

**FOR RELEASE: January 6, 2014**

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## **December 2013 Non-Manufacturing ISM Report On Business<sup>®</sup>**

**NMI<sup>®</sup> at 53%**

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 December 2013.

**Business Activity Index at 55.2%**

**New Orders Index at 49.4%**

**Employment Index at 55.8%**

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in December for the 48th 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, CPSM, C.P.M., CFPM, chair of the Institute for Supply Management™ Non-Manufacturing Business Survey Committee. "The NMI<sup>®</sup> registered 53 percent in December, 0.9 percentage point lower than November's reading of 53.9 percent. This indicates continued growth at a slightly slower rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index decreased to 55.2 percent, which is 0.3 percentage point lower than the 55.5 percent reported in November, reflecting growth for the 53rd consecutive month, but at a slightly slower rate. The New Orders Index contracted after 52 consecutive months of growth for the first time since July 2009, when it registered 48 percent. The index decreased significantly by 7

percentage points to 49.4 percent, and the Employment Index increased 3.3 percentage points to 55.8 percent, indicating growth in employment for the 17th consecutive month and at a faster rate. The Prices Index increased 2.9 percentage points to 55.1 percent, indicating prices increased at a faster rate in December when compared to November. According to the NMI<sup>®</sup>, eight non-manufacturing industries reported growth in December. Despite the substantial decrease in the New Orders Index, respondents' comments predominately reflect that business conditions are stable."

## **INDUSTRY PERFORMANCE**

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

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

- "Hiring activity seems to remain steady at mid- to senior-level management positions. However, it is uncertain what impact the Affordable Healthcare Act will have on hiring and full-time status in 2014 as more companies are re-evaluating their healthcare benefits strategies for all positions." (Management of Companies & Support Services)
- "Business is steady. We are at year-end and the holidays, so it's a little quiet. Expect things to pick up after the first [of the year]." (Construction)
- "Early, severe winter weather has had a major impact on business. Both customers and employees were unable to reach the workplace." (Arts, Entertainment & Recreation)
- "Steady, with no significant shifts in demand or supply." (Finance & Insurance)
- "Overall, we are still seeing the pickup in business which began in the 3rd quarter." (Wholesale Trade)
- "General business conditions have improved." (Information)

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

	Non-Manufacturing						Manufacturing		
Index	Series Index Dec	Series Index Nov	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Dec	Series Index Nov	Percent Point Change
<b>NMI®/PMI™</b>	53.0	53.9	-0.9	Growing	Slower	48	57.0	57.3	-0.3
<b>Business Activity/Production</b>	55.2	55.5	-0.3	Growing	Slower	53	62.2	62.8	-0.6
<b>New Orders</b>	49.4	56.4	-7.0	Contracting	From Growing	1	64.2	63.6	+0.6
<b>Employment</b>	55.8	52.5	+3.3	Growing	Faster	17	56.9	56.5	+0.4
<b>Supplier Deliveries</b>	51.5	51.0	+0.5	Slowing	Faster	2	54.7	53.2	+1.5
<b>Inventories</b>	48.0	54.0	-6.0	Contracting	From Growing	1	47.0	50.5	-3.5
<b>Prices</b>	55.1	52.2	+2.9	Increasing	Faster	51	53.5	52.5	+1.0
<b>Backlog of Orders</b>	46.0	49.0	-3.0	Contracting	Faster	2	51.5	54.0	-2.5
<b>New Export Orders</b>	51.5	58.0	-6.5	Growing	Slower	5	55.0	59.5	-4.5
<b>Imports</b>	50.5	55.0	-4.5	Growing	Slower	7	55.0	55.0	0.0
<b>Inventory Sentiment</b>	57.5	60.5	-3.0	Too High	Slower	199	N/A	N/A	N/A
<b>Customers' Inventories</b>	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; Beef Items; Dairy; Diesel Fuel; Gasoline\*; Milk; and Shrimp.

## Commodities Down in Price

Chicken; Computer & Peripherals (2); #1 Diesel Fuel (2); #2 Diesel Fuel (3); Fuel (3); Gasoline\* (4); Soybean Oil; and Tires.

## Commodities in Short Supply

Shrimp 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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## DECEMBER 2013 NON-MANUFACTURING INDEX SUMMARIES

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### NMI<sup>®</sup>

In December, the NMI<sup>®</sup> registered 53 percent, indicating continued growth in the non-manufacturing sector for the 48th 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 <sup>®</sup> HISTORY			
<i>Month</i>	<i>NMI<sup>®</sup></i>	<i>Month</i>	<i>NMI<sup>®</sup></i>
Dec 2013	53.0	Jun 2013	52.8
Nov 2013	53.9	May 2013	53.7
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
Average for 12 months – 54.7 High – 58.6 Low – 52.8			

## Business Activity

ISM's Non-Manufacturing Business Activity Index in December registered 55.2 percent, 0.3 percentage point lower than the 55.5 percent registered in November. Nine industries reported increased business activity, and six industries reported decreased activity for the month of December. Comments from respondents include: "Customer released orders on hold" and "Year-end spend down."

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

Business Activity	% Higher	% Same	% Lower	Index
Dec 2013	28	52	20	55.2
Nov 2013	26	55	19	55.5
Oct 2013	32	50	18	59.7
Sep 2013	27	56	17	55.1

## New Orders

ISM's Non-Manufacturing New Orders Index contracted in December for the first time since July 2009 after 52 consecutive months of growth. The index registered 49.4 percent, a significant decrease of 7 percentage points from the 56.4 percent reported in November. Comments from respondents include: "Year-end waiting until next year's funding" and "Fewer new prospects."

The six industries reporting growth of new orders in December — listed in order — are: Management of Companies & Support Services; Retail Trade; Information; Public Administration; Construction; and Finance & Insurance. The 11 industries reporting contraction of new orders in December — listed in order — are: Mining; Arts, Entertainment & Recreation; Transportation & Warehousing; Educational Services; Real Estate, Rental & Leasing; Utilities; Wholesale Trade; Other Services; Accommodation & Food Services; Health Care & Social Assistance; and Professional, Scientific & Technical Services.

<b>New Orders</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Dec 2013	22	53	25	49.4
Nov 2013	29	54	17	56.4
Oct 2013	27	54	19	56.8
Sep 2013	29	59	12	59.6

## **Employment**

Employment activity in the non-manufacturing sector grew in December for the 17th consecutive month. ISM's Non-Manufacturing Employment Index registered 55.8 percent, which reflects an increase of 3.3 percentage points when compared to the 52.5 percent registered in November. Eight industries reported increased employment, and seven industries reported decreased employment. Comments from respondents include: "Increasing sales force" and "Continued growth of business."

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

<b>Employment</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Dec 2013	23	63	14	55.8
Nov 2013	16	68	16	52.5
Oct 2013	22	60	18	56.2
Sep 2013	20	60	20	52.7

## **Supplier Deliveries**

The Supplier Deliveries Index registered 51.5 percent in December, indicating that deliveries were slightly slower after the November reading of 51 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 December — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Other Services; Construction; Health Care & Social Assistance; Information; Wholesale Trade; and Transportation & Warehousing. The three industries reporting faster deliveries in December are: Professional, Scientific & Technical Services; Public Administration; and Finance & Insurance. Eight industries reported no change in supplier deliveries in December compared to November.

<b>Supplier Deliveries</b>	<b>% Slower</b>	<b>% Same</b>	<b>% Faster</b>	<b>Index</b>
Dec 2013	8	87	5	51.5
Nov 2013	5	92	3	51.0
Oct 2013	4	90	6	49.0
Sep 2013	7	86	7	50.0

## **Inventories**

ISM's Non-Manufacturing Inventories Index contracted in December after 10 consecutive months of growth. The index registered 48 percent, which is 6 percentage points lower than the 54 percent reported in November. Of the total respondents in December, 29 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Able to utilize more inventory for orders this month" and "Use and non-replenishment [of inventory]."

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

<b>Inventories</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Dec 2013	15	66	19	48.0
Nov 2013	25	58	17	54.0
Oct 2013	24	61	15	54.5
Sep 2013	24	61	15	54.5

## Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in December for the 51st consecutive month. ISM's Non-Manufacturing Prices Index for December registered 55.1 percent, 2.9 percentage points higher than the 52.2 percent reported in November. In December, the percentage of respondents reporting higher prices is 14 percent, the percentage indicating no change in prices paid is 76 percent, and 10 percent of the respondents reported lower prices.

Seven non-manufacturing industries reported an increase in prices paid during the month of December, in the following order: Educational Services; Wholesale Trade; Arts, Entertainment & Recreation; Construction; Health Care & Social Assistance; Finance & Insurance; and Professional, Scientific & Technical Services. The five industries reporting a decrease in prices paid during December are: Mining; Agriculture, Forestry, Fishing & Hunting; Management of Companies & Support Services; Transportation & Warehousing; and Public Administration. Six industries reported no change in prices paid in December compared to November.

Prices	% Higher	% Same	% Lower	Index
Dec 2013	14	76	10	55.1
Nov 2013	11	77	12	52.2
Oct 2013	16	77	7	56.1
Sep 2013	16	78	6	57.2

## Backlog of Orders

ISM's Non-Manufacturing Backlog of Orders Index contracted in December for the second consecutive month, registering 46 percent, which is 3 percentage points lower than the 49 percent reported in November. Of the total respondents in December, 38 percent indicated they do not measure backlog of orders.

The three industries reporting an increase in order backlogs in December are: Retail Trade; Health Care & Social Assistance; and Finance & Insurance. The nine industries reporting a decrease in order backlogs — listed in order — are: Arts, Entertainment & Recreation; Mining; Other Services; Utilities; Professional, Scientific & Technical Services; Information; Transportation & Warehousing; Wholesale Trade; and Public Administration.



<b>Backlog of Orders</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Dec 2013	10	72	18	46.0
Nov 2013	11	76	13	49.0
Oct 2013	12	76	12	50.0
Sep 2013	15	71	14	50.5

### **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 December for the fifth consecutive month. The New Export Orders Index for December registered 51.5 percent, which is 6.5 percentage points lower than the 58 percent reported in November. Of the total respondents in December, 65 percent indicated they either do not perform, or do not separately measure, orders for work outside of the United States.

The three industries reporting an increase in new export orders in December are: Construction; Wholesale Trade; and Retail Trade. The only industry reporting a decrease in export orders in December is Arts, Entertainment & Recreation. Eleven industries reported no change in export orders in December compared to November.

<b>New Export Orders</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Dec 2013	13	77	10	51.5
Nov 2013	19	78	3	58.0
Oct 2013	11	84	5	53.0
Sep 2013	23	69	8	57.5

### **Imports**

The ISM Non-Manufacturing Imports Index grew in December for the seventh consecutive month. This month's reading at 50.5 percent is 4.5 percentage points lower than the 55 percent that was reported in November. Fifty-five percent of respondents reported that they do not use, or do not track the use of, imported materials.

The three industries reporting an increase in imports for the month of December are: Agriculture, Forestry, Fishing & Hunting; Retail Trade; and Wholesale Trade. The three industries reporting a decrease in imports for the month of

December are: Other Services; Finance & Insurance; and Professional, Scientific & Technical Services. Eleven industries reported no change in imports for the month of December compared to November.

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

### Inventory Sentiment

The ISM Non-Manufacturing Inventory Sentiment Index in December registered 57.5 percent, which is 3 percentage points lower than the 60.5 percent reported in November. This indicates that respondents believe their inventories are still too high at this time. In December, 21 percent of respondents said their inventories were too high, 6 percent said their inventories were too low, and 73 percent said their inventories were about right.

The 10 industries reporting a feeling that their inventories are too high in December — listed in order — are: Mining; Management of Companies & Support Services; Arts, Entertainment & Recreation; Wholesale Trade; Utilities; Information; Retail Trade; Finance & Insurance; Health Care & Social Assistance; and Public Administration. The only industry reporting a feeling that its inventory is too low in December is Professional, Scientific & Technical Services. Six industries reported no change in inventory sentiment for the month of December compared to November.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Dec 2013	21	73	6	57.5
Nov 2013	25	71	4	60.5
Oct 2013	28	69	3	62.5
Sep 2013	31	62	7	62.0

### 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**<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<sup>®</sup> (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**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> featuring the January 2014 data will be released at 10:00 a.m. (ET) on Wednesday, February 5, 2014.