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

NMI[®] at 56.3%

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 May 2014.

Business Activity Index at 62.1%

New Orders Index at 60.5%

Employment Index at 52.4%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in May for the 52nd 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 56.3 percent in May, 1.1 percentage points higher than April are reading of 55.2 percent. This represents continued growth at a faster rate in the Non-Manufacturing sector and is the highest reading for the index since August 2013, when the index registered 57.9 percent. The Non-Manufacturing Business Activity Index increased to 62.1 percent, which is 1.2 percentage points higher than the April reading of 60.9 percent, reflecting growth for the 58th consecutive month at a faster rate. The New Orders Index registered 60.5 percent, 2.3 percentage points higher than the reading of 58.2 percent registered in April. The Employment Index increased 1.1 percentage points to 52.4 percent from the April reading of 51.3

percent and indicates growth for the third consecutive month and at a faster rate. The Prices Index increased 0.6 percentage point from the April reading of 60.8 percent to 61.4 percent, indicating prices increased at a faster rate in May when compared to April. According to the NMI[®], 17 non-manufacturing industries reported growth in May. The majority of respondents' comments indicate that there is steady incremental growth and project a positive outlook on business conditions."

INDUSTRY PERFORMANCE

The 17 non-manufacturing industries reporting growth in May — listed in order — are: Construction; Wholesale Trade; Management of Companies & Support Services; Agriculture, Forestry, Fishing & Hunting; Public Administration; Finance & Insurance; Educational Services; Professional, Scientific & Technical Services; Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Health Care & Social Assistance; Information; Other Services; Utilities; Retail Trade; Transportation & Warehousing; and Accommodation & Food Services. The only industry reporting contraction in May is Mining.

WHAT RESPONDENTS ARE SAYING ...

- "Business remains generally flat to slightly positive." (Health Care & Social Assistance)
- "Market is picking up with large construction projects for the second half of the year." (Construction)
- "Business is steady with earnings and growth in line with expectations." (Finance & Insurance)
- "Business activity remains steady. There continues to be pressure from rising material and services costs." (Professional, Scientific & Technical Services)
- "Steady activity in sales and improved margins." (Retail Trade)
- "Backlog remains strong. Retail business is up. Project based business is also up." (Wholesale Trade)
- "Additional capital projects beginning Spring/Summer." (Utilities)

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

	Non-Manufacturing						Manufacturing		
Index	Series Index May	Series Index Apr	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index May	Series Index Apr	Percent Point Change
NMI[®]/PMI[®]	56.3	55.2	+1.1	Growing	Faster	52	55.4	54.9	+0.5
Business Activity/Production	62.1	60.9	+1.2	Growing	Faster	58	61.0	55.7	+5.3
New Orders	60.5	58.2	+2.3	Growing	Faster	58	56.9	55.1	+1.8
Employment	52.4	51.3	+1.1	Growing	Faster	3	52.8	54.7	-1.9
Supplier Deliveries	50.0	50.5	-0.5	Unchanged	From Slower	1	53.2	55.9	-2.7
Inventories	55.5	55.5	0.0	Growing	Same	2	53.0	53.0	0.0
Prices	61.4	60.8	+0.6	Increasing	Faster	56	60.0	56.5	+3.5
Backlog of Orders	54.0	49.0	+5.0	Growing	From Contracting	1	52.5	55.5	-3.0
New Export Orders	53.0	57.0	-4.0	Growing	Slower	2	56.5	57.0	-0.5
Imports	55.5	55.5	0.0	Growing	Same	3	54.5	58.0	-3.5
Inventory Sentiment	63.0	65.0	-2.0	Too High	Slower	204	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	46.5	42.0	+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

Beef Items (6); Dairy (6); #1 Diesel Fuel (5); #2 Diesel Fuel (6); Food Products; Fuel (2); Gasoline (6); Lumber — Pine, Plywood Products, Spruce, Spruce Studs, and Treated; Medical Equipment; Paper; Plumbing Supplies; Professional Labor (3); Stainless Steel Products (2); and Stainless Steel Sheet.

Commodities Down in Price

Copper Pipe; and Medical Supplies.

Commodities in Short Supply

Helium (2); Medical IV Solutions (5); and Stainless Steel Products.

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

MAY 2014 NON-MANUFACTURING INDEX SUMMARIES

NMI®

In May, the NMI® registered 56.3 percent, an increase of 1.1 percentage points when compared to April's reading of 55.2 percent indicating continued growth in the non-manufacturing sector for the 52nd 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>
May 2014	56.3	Nov 2013	54.1
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
Average for 12 months – 54.5 High – 57.9 Low – 51.6			

Business Activity

ISM®'s Business Activity Index in May registered 62.1 percent, an increase of 1.2 percentage points higher than April's reading of 60.9 percent. This represents growth in business activity for the 58th month and is the highest reading for the index since February 2011, when the index registered 63.3 percent. Fourteen industries reported increased business activity, and one industry reported decreased activity for the month of May. Comments from respondents include: "Higher retail and home sales" and "New product launch."

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

& Warehousing; Professional, Scientific & Technical Services; Retail Trade; and Health Care & Social Assistance. The only industry reporting decreased business activity in May is Accommodation & Food Services.

Business Activity	% Higher	% Same	% Lower	Index
May 2014	36	56	8	62.1
Apr 2014	37	54	9	60.9
Mar 2014	31	54	15	53.4
Feb 2014	30	51	19	54.6

New Orders

ISM®'s Non-Manufacturing New Orders Index grew in May for the 58th consecutive month at a faster rate. The index registered 60.5 percent, an increase of 2.3 percentage points from the April reading of 58.2 percent. Comments from respondents include: "Projects underway as capex budget approved" and "Expecting strong sales over the next few months."

The 15 industries reporting growth of new orders in May — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Construction; Educational Services; Wholesale Trade; Public Administration; Management of Companies & Support Services; Finance & Insurance; Health Care & Social Assistance; Retail Trade; Information; Real Estate, Rental & Leasing; Professional, Scientific & Technical Services; Other Services; Utilities; and Transportation & Warehousing. The only industry reporting contraction of new orders in May is Accommodation & Food Services.

New Orders	% Higher	% Same	% Lower	Index
May 2014	36	54	10	60.5
Apr 2014	33	55	12	58.2
Mar 2014	29	57	14	53.4
Feb 2014	26	56	18	51.3

Employment

Employment activity in the non-manufacturing sector grew in May for the third consecutive month. ISM®'s Non-Manufacturing Employment Index registered 52.4 percent, which reflects an increase of 1.1 percentage points when compared to April's reading of 51.3 percent. Nine industries reported increased employment, and six industries

reported decreased employment. Comments from respondents include: "Staff added to support additional workload" and "Adding capacity."

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

Employment	% Higher	% Same	% Lower	Index
May 2014	26	61	13	52.4
Apr 2014	21	68	11	51.3
Mar 2014	25	61	14	53.6
Feb 2014	16	65	19	47.5

Supplier Deliveries

The Supplier Deliveries Index was unchanged at 50 percent in May following six months of slower deliveries. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The five industries reporting slower deliveries in May are: Accommodation & Food Services; Management of Companies & Support Services; Wholesale Trade; Information; and Professional, Scientific & Technical Services. The six industries reporting faster deliveries in May — listed in order — are: Mining; Agriculture, Forestry, Fishing & Hunting; Arts, Entertainment & Recreation; Transportation & Warehousing; Construction; and Finance & Insurance. Seven industries reported no change in supplier deliveries in May compared to April.

Supplier Deliveries	% Slower	% Same	% Faster	Index
May 2014	5	90	5	50.0
Apr 2014	5	91	4	50.5
Mar 2014	9	86	5	52.0
Feb 2014	11	84	5	53.0

Inventories

ISM®'s Non-Manufacturing Inventories registered 55.5 percent in May, which is the same percentage that was reported in April. Of the total respondents in May, 29 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Increased supply to meet increased demand" and "Building inventories for expected strong months ahead."

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

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

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in May for the 56th consecutive month. ISM®'s Non-Manufacturing Prices Index for May registered 61.4 percent, 0.6 percentage point higher than the 60.8 percent reported in April. The percentage of respondents reporting higher prices is 27 percent, the percentage indicating no change in prices paid is 68 percent, and 5 percent of the respondents reported lower prices.

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

Prices	% Higher	% Same	% Lower	Index
May 2014	27	68	5	61.4
Apr 2014	31	65	4	60.8
Mar 2014	28	68	4	58.3
Feb 2014	23	71	6	53.7

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 May after one month of contraction. The index registered 54 percent, which is 5 percentage points higher than the 49 percent reported in April. Of the total respondents in May, 36 percent indicated they do not measure backlog of orders.

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

Backlog of Orders	% Higher	% Same	% Lower	Index
May 2014	17	74	9	54.0
Apr 2014	14	70	16	49.0
Mar 2014	17	69	14	51.5
Feb 2014	15	74	11	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 May for the second consecutive month. The New Export Orders Index for May registered 53 percent, which is 4 percentage points lower than the 57 percent reported in April. Of the total respondents in May, 67 percent indicated they either do not perform, or do not separately measure, orders for work outside of the United States.

The six industries reporting an increase in new export orders in May — listed in order — are: Arts, Entertainment & Recreation; Information; Retail Trade; Finance & Insurance; Professional, Scientific & Technical Services; and Accommodation & Food Services. The two industries reporting a decrease in export orders in May are: Management of Companies & Support Services; and Wholesale Trade. Eight industries reported no change in export orders in May compared to April.

New Export Orders	% Higher	% Same	% Lower	Index
May 2014	12	82	6	53.0
Apr 2014	23	68	9	57.0
Mar 2014	11	77	12	49.5
Feb 2014	9	77	14	47.5

Imports

The ISM[®] Non-Manufacturing Imports Index grew in May for the third consecutive month. This month's reading at 55.5 percent is the same percentage that was reported in April. Sixty 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 May — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Utilities; Construction; Information; Accommodation & Food Services; Wholesale Trade; Professional, Scientific & Technical Services; and Retail Trade. The only industry reporting a decrease in imports for the month of May is Arts, Entertainment & Recreation. Eight industries reported no change in imports for the month of May compared to April.

Imports	% Higher	% Same	% Lower	Index
May 2014	14	83	3	55.5
Apr 2014	17	77	6	55.5
Mar 2014	12	77	11	50.5
Feb 2014	7	80	13	47.0

Inventory Sentiment

The ISM[®] Non-Manufacturing Inventory Sentiment Index in May registered 63 percent, which is 2 percentage points lower than the 65 percent reported in April. This indicates that respondents believe their inventories are still too high

at this time. In May, 27 percent of respondents said their inventories were too high, 1 percent said their inventories were too low, and 72 percent said their inventories were about right.

The 10 industries reporting a feeling that their inventories are too high in May — listed in order — are: Mining; Management of Companies & Support Services; Wholesale Trade; Public Administration; Utilities; Arts, Entertainment & Recreation; Health Care & Social Assistance; Professional, Scientific & Technical Services; Accommodation & Food Services; and Retail Trade. No industry reported a feeling that their inventories are too low. Seven industries reported no change in inventory sentiment for the month of May compared to April.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
May 2014	27	72	1	63.0
Apr 2014	31	68	1	65.0
Mar 2014	28	65	7	60.5
Feb 2014	28	68	4	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[®]** 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.