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April 2014 Non-Manufacturing ISM[®] Report On Business[®]

NMI[®] at 55.2%

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 April 2014.

Business Activity Index at 60.9%

New Orders Index at 58.2%

Employment Index at 51.3%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in April for the 51st 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 55.2 percent in April, 2.1 percentage points higher than March's reading of 53.1 percent. The Non-Manufacturing Business Activity Index increased substantially to 60.9 percent, which is 7.5 percentage points higher than the March reading of 53.4 percent, reflecting growth for the 57th consecutive month at a much faster rate. The New Orders Index registered 58.2 percent, 4.8 percentage points higher than the reading of 53.4 percent registered in March. The Employment Index decreased 2.3 percentage points to 51.3 percent from the March reading of 53.6 percent and indicates growth for the second consecutive month, but at a slower rate. The Prices Index increased 2.5 percentage points from the

March reading of 58.3 percent to 60.8 percent, indicating prices increased at a faster rate in April when compared to March. According to the NMI[®], 14 non-manufacturing industries reported growth in April. The majority of survey respondents' comments indicate that both business conditions and the economy are improving."

INDUSTRY PERFORMANCE

The 14 non-manufacturing industries reporting growth in April — listed in order — are: Arts, Entertainment & Recreation; Wholesale Trade; Agriculture, Forestry, Fishing & Hunting; Retail Trade; Construction; Public Administration; Accommodation & Food Services; Educational Services; Transportation & Warehousing; Finance & Insurance; Management of Companies & Support Services; Information; Real Estate, Rental & Leasing; and Utilities. The four industries reporting contraction in April are: Mining; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Other Services.

WHAT RESPONDENTS ARE SAYING ...

- "Our outlook for 2014 remains on target. No significant changes with our customer base." (Management of Companies & Support Services)
- "General business conditions are improving." (Information)
- "Market conditions are generally steady; internal pressure to reduce overall cost of goods and services." (Finance & Insurance)
- "Business levels have been stable. Our company made an acquisition this past month, so we are planning for revenue growth in the second half of 2014." (Real Estate, Rental & Leasing)
- "Traffic and sales are up due to break in weather." (Accommodation & Food Services)
- "Overall spending continues to trend upward, particularly for large dollar items, like vehicles and aircraft, as the state replenishes the fleet that was depleted during 2009—2013." (Public Administration)
- "We are experiencing a pickup in sales, which has brought back a little optimism that we may have seen the floor, and things could be turning up. We are making investments to take advantage of the upswing to leverage as many sales options as possible." (Retail Trade)

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

Index	Non-Manufacturing						Manufacturing		
	Series Index Apr	Series Index Mar	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Apr	Series Index Mar	Percent Point Change
NMI®/PMI®	55.2	53.1	+2.1	Growing	Faster	51	54.9	53.7	+1.2
Business Activity/Production	60.9	53.4	+7.5	Growing	Faster	57	55.7	55.9	-0.2
New Orders	58.2	53.4	+4.8	Growing	Faster	57	55.1	55.1	0.0
Employment	51.3	53.6	-2.3	Growing	Slower	2	54.7	51.1	+3.6
Supplier Deliveries	50.5	52.0	-1.5	Slowing	Slower	6	55.9	54.0	+1.9
Inventories	55.5	48.0	+7.5	Growing	From Contracting	1	53.0	52.5	+0.5
Prices	60.8	58.3	+2.5	Increasing	Faster	55	56.5	59.0	-2.5
Backlog of Orders	49.0	51.5	-2.5	Contracting	From Growing	1	55.5	57.5	-2.0
New Export Orders	57.0	49.5	+7.5	Growing	From Contracting	1	57.0	55.5	+1.5
Imports	55.5	50.5	+5.0	Growing	Faster	2	58.0	54.5	+3.5
Inventory Sentiment	65.0	60.5	+4.5	Too High	Faster	203	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	42.0	42.0	0.0

* **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

Bacon (2); Beans; Beef Items (5); Building Materials; Chemical Products; Chicken; Coffee (3); Copy Paper (3); Dairy (5); #1 Diesel Fuel (4); #2 Diesel Fuel (5); Fuel; Gasoline (5); Ground Beef; Meat Products; Natural Gas; Office and Computer Supplies*; Paper Products (2); Plastic Bags; Plastic Products (3); Pork Products (2); Professional Labor (2); Repair & Maintenance; and Stainless Steel Products.

Commodities Down in Price

Janitorial Supplies; Office and Computer Supplies*; Produce; and Spruce Studs.

Commodities in Short Supply

Beef; Chemicals; Helium; Medical IV Solutions (4); and Pork.

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

*Reported as both up and down in price.

APRIL 2014 NON-MANUFACTURING INDEX SUMMARIES

NMI®

In April, the NMI® registered 55.2 percent, an increase of 2.1 percentage points when compared to March's reading of 53.1 percent indicating continued growth in the non-manufacturing sector for the 51st 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>
Apr 2014	55.2	Oct 2013	55.1
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
Average for 12 months – 54.3 High – 57.9 Low – 51.6			

Business Activity

ISM®'s Business Activity Index in April registered 60.9 percent, a noteworthy increase of 7.5 percentage points higher than March's reading of 53.4 percent. Fourteen industries reported increased business activity, and three industries reported decreased activity for the month of April. Comments from respondents include: "Better economy, increased sales" and "Improvement in the weather."

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

reporting decreased business activity in April are: Mining; Professional, Scientific & Technical Services; and Health Care & Social Assistance.

Business Activity	% Higher	% Same	% Lower	Index
Apr 2014	37	54	9	60.9
Mar 2014	31	54	15	53.4
Feb 2014	30	51	19	54.6
Jan 2014	27	52	21	56.3

New Orders

ISM®'s Non-Manufacturing New Orders Index grew in April for the 57th consecutive month. The index registered 58.2 percent, an increase of 4.8 percentage points from the March reading of 53.4 percent. Comments from respondents include: "Solid sales over the next few months" and "Improved business activity/more marketing effort."

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

New Orders	% Higher	% Same	% Lower	Index
Apr 2014	33	55	12	58.2
Mar 2014	29	57	14	53.4
Feb 2014	26	56	18	51.3
Jan 2014	22	55	23	50.9

Employment

Employment activity in the non-manufacturing sector grew in April for the second consecutive month. ISM®'s Non-Manufacturing Employment Index registered 51.3 percent, which reflects a decrease of 2.3 percentage points when compared to March's reading of 53.6 percent. Thirteen industries reported increased employment, and five industries

reported decreased employment. Comments from respondents include: "Added jobs — new work awards" and "Doing more with fewer people; focusing on training/retraining."

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

Employment	% Higher	% Same	% Lower	Index
Apr 2014	21	68	11	51.3
Mar 2014	25	61	14	53.6
Feb 2014	16	65	19	47.5
Jan 2014	18	70	12	56.4

Supplier Deliveries

The Supplier Deliveries Index registered 50.5 percent in April, indicating that deliveries were slower for the sixth consecutive month. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The four industries reporting slower deliveries in April are: Other Services; Retail Trade; Construction; and Wholesale Trade. The five industries reporting faster deliveries in April are: Mining; Transportation & Warehousing; Public Administration; Finance & Insurance; and Health Care & Social Assistance. Nine industries reported no change in supplier deliveries in April compared to March.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Apr 2014	5	91	4	50.5
Mar 2014	9	86	5	52.0
Feb 2014	11	84	5	53.0
Jan 2014	11	83	6	52.5

Inventories

ISM®'s Non-Manufacturing Inventories Index indicated substantial growth in April after contracting for one month. The index registered 55.5 percent, which is 7.5 percentage points higher than the 48 percent reported in March. Of the total respondents in April, 29 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Rightsizing stock levels" and "Materials to support scheduled maintenance projects."

The 12 industries reporting an increase in inventories in April — listed in order — are: Mining; Transportation & Warehousing; Other Services; Agriculture, Forestry, Fishing & Hunting; Arts, Entertainment & Recreation; Construction; Finance & Insurance; Wholesale Trade; Accommodation & Food Services; Utilities; Professional, Scientific & Technical Services; and Information. The four industries reporting decreases in inventories in April are: Real Estate, Rental & Leasing; Public Administration; Retail Trade; and Health Care & Social Assistance.

Inventories	% Higher	% Same	% Lower	Index
Apr 2014	22	67	11	55.5
Mar 2014	15	66	19	48.0
Feb 2014	15	71	14	50.5
Jan 2014	18	65	17	50.5

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in April for the 55th consecutive month. ISM®'s Non-Manufacturing Prices Index for April registered 60.8 percent, 2.5 percentage points higher than the 58.3 percent reported in March. The percentage of respondents reporting higher prices is 31 percent, the percentage indicating no change in prices paid is 65 percent, and 4 percent of the respondents reported lower prices.

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

Prices	% Higher	% Same	% Lower	Index
Apr 2014	31	65	4	60.8
Mar 2014	28	68	4	58.3
Feb 2014	23	71	6	53.7
Jan 2014	21	76	3	57.1

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 contracted in April after two consecutive months of growth. The index registered 49 percent, which is 2.5 percentage points lower than the 51.5 percent reported in March. Of the total respondents in April, 36 percent indicated they do not measure backlog of orders.

The six industries reporting an increase in order backlogs in April — listed in order — are: Construction; Real Estate, Rental & Leasing; Utilities; Finance & Insurance; Retail Trade; and Health Care & Social Assistance. The seven industries reporting a decrease in order backlogs in April — listed in order — are: Mining; Other Services; Transportation & Warehousing; Professional, Scientific & Technical Services; Management of Companies & Support Services; Wholesale Trade; and Public Administration.

Backlog of Orders	% Higher	% Same	% Lower	Index
Apr 2014	14	70	16	49.0
Mar 2014	17	69	14	51.5
Feb 2014	15	74	11	52.0
Jan 2014	13	72	15	49.0

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 April after three consecutive months of contraction. The New Export Orders Index for April registered 57 percent, which is 7.5 percentage points higher than the 49.5 percent reported in March.

Of the total respondents in April, 66 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 April are: Construction; Real Estate, Rental & Leasing; Information; Finance & Insurance; and Wholesale Trade. The two industries reporting a decrease in export orders in April are: Accommodation & Food Services; and Professional, Scientific & Technical Services. Ten industries reported no change in export orders in April compared to March.

New Export Orders	% Higher	% Same	% Lower	Index
Apr 2014	23	68	9	57.0
Mar 2014	11	77	12	49.5
Feb 2014	9	77	14	47.5
Jan 2014	15	68	17	49.0

Imports

The ISM[®] Non-Manufacturing Imports Index grew in April for the second consecutive month. This month's reading at 55.5 percent is 5 percentage points higher than the 50.5 percent that was reported in March. Fifty-four percent of respondents reported that they do not use, or do not track the use of, imported materials.

The eight industries reporting an increase in imports for the month of April — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Information; Public Administration; Wholesale Trade; Construction; Management of Companies & Support Services; Professional, Scientific & Technical Services; and Accommodation & Food Services. The two industries reporting a decrease in imports for the month of April are: Transportation & Warehousing; and Finance & Insurance. Seven industries reported no change in imports for the month of April compared to March.

Imports	% Higher	% Same	% Lower	Index
Apr 2014	17	77	6	55.5
Mar 2014	12	77	11	50.5
Feb 2014	7	80	13	47.0
Jan 2014	9	78	13	48.0

Inventory Sentiment

The ISM[®] Non-Manufacturing Inventory Sentiment Index in April registered 65 percent, which is 4.5 percentage points higher than the 60.5 percent reported in March. This indicates that respondents believe their inventories are still too high at this time. In April, 31 percent of respondents said their inventories were too high, 1 percent said their inventories were too low, and 68 percent said their inventories were about right.

The 12 industries reporting a feeling that their inventories are too high in April — listed in order — are: Management of Companies & Support Services; Arts, Entertainment & Recreation; Other Services; Finance & Insurance; Mining; Wholesale Trade; Utilities; Retail Trade; Agriculture, Forestry, Fishing & Hunting; Public Administration; Health Care & Social Assistance; and Accommodation & Food Services. No industry reported a feeling that their inventories are too low. Five industries reported no change in inventory sentiment for the month of April compared to March.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Apr 2014	31	68	1	65.0
Mar 2014	28	65	7	60.5
Feb 2014	28	68	4	62.0
Jan 2014	31	64	5	63.0

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 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 May 2014 data will be released at 10:00 a.m. (ET) on Wednesday, June 4, 2014.