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March 2014 Non-Manufacturing ISM[®] *Report On Business*[®]

NMI[®] at 53.1%

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 March 2014.

Business Activity Index at 53.4%

New Orders Index at 53.4%

Employment Index at 53.6%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in March for the 50th 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[®] (ISM[®]) Non-Manufacturing Business Survey Committee. "The NMI[®] registered 53.1 percent in March, 1.5 percentage points higher than February's reading of 51.6 percent. The Non-Manufacturing Business Activity Index decreased to 53.4 percent, which is 1.2 percentage points lower than the reading of 54.6 percent reported in February, reflecting growth for the 56th consecutive month but at a slower rate. The New Orders Index registered 53.4 percent, 2.1 percentage points higher than the reading of 51.3 percent registered in February. The Employment Index increased 6.1 percentage points to 53.6 percent from the February reading of 47.5 percent and indicates substantial growth after one month of contraction. The Prices Index increased 4.6 percentage points from the February reading of 53.7 percent to 58.3 percent, indicating prices increased at a faster rate in March when compared to February. According to the NMI[®], 13 non-manufacturing industries reported growth in March. Despite the affects of weather on many of the respective businesses, the majority of respondents indicate that business conditions are improving. The

respondents also project better business activity and economic conditions as weather conditions continue to improve."

INDUSTRY PERFORMANCE

The 13 non-manufacturing industries reporting growth in March — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Transportation & Warehousing; Construction; Utilities; Management of Companies & Support Services; Wholesale Trade; Finance & Insurance; Arts, Entertainment & Recreation; Accommodation & Food Services; Retail Trade; Public Administration; Information; and Professional, Scientific & Technical Services. The five industries reporting contraction in March are: Mining; Educational Services; Health Care & Social Assistance; Real Estate, Rental & Leasing; and Other Services.

WHAT RESPONDENTS ARE SAYING ...

- "Outlook remains positive." (Information)
- "Cold weather played more havoc on revenue, causing steep declines for nearly a week, and then picked up well beyond expectations. Overall, per capita spending increases, but frequency of visits are down; net neutral to slightly positive." (Arts, Entertainment & Recreation)
- "Demand is rising; while at the same time there is pressure to reduce staffing expenses." (Finance & Insurance)
- "Healthcare reform continues to adversely impact hospital projected/actual revenue." (Health Care & Social Assistance)
- "Weather in Northeast — lost business days/business travel and site visits impacted. Energy costs rapidly increasing." (Professional, Scientific & Technical Services)
- "Business was a little slower than expected due to harsh weather conditions across much of the country, but we expect a rebound as spring approaches." (Retail Trade)
- "Economic environment continues to moderate slowly." (Management of Companies & Support Services)

**ISM[®] NON-MANUFACTURING SURVEY RESULTS AT A GLANCE
COMPARISON OF ISM[®] NON-MANUFACTURING AND ISM[®] MANUFACTURING
SURVEYS*
MARCH 2014**

	Non-Manufacturing						Manufacturing		
Index	Series Index Mar	Series Index Feb	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Mar	Series Index Feb	Percent Point Change
NMI[®]/PMI[®]	53.1	51.6	+1.5	Growing	Faster	50	53.7	53.2	+0.5
Business Activity/Production	53.4	54.6	-1.2	Growing	Slower	56	55.9	48.2	+7.7
New Orders	53.4	51.3	+2.1	Growing	Faster	56	55.1	54.5	+0.6
Employment	53.6	47.5	+6.1	Growing	From Contracting	1	51.1	52.3	-1.2
Supplier Deliveries	52.0	53.0	-1.0	Slowing	Slower	5	54.0	58.5	-4.5
Inventories	48.0	50.5	-2.5	Contracting	From Growing	1	52.5	52.5	0.0
Prices	58.3	53.7	+4.6	Increasing	Faster	54	59.0	60.0	-1.0
Backlog of Orders	51.5	52.0	-0.5	Growing	Slower	2	57.5	52.0	+5.5
New Export Orders	49.5	47.5	+2.0	Contracting	Slower	3	55.5	53.5	+2.0
Imports	50.5	47.0	+3.5	Growing	From Contracting	1	54.5	53.5	+1.0
Inventory Sentiment	60.5	62.0	-1.5	Too High	Slower	202	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	42.0	46.5	-4.5

* **Non-Manufacturing ISM[®] Report On Business[®]** data is seasonally adjusted for Business Activity, New Orders, Prices and Employment Indexes. **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; Bacon; Beef Items (4); Cheese (2); Coffee (2); Copier Paper (2); Crab; Dairy (4); #1 Diesel Fuel (3); #2 Diesel Fuel (4); #2 Heating Fuel (2); Gasoline (4); Paper Products; Pharmaceuticals (2); Plastic Film (2); Plastic Products (2); Pork Products; Produce; Professional Labor; Propane (3); and Transportation.

Commodities Down in Price

Chicken (4); and Copper Products.

Commodities in Short Supply

Beef Trimmings; Medical IV Solutions (3); and Road Salt (2).

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

MARCH 2014 NON-MANUFACTURING INDEX SUMMARIES

NMI®

In March, the NMI® registered 53.1 percent, an increase of 1.5 percentage points when compared to February's reading of 51.6 percent indicating continued growth in the non-manufacturing sector for the 50th 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>
Mar 2014	53.1	Sep 2013	54.5
Feb 2014	51.6	Aug 2013	57.9
Jan 2014	54.0	Jul 2013	55.9
Dec 2013	53.0	Jun 2013	53.4
Nov 2013	54.1	May 2013	54.0
Oct 2013	55.1	Apr 2013	53.8
Average for 12 months – 54.2 High – 57.9 Low – 51.6			

Business Activity

ISM®'s Business Activity Index in March registered 53.4 percent, 1.2 percentage points lower than February's reading of 54.6 percent. Twelve industries reported increased business activity, and five industries reported decreased activity for the month of March. Comments from respondents include: "Improving economy" and "Early stages of additional capital projects."

The industries reporting growth of business activity in March — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Utilities; Construction; Retail Trade; Accommodation & Food Services; Management of Companies & Support Services; Finance & Insurance; Transportation & Warehousing; Professional, Scientific & Technical Services; Public Administration; Wholesale Trade; and Information. The industries reporting decreased business activity in

March are: Mining; Educational Services; Other Services; Health Care & Social Assistance; and Arts, Entertainment & Recreation.

Business Activity	% Higher	% Same	% Lower	Index
Mar 2014	31	54	15	53.4
Feb 2014	30	51	19	54.6
Jan 2014	27	52	21	56.3
Dec 2013	28	52	20	54.3

New Orders

ISM®'s Non-Manufacturing New Orders Index grew in March for the 56th consecutive month. The index registered 53.4 percent, an increase of 2.1 percentage points from the February reading of 51.3 percent. Comments from respondents include: "Some additional proposal work" and "More bids in the market."

The 13 industries reporting growth of new orders in March — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Transportation & Warehousing; Utilities; Management of Companies & Support Services; Arts, Entertainment & Recreation; Retail Trade; Finance & Insurance; Information; Accommodation & Food Services; Wholesale Trade; Construction; Public Administration; and Professional, Scientific & Technical Services. The three industries reporting contraction of new orders in March are: Mining; Educational Services; and Health Care & Social Assistance.

New Orders	% Higher	% Same	% Lower	Index
Mar 2014	29	57	14	53.4
Feb 2014	26	56	18	51.3
Jan 2014	22	55	23	50.9
Dec 2013	22	53	25	50.4

Employment

Employment activity in the non-manufacturing sector grew in March after one month of contraction. ISM®'s Non-Manufacturing Employment Index registered 53.6 percent, which reflects a notable increase of 6.1 percentage points when compared to the reading of 47.5 percent registered in February. This reading reflects the largest month-over-month increase in Employment since ISM® began the *Non-Manufacturing Report On Business*® in January 1998. Nine

industries reported increased employment, and four industries reported decreased employment. Comments from respondents include: "New positions filled" and "Added business."

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

Employment	% Higher	% Same	% Lower	Index
Mar 2014	25	61	14	53.6
Feb 2014	16	65	19	47.5
Jan 2014	18	70	12	56.4
Dec 2013	23	63	14	55.6

Supplier Deliveries

The Supplier Deliveries Index registered 52 percent in March, indicating that deliveries were slower after the February reading of 53 percent. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

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

Supplier Deliveries	% Slower	% Same	% Faster	Index
Mar 2014	9	86	5	52.0
Feb 2014	11	84	5	53.0
Jan 2014	11	83	6	52.5
Dec 2013	8	87	5	51.5

Inventories

ISM®'s Non-Manufacturing Inventories Index indicated contraction after two consecutive months of growth. The index registered 48 percent, which is 2.5 percentage points lower than the 50.5 percent reported in February. Of the total respondents in March, 29 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Removing surplus and obsolete items from inventory" and "Drawing down on existing inventory; long lead for new."

The five industries reporting an increase in inventories in March are: Mining; Other Services; Wholesale Trade; Professional, Scientific & Technical Services; and Accommodation & Food Services. The eight industries reporting decreases in inventories in March — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Public Administration; Retail Trade; Finance & Insurance; Construction; Information; Health Care & Social Assistance; and Utilities.

Inventories	% Higher	% Same	% Lower	Index
Mar 2014	15	66	19	48.0
Feb 2014	15	71	14	50.5
Jan 2014	18	65	17	50.5
Dec 2013	15	66	19	48.0

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in March for the 54th consecutive month. ISM®'s Non-Manufacturing Prices Index for March registered 58.3 percent, 4.6 percentage points higher than the 53.7 percent reported in February. The percentage of respondents reporting higher prices is 28 percent, the percentage indicating no change in prices paid is 68 percent, and 4 percent of the respondents reported lower prices.

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

Prices	% Higher	% Same	% Lower	Index
Mar 2014	28	68	4	58.3
Feb 2014	23	71	6	53.7
Jan 2014	21	76	3	57.1
Dec 2013	14	76	10	54.7

NOTE: Commodities reported as up in price and down in price are listed in the commodities section of this report.

Backlog of Orders

ISM[®]'s Non-Manufacturing Backlog of Orders Index grew in March for the second consecutive month. The index registered 51.5 percent, which is 0.5 percentage point lower than the 52 percent reported in February. Of the total respondents in March, 39 percent indicated they do not measure backlog of orders.

The six industries reporting an increase in order backlogs in March — listed in order — are: Real Estate, Rental & Leasing; Utilities; Health Care & Social Assistance; Professional, Scientific & Technical Services; Public Administration; and Finance & Insurance. The three industries reporting a decrease in order backlogs are: Mining; Other Services; and Retail Trade. Nine industries reported no change in order backlogs in March compared to February.

Backlog of Orders	% Higher	% Same	% Lower	Index
Mar 2014	17	69	14	51.5
Feb 2014	15	74	11	52.0
Jan 2014	13	72	15	49.0
Dec 2013	10	72	18	46.0

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 contracted in March for the third consecutive month. The New Export Orders Index for March registered 49.5 percent, which is 2 percentage points higher than the 47.5 percent reported in February.

Of the total respondents in March, 68 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 March are: Management of Companies & Support Services; Information; Finance & Insurance; and Accommodation & Food Services. The three industries reporting a decrease in export orders in March are: Other Services; Wholesale Trade; and Professional, Scientific & Technical Services. Nine industries reported no change in export orders in March compared to February.

New Export Orders	% Higher	% Same	% Lower	Index
Mar 2014	11	77	12	49.5
Feb 2014	9	77	14	47.5
Jan 2014	15	68	17	49.0
Dec 2013	13	77	10	51.5

Imports

The ISM[®] Non-Manufacturing Imports Index grew in March after two consecutive months of contraction. This month's reading at 50.5 percent is 3.5 percentage points higher than the 47 percent that was reported in February. Fifty-eight 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 March are: Agriculture, Forestry, Fishing & Hunting; Construction; Public Administration; Information; and Retail Trade. The four industries reporting a decrease in imports for the month of March are: Transportation & Warehousing; Accommodation & Food Services; Wholesale Trade; and Utilities. Eight industries reported no change in imports for the month of March compared to February.

Imports	% Higher	% Same	% Lower	Index
Mar 2014	12	77	11	50.5
Feb 2014	7	80	13	47.0
Jan 2014	9	78	13	48.0
Dec 2013	8	85	7	50.5

Inventory Sentiment

The ISM® Non-Manufacturing Inventory Sentiment Index in March registered 60.5 percent, which is 1.5 percentage points lower than the 62 percent reported in February. This indicates that respondents believe their inventories are still too high at this time. In March, 28 percent of respondents said their inventories were too high, 7 percent said their inventories were too low, and 65 percent said their inventories were about right.

The eight industries reporting a feeling that their inventories are too high in March — listed in order — are: Mining; Other Services; Health Care & Social Assistance; Wholesale Trade; Utilities; Finance & Insurance; Retail Trade; and Information. No industry reported a feeling that their inventories are too low. Nine industries reported no change in inventory sentiment for the month of March compared to February.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Mar 2014	28	65	7	60.5
Feb 2014	28	68	4	62.0
Jan 2014	31	64	5	63.0
Dec 2013	21	73	6	57.5

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 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 Institute for Supply Management[®], the first supply institute in the world. Founded in 1915, ISM[®]'s mission is to enhance the value and performance of procurement and supply chain management practitioners and their organizations worldwide. By executing and extending its mission through education, research, standards of excellence and information dissemination — including the renowned monthly ISM[®] *Report On Business*[®] — ISM[®] maintains a strong global influence among individuals and organizations. ISM[®] is a not-for-profit educational association that serves professionals with an interest in supply management who live and work in more than 80 countries.

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 April 2014 data will be released at 10:00 a.m. (ET) on Monday, May 5, 2014.