manufacturing industries reporting growth in October — listed in order — are: Management of Companies & Support Services; Other Services; Retail Trade; Information; Educational Services; Wholesale Trade; Real Estate, Rental & Leasing; Public Administration; Professional, Scientific & Technical Services; and Finance & Insurance. The eight industries reporting contraction in October — listed in order — are: Arts, Entertainment & Recreation; Agriculture, Forestry, Fishing & Hunting; Transportation & Warehousing; Construction; Mining; Utilities; Health Care & Social Assistance; and Accommodation & Food Services.

WHAT RESPONDENTS ARE SAYING ...

- "Sales continue to increase slightly over the same period last year." (Public Administration)
- "We experienced an increase in the level of interest in our services, job awards and professional services placements." (Professional, Scientific & Technical Services)
- "Signs of improvement and stability are encouraging; however, the political environment and the cost of ObamaCare are causing a retrenching as costs escalate and margins shrink." (Retail Trade)
- "Economy continues to be a challenge with consumer fear as a result of the government partial shutdown." (Accommodation & Food Services)
- "Economic conditions continue to improve slowly in spite of government policy. Housing continues to lead." (Management of Companies & Support Services)
- "Business activities are stable compared to previous month." (Finance & Insurance)

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

Index	Non-Manufacturing						Manufacturing		
	Series Index Oct	Series Index Sep	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Oct	Series Index Sep	Percent Point Change
NMI®/PMI™	55.4	54.4	+1.0	Growing	Faster	46	56.4	56.2	+0.2
Business Activity/Production	59.7	55.1	+4.6	Growing	Faster	51	60.8	62.6	-1.8
New Orders	56.8	59.6	-2.8	Growing	Slower	51	60.6	60.5	+0.1
Employment	56.2	52.7	+3.5	Growing	Faster	15	53.2	55.4	-2.2
Supplier Deliveries	49.0	50.0	-1.0	Faster	From Unchanged	1	54.7	52.6	+2.1
Inventories	54.5	54.5	0.0	Growing	Same	9	52.5	50.0	+2.5
Prices	56.1	57.2	-1.1	Increasing	Slower	49	55.5	56.5	-1.0
Backlog of Orders	50.0	50.5	-0.5	Unchanged	From Growing	1	51.5	49.5	+2.0
New Export Orders	53.0	57.5	-4.5	Growing	Slower	3	57.0	52.0	+5.0
Imports	55.0	51.5	+3.5	Growing	Faster	5	55.5	55.0	+0.5
Inventory Sentiment	62.5	62.0	+0.5	Too High	Faster	197	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	47.0	43.0	+4.0

* **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

Airline Tickets; Asphalt Products; Beef; Cheese (2); Dairy; Fuel* (10); Labor; Plastic Bags; Plastic Products; Produce; Resin; Salmon; Seafood; and Shrimp.

Commodities Down in Price

#2 Diesel Fuel; Carbon Steel Products; Crab; Fuel*; Gasoline (2); Soy Oil (2); and Steel Pipe.

Commodities in Short Supply

Helium (5); and Shrimp.

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

*Reported as both up and down in price.

OCTOBER 2013 NON-MANUFACTURING INDEX SUMMARIES

NMI®

In October, the NMI® registered 55.4 percent, indicating continued growth in the non-manufacturing sector for the 46th 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>
Oct 2013	55.4	Apr 2013	53.1
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
Average for 12 months – 55.0 High – 58.6 Low – 52.8			

Business Activity

ISM's Non-Manufacturing Business Activity Index in October registered 59.7 percent, 4.6 percentage points higher than the 55.1 percent registered in September. Twelve industries reported increased business activity, and five industries reported decreased activity for the month of October. Comments from respondents include: "Market increase; more marketing efforts" and "More aggressive sales teams; more focused planning."

The industries reporting growth of business activity in October — listed in order — are: Management of Companies & Support Services; Other Services; Information; Retail Trade; Wholesale Trade; Real Estate, Rental & Leasing; Educational Services; Finance & Insurance; Public Administration; Utilities; Professional, Scientific & Technical Services; and Accommodation & Food Services. The industries reporting decreased business activity in October are:

Transportation & Warehousing; Arts, Entertainment & Recreation; Construction; Health Care & Social Assistance; and Mining.

Business Activity	% Higher	% Same	% Lower	Index
Oct 2013	32	50	18	59.7
Sep 2013	27	56	17	55.1
Aug 2013	28	61	11	62.2
Jul 2013	31	55	14	60.4

New Orders

ISM's Non-Manufacturing New Orders Index grew in October for the 51st consecutive month. The index registered 56.8 percent, a decrease of 2.8 percentage points from the 59.6 percent reported in September. Comments from respondents include: "Economic uncertainty" and "Increased orders."

The 10 industries reporting growth of new orders in October — listed in order — are: Management of Companies & Support Services; Other Services; Retail Trade; Educational Services; Information; Wholesale Trade; Real Estate, Rental & Leasing; Accommodation & Food Services; Public Administration; and Finance & Insurance. The six industries reporting contraction of new orders in October — listed in order — are: Transportation & Warehousing; Arts, Entertainment & Recreation; Utilities; Construction; Health Care & Social Assistance; and Professional, Scientific & Technical Services.

New Orders	% Higher	% Same	% Lower	Index
Oct 2013	27	54	19	56.8
Sep 2013	29	59	12	59.6
Aug 2013	25	63	12	60.5
Jul 2013	25	59	16	57.7

Employment

Employment activity in the non-manufacturing sector grew in October for the 15th consecutive month. ISM's Non-Manufacturing Employment Index registered 56.2 percent, which reflects an increase of 3.5 percentage points when compared to the 52.7 percent registered in September. Nine industries reported increased employment, and eight

industries reported decreased employment. Comments from respondents include: "Slightly higher due to expanded support hiring" and "Acquisition, plus increase in certain business areas."

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

Employment	% Higher	% Same	% Lower	Index
Oct 2013	22	60	18	56.2
Sep 2013	20	60	20	52.7
Aug 2013	26	58	16	57.0
Jul 2013	25	62	13	53.2

Supplier Deliveries

The Supplier Deliveries Index registered 49 percent in October, indicating that deliveries were faster in October after an unchanged reading of 50 percent reported in September. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The five industries reporting slower deliveries in October are: Educational Services; Management of Companies & Support Services; Accommodation & Food Services; Public Administration; and Professional, Scientific & Technical Services. The eight industries reporting faster deliveries in October — listed in order — are: Mining; Agriculture, Forestry, Fishing & Hunting; Transportation & Warehousing; Construction; Other Services; Health Care & Social Assistance; Finance & Insurance; and Wholesale Trade.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Oct 2013	4	90	6	49.0
Sep 2013	7	86	7	50.0
Aug 2013	11	87	2	54.5
Jul 2013	7	91	2	52.5

Inventories

ISM's Non-Manufacturing Inventories Index grew in October for the ninth consecutive month. The index registered 54.5 percent, which is the same reading reported in September. Of the total respondents in October, 27 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Work delays — materials already purchased so inventories are higher than normal" and "Expected increase in inventories."

The nine industries reporting an increase in inventories in October — listed in order — are: Mining; Retail Trade; Information; Other Services; Finance & Insurance; Professional, Scientific & Technical Services; Utilities; Wholesale Trade; and Public Administration. The four industries reporting decreases in inventories in October are: Construction; Management of Companies & Support Services; Transportation & Warehousing; and Health Care & Social Assistance.

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

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in October for the 49th consecutive month. ISM's Non-Manufacturing Prices Index for October registered 56.1 percent, 1.1 percentage points lower than the 57.2 percent reported in September. In October, the percentage of respondents reporting higher prices is 16 percent, the percentage indicating no change in prices paid is 77 percent, and 7 percent of the respondents reported lower prices.

Eight non-manufacturing industries reported an increase in prices paid during the month of October, in the following order: Educational Services; Wholesale Trade; Accommodation & Food Services; Retail Trade; Arts, Entertainment & Recreation; Health Care & Social Assistance; Public Administration; and Utilities. The four industries reporting a decrease in prices paid during October are: Information; Finance & Insurance; Professional, Scientific & Technical Services; and Mining. Six industries reported no change in prices paid in October compared to September.

Prices	% Higher	% Same	% Lower	Index
Oct 2013	16	77	7	56.1
Sep 2013	16	78	6	57.2
Aug 2013	13	78	9	53.4
Jul 2013	21	72	7	60.1

Backlog of Orders

ISM's Non-Manufacturing Backlog of Orders Index was unchanged in October. The index registered 50 percent, which is 0.5 percentage point lower than the 50.5 percent reported in September and August. Of the total respondents in October, 33 percent indicated they do not measure backlog of orders.

The four industries reporting an increase in order backlogs in October are: Retail Trade; Construction; Management of Companies & Support Services; and Public Administration. The five industries reporting a decrease in order backlogs are: Mining; Professional, Scientific & Technical Services; Finance & Insurance; Wholesale Trade; and Accommodation & Food Services. Nine industries reported no change in order backlogs in October compared to September.

Backlog of Orders	% Higher	% Same	% Lower	Index
Oct 2013	12	76	12	50.0
Sep 2013	15	71	14	50.5
Aug 2013	12	77	11	50.5
Jul 2013	11	71	18	46.5

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 October for the third consecutive month. The New Export Orders Index for October registered 53 percent, which is 4.5 percentage points lower than the 57.5 percent reported in September. Of

the total respondents in October, 59 percent indicated they either do not perform, or do not separately measure, orders for work outside of the United States.

The five industries reporting an increase in new export orders in October are: Mining; Retail Trade; Management of Companies & Support Services; Wholesale Trade; and Accommodation & Food Services. The two industries reporting a decrease in export orders in October are: Utilities; and Professional, Scientific & Technical Services. Eleven industries reported no change in export orders in October compared to September.

New Export Orders	% Higher	% Same	% Lower	Index
Oct 2013	11	84	5	53.0
Sep 2013	23	69	8	57.5
Aug 2013	11	79	10	50.5
Jul 2013	13	73	14	49.5

Imports

The ISM Non-Manufacturing Imports Index grew in October for the fifth consecutive month. This month's reading at 55 percent is 3.5 percentage points higher than the 51.5 percent reported in September. Fifty-three 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 October are: Agriculture, Forestry, Fishing & Hunting; Retail Trade; Transportation & Warehousing; Wholesale Trade; and Professional, Scientific & Technical Services. No industry reported a decrease in imports for the month of October. Thirteen industries reported no change in imports for the month of October compared to September.

Imports	% Higher	% Same	% Lower	Index
Oct 2013	12	86	2	55.0
Sep 2013	11	81	8	51.5
Aug 2013	16	78	6	55.0
Jul 2013	8	85	7	50.5

Inventory Sentiment

The ISM Non-Manufacturing Inventory Sentiment Index in October registered 62.5 percent, which is 0.5 percentage point higher than the 62 percent reported in September. This indicates that respondents believe their inventories are still too high at this time. In October, 28 percent of respondents said their inventories were too high, 3 percent said their inventories were too low, and 69 percent said their inventories were about right.

The 11 industries reporting a feeling that their inventories are too high in October — listed in order — are: Mining; Management of Companies & Support Services; Construction; Other Services; Wholesale Trade; Retail Trade; Utilities; Arts, Entertainment & Recreation; Finance & Insurance; Professional, Scientific & Technical Services; and Health Care & Social Assistance. No industry reported a feeling that its inventory is too low in October.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Oct 2013	28	69	3	62.5
Sep 2013	31	62	7	62.0
Aug 2013	34	59	7	63.5
Jul 2013	32	64	4	64.0

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[®]** 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 November 2013 data will be released at 10:00 a.m. (ET) on Wednesday, December 4, 2013.