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

NMI[®] at 56%

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 June 2014.

Business Activity Index at 57.5%

New Orders Index at 61.2%

Employment Index at 54.4%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in June for the 53rd 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 percent in June, 0.3 percentage point lower than the May reading of 56.3 percent. This represents continued growth at a slightly slower rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index decreased to 57.5 percent, which is 4.6 percentage points lower than the May reading of 62.1 percent, reflecting growth for the 59th consecutive month at a slower rate. The New Orders Index registered 61.2 percent, 0.7 percentage point higher than the reading of 60.5 percent registered in May. The Employment Index increased 2 percentage points to 54.4 percent from the May reading of 52.4 percent and indicates growth for the fourth consecutive month and at a faster rate. The Prices Index

decreased 0.2 percentage point from the May reading of 61.4 percent to 61.2 percent, indicating prices increased at a slightly slower rate in June when compared to May. According to the NMI[®], 14 non-manufacturing industries reported growth in June. Respondents' comments vary by industry and company; however, the majority indicate that steady economic growth is continuing."

INDUSTRY PERFORMANCE

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

WHAT RESPONDENTS ARE SAYING ...

- "Construction industry is extremely strong [and] business conditions look positive going forward."
(Construction)
- "June occupancy was projected to be below expectation, but has actually picked up remarkably strong. June will now finish above normal." (Accommodation & Food Services)
- "Reduced reimbursements continue to affect business decisions." (Health Care & Social Assistance)
- "Business outlook is good, steady, but not yet strong." (Professional, Scientific & Technical Services)
- "Funding for capital projects is up in the new fiscal year's budget." (Public Administration)
- "Sales in many categories are improving, partially due to pent-up demand from the late arrival of spring. We believe this will carry deep into Q2 barring any unforeseen world or economic events." (Retail Trade)
- "Strong growth continues into the second quarter." (Wholesale Trade)

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

	Non-Manufacturing						Manufacturing		
Index	Series Index Jun	Series Index May	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Jun	Series Index May	Percent Point Change
NMI[®]/PMI[®]	56.0	56.3	-0.3	Growing	Slower	53	55.3	55.4	-0.1
Business Activity/Production	57.5	62.1	-4.6	Growing	Slower	59	60.0	61.0	-1.0
New Orders	61.2	60.5	+0.7	Growing	Faster	59	58.9	56.9	+2.0
Employment	54.4	52.4	+2.0	Growing	Faster	4	52.8	52.8	0.0
Supplier Deliveries	51.0	50.0	+1.0	Slowing	From Unchanged	1	51.9	53.2	-1.3
Inventories	53.5	55.5	-2.0	Growing	Slower	3	53.0	53.0	0.0
Prices	61.2	61.4	-0.2	Increasing	Slower	57	58.0	60.0	-2.0
Backlog of Orders	53.0	54.0	-1.0	Growing	Slower	2	48.0	52.5	-4.5
New Export Orders	55.0	53.0	+2.0	Growing	Faster	3	54.5	56.5	-2.0
Imports	53.0	55.5	-2.5	Growing	Slower	4	57.0	54.5	+2.5
Inventory Sentiment	60.5	63.0	-2.5	Too High	Slower	205	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	46.5	46.5	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

Airfares; Asphalt Products; Bacon; Beef; Beef Items (7); Cheese*; Chicken; Copper Products; Dairy (7); #1 Diesel Fuel (6); #2 Diesel Fuel (7); Food Products (2); Fuel (3); Gasoline (7); Natural Gas; Paper (2); Pork; Pork Products; Plumbing Supplies (2); Shipping Costs; Stainless Steel Products (3); and Transportation Services.

Commodities Down in Price

Cheese* is the only commodity reported down in price.

Commodities in Short Supply

Drug Related Products; and Medical IV Solutions (6).

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

*Reported as both up and down in price.

JUNE 2014 NON-MANUFACTURING INDEX SUMMARIES

NMI[®]

In June, the NMI[®] registered 56 percent, a decrease of 0.3 percentage point when compared to May's reading of 56.3 percent indicating continued growth in the non-manufacturing sector for the 53rd 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>
Jun 2014	56.0	Dec 2013	53.0
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
Average for 12 months – 54.7 High – 57.9 Low – 51.6			

Business Activity

ISM[®]'s Business Activity Index in June registered 57.5 percent, a decrease of 4.6 percentage points lower than May's reading of 62.1 percent. This represents growth in business activity for the 59th month. Fifteen industries reported increased business activity, and three industries reported decreased activity for the month of June. Comments from respondents include: "Better economic conditions for government entities/construction" and "Best sales month in several years."

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

Business Activity	% Higher	% Same	% Lower	Index
Jun 2014	29	58	13	57.5
May 2014	36	56	8	62.1
Apr 2014	37	54	9	60.9
Mar 2014	31	54	15	53.4

New Orders

ISM®'s Non-Manufacturing New Orders Index grew in June for the 59th consecutive month at a faster rate. The index registered 61.2 percent, an increase of 0.7 percentage point from the May reading of 60.5 percent. Comments from respondents include: "More customer interest" and "More services and materials are needed due to growth."

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

New Orders	% Higher	% Same	% Lower	Index
Jun 2014	31	59	10	61.2
May 2014	36	54	10	60.5
Apr 2014	33	55	12	58.2
Mar 2014	29	57	14	53.4

Employment

Employment activity in the non-manufacturing sector grew in June for the fourth consecutive month. ISM®'s Non-Manufacturing Employment Index registered 54.4 percent, which reflects an increase of 2 percentage points when compared to May's reading of 52.4 percent. Thirteen industries reported increased employment, and four industries reported decreased employment. Comments from respondents include: "Finally filling long-term open positions" and "Continued backfilling of open positions and expansion of business in general."

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

Employment	% Higher	% Same	% Lower	Index
Jun 2014	29	60	11	54.4
May 2014	26	61	13	52.4
Apr 2014	21	68	11	51.3
Mar 2014	25	61	14	53.6

Supplier Deliveries

The Supplier Deliveries Index registered 51 percent in June, 1 percentage point higher than the 50 percent registered in May. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The six industries reporting slower deliveries in June — listed in order — are: Construction; Agriculture, Forestry, Fishing & Hunting; Information; Other Services; Management of Companies & Support Services; and Retail Trade. The five industries reporting faster deliveries in June are: Mining; Transportation & Warehousing; Professional, Scientific & Technical Services; Finance & Insurance; and Health Care & Social Assistance. Seven industries reported no change in supplier deliveries in June compared to May.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Jun 2014	6	90	4	51.0
May 2014	5	90	5	50.0
Apr 2014	5	91	4	50.5
Mar 2014	9	86	5	52.0

Inventories

ISM®'s Non-Manufacturing Inventories registered 53.5 percent in June, which is 2 percentage points lower than the 55.5 percent that was reported in May. Of the total respondents in June, 30 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Higher order rate has depleted inventory" and "New product launches."

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

Inventories	% Higher	% Same	% Lower	Index
Jun 2014	19	69	12	53.5
May 2014	22	67	11	55.5
Apr 2014	22	67	11	55.5
Mar 2014	15	66	19	48.0

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in June for the 57th consecutive month. ISM®'s Non-Manufacturing Prices Index for June registered 61.2 percent, 0.2 percentage point lower than the 61.4 percent reported in May. The percentage of respondents reporting higher prices is 25 percent, the percentage indicating no change in prices paid is 72 percent, and 3 percent of the respondents reported lower prices.

Sixteen non-manufacturing industries reported an increase in prices paid during the month of June, in the following order: Arts, Entertainment & Recreation; Accommodation & Food Services; Mining; Educational Services; Wholesale Trade; Management of Companies & Support Services; Other Services; Transportation & Warehousing; Real Estate, Rental & Leasing; Construction; Retail Trade; Health Care & Social Assistance; Utilities; Finance & Insurance; Public Administration; and Professional, Scientific & Technical Services. No industry reported that there was a decrease in prices paid for the month of June.

Prices	% Higher	% Same	% Lower	Index
Jun 2014	25	72	3	61.2
May 2014	27	68	5	61.4
Apr 2014	31	65	4	60.8
Mar 2014	28	68	4	58.3

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 June for the second consecutive month. The index registered 53 percent, which is 1 percentage point lower than the 54 percent reported in May. Of the total respondents in June, 41 percent indicated they do not measure backlog of orders.

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

Backlog of Orders	% Higher	% Same	% Lower	Index
Jun 2014	17	72	11	53.0
May 2014	17	74	9	54.0
Apr 2014	14	70	16	49.0
Mar 2014	17	69	14	51.5

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 June for the third consecutive month. The New Export Orders Index for June registered 55 percent, which is 2 percentage points higher than the 53 percent reported in May. Of the total

respondents in June, 66 percent indicated they either do not perform, or do not separately measure, orders for work outside of the United States.

The seven industries reporting an increase in new export orders in June — listed in order — are: Utilities; Agriculture, Forestry, Fishing & Hunting; Transportation & Warehousing; Information; Construction; Accommodation & Food Services; and Professional, Scientific & Technical Services. The only industry reporting a decrease in export orders in June is Finance & Insurance. Eight industries reported no change in export orders in June compared to May.

New Export Orders	% Higher	% Same	% Lower	Index
Jun 2014	17	76	7	55.0
May 2014	12	82	6	53.0
Apr 2014	23	68	9	57.0
Mar 2014	11	77	12	49.5

Imports

The ISM[®] Non-Manufacturing Imports Index grew in June for the fourth consecutive month. This month's reading at 53 percent is 2.5 percentage points lower than the 55.5 percent that was reported in May. 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 June are: Retail Trade; Information; Wholesale Trade; Accommodation & Food Services; and Professional, Scientific & Technical Services. The three industries reporting a decrease in imports for the month of June are: Public Administration; Utilities; and Transportation & Warehousing. Ten industries reported no change in imports for the month of June compared to May.

Imports	% Higher	% Same	% Lower	Index
Jun 2014	10	86	4	53.0
May 2014	14	83	3	55.5
Apr 2014	17	77	6	55.5
Mar 2014	12	77	11	50.5

Inventory Sentiment

The ISM® Non-Manufacturing Inventory Sentiment Index in June registered 60.5 percent, which is 2.5 percentage points lower than the 63 percent reported in May. This indicates that respondents believe their inventories are still too high at this time. In June, 25 percent of respondents said their inventories were too high, 4 percent said their inventories were too low, and 71 percent said their inventories were about right.

The 10 industries reporting a feeling that their inventories are too high in June — listed in order — are: Mining; Finance & Insurance; Utilities; Wholesale Trade; Health Care & Social Assistance; Retail Trade; Transportation & Warehousing; Information; Construction; and Public Administration. The two industries reporting a feeling that their inventories are too low in June are: Professional, Scientific & Technical Services; and Accommodation & Food Services.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Jun 2014	25	71	4	60.5
May 2014	27	72	1	63.0
Apr 2014	31	68	1	65.0
Mar 2014	28	65	7	60.5

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 July 2014 data will be released at 10:00 a.m. (ET) on Tuesday, August 5, 2014