

**FOR RELEASE: August 5, 2014**

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## **July 2014 Non-Manufacturing ISM<sup>®</sup> *Report On Business*<sup>®</sup>**

**NMI<sup>®</sup> at 58.7%**

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 July 2014.

**Business Activity Index at 62.4%**

**New Orders Index at 64.9%**

**Employment Index at 56%**

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in July for the 54th consecutive month, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM<sup>®</sup> 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<sup>®</sup> (ISM<sup>®</sup>) Non-Manufacturing Business Survey Committee. "The NMI<sup>®</sup> registered 58.7 percent in July, 2.7 percentage points higher than the June reading of 56 percent. This represents continued growth in the Non-Manufacturing sector. This month's NMI<sup>®</sup> is the highest reading for the index since its inception in January 2008. The Non-Manufacturing Business Activity Index increased to 62.4 percent, which is 4.9 percentage points higher than the June reading of 57.5 percent, reflecting growth for the 60th consecutive month at a faster rate. This is the highest reading for the index since February 2011 when the index registered 63.3 percent. The New Orders Index registered 64.9 percent, 3.7 percentage points higher than the reading of 61.2 percent registered in June. This represents the

highest reading for the New Orders Index since August 2005 when it registered 65.3 percent. The Employment Index increased 1.6 percentage points to 56 percent from the June reading of 54.4 percent and indicates growth for the fifth consecutive month. The Prices Index decreased 0.3 percentage point from the June reading of 61.2 percent to 60.9 percent, indicating prices increased at a slightly slower rate in July when compared to June. According to the NMI®, 16 non-manufacturing industries reported growth in July. Respondents' comments indicate that stabilization and/or improving market conditions have positively affected the majority of the respective industries and businesses."

## **INDUSTRY PERFORMANCE**

The 16 non-manufacturing industries reporting growth in July — listed in order — are: Construction; Educational Services; Public Administration; Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Retail Trade; Accommodation & Food Services; Professional, Scientific & Technical Services; Management of Companies & Support Services; Finance & Insurance; Mining; Wholesale Trade; Health Care & Social Assistance; Transportation & Warehousing; Information; and Other Services. The only industry reporting contraction in July is Utilities.

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

- "Conditions are improving." (Construction)
- "Slight improvement in the economy, but still experiencing delays in client project start-ups. Expecting some improvement in 4th quarter." (Professional, Scientific & Technical Services)
- "Animal proteins seeing impact of drought, PEDv [Swine virus], thinning of herds and supply and demand issues. Produce pricing is going up due to drought and crop yields." (Accommodation & Food Services)
- "Second half of the year is looking promising for increased orders versus last year." (Information)
- "The area continues to benefit from a solid economy bolstered by the tourism and a rebuilding construction sector." (Public Administration)
- "Business is still very good. Expecting continued growth in the 2nd half of the year." (Retail Trade)
- "Business has been strong this summer after a late start due to the poor spring weather." (Wholesale Trade)

**ISM<sup>®</sup> NON-MANUFACTURING SURVEY RESULTS AT A GLANCE  
COMPARISON OF ISM<sup>®</sup> NON-MANUFACTURING AND ISM<sup>®</sup> MANUFACTURING  
SURVEYS\*  
JULY 2014**

| Index                                  | Non-Manufacturing |                  |                      |            |                |                  | Manufacturing    |                  |                      |
|--|-------------------|------------------|----------------------|------------|----------------|------------------|------------------|------------------|----------------------|
|  | Series Index Jul  | Series Index Jun | Percent Point Change | Direction  | Rate of Change | Trend** (Months) | Series Index Jul | Series Index Jun | Percent Point Change |
| <b>NMI<sup>®</sup>/PMI<sup>®</sup></b> | 58.7              | 56.0             | +2.7                 | Growing    | Faster         | 54               | 57.1             | 55.3             | +1.8                 |
| <b>Business Activity/Production</b>    | 62.4              | 57.5             | +4.9                 | Growing    | Faster         | 60               | 61.2             | 60.0             | +1.2                 |
| <b>New Orders</b>                      | 64.9              | 61.2             | +3.7                 | Growing    | Faster         | 60               | 63.4             | 58.9             | +4.5                 |
| <b>Employment</b>                      | 56.0              | 54.4             | +1.6                 | Growing    | Faster         | 5                | 58.2             | 52.8             | +5.4                 |
| <b>Supplier Deliveries</b>             | 51.5              | 51.0             | +0.5                 | Slowing    | Faster         | 2                | 54.1             | 51.9             | +2.2                 |
| <b>Inventories</b>                     | 51.0              | 53.5             | -2.5                 | Growing    | Slower         | 4                | 48.5             | 53.0             | -4.5                 |
| <b>Prices</b>                          | 60.9              | 61.2             | -0.3                 | Increasing | Slower         | 58               | 59.5             | 58.0             | +1.5                 |
| <b>Backlog of Orders</b>               | 53.0              | 53.0             | 0.0                  | Growing    | Same           | 3                | 49.5             | 48.0             | +1.5                 |
| <b>New Export Orders</b>               | 53.0              | 55.0             | -2.0                 | Growing    | Slower         | 4                | 53.0             | 54.5             | -1.5                 |
| <b>Imports</b>                         | 54.5              | 53.0             | +1.5                 | Growing    | Faster         | 5                | 52.0             | 57.0             | -5.0                 |
| <b>Inventory Sentiment</b>             | 58.0              | 60.5             | -2.5                 | Too High   | Slower         | 206              | N/A              | N/A              | N/A                  |
| <b>Customers' Inventories</b>          | N/A               | N/A              | N/A                  | N/A        | N/A            | N/A              | 43.5             | 46.5             | -3.0                 |

\* **Non-Manufacturing ISM<sup>®</sup> Report On Business<sup>®</sup>** data is seasonally adjusted for Business Activity, New Orders, Prices and Employment Indexes. **Manufacturing ISM<sup>®</sup> Report On Business<sup>®</sup>** 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**

Aluminum Based Products; Bacon (2); Beef (2); Beef Items (8); Cheese (2); Chicken (2); Construction Labor; Copper Products (2); Dairy Products (8); #1 Diesel Fuel (7); #2 Diesel Fuel (8); Fish; Food and Beverage; Gasoline\* (8); Green Bell Peppers; Office Supplies; Paper (3); Paper Products; Produce; and Steel Products.

## Commodities Down in Price

Computer and Peripherals; Gasoline\*; and Natural Gas.

## Commodities in Short Supply

Helium; and Medical IV Solutions (7).

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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## JULY 2014 NON-MANUFACTURING INDEX SUMMARIES

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### NMI<sup>®</sup>

In July, the NMI<sup>®</sup> registered 58.7 percent, an increase of 2.7 percentage points when compared to June's reading of 56 percent indicating continued growth in the non-manufacturing sector for the 54th consecutive month. This month's NMI<sup>®</sup> is the highest reading for the index since its inception in January 2008. 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> |
| Jul 2014  | 58.7                   | Jan 2014     | 54.0                   |
| 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                   |
| Average for 12 months – 55.0<br>High – 58.7<br>Low – 51.6 |                        |              |                        |

## Business Activity

ISM®'s Business Activity Index in July registered 62.4 percent, an increase of 4.9 percentage points above June's reading of 57.5 percent. This represents growth in business activity for the 60th month and the highest reading for the index since February 2011 when it registered 63.3 percent. Thirteen industries reported increased business activity, and one industry reported decreased activity for the month of July. Comments from respondents include: "New products and increased promotion" and "End of budget year and people are spending."

The industries reporting growth of business activity in July — listed in order — are: Mining; Arts, Entertainment & Recreation; Public Administration; Accommodation & Food Services; Construction; Finance & Insurance; Transportation & Warehousing; Real Estate, Rental & Leasing; Health Care & Social Assistance; Professional, Scientific & Technical Services; Retail Trade; Management of Companies & Support Services; and Wholesale Trade. The only industry reporting a decrease in business activity in July is Utilities.

| Business Activity | % Higher | % Same | % Lower | Index |
|-------------------|----------|--------|---------|-------|
| Jul 2014          | 34       | 55     | 11      | 62.4  |
| Jun 2014          | 29       | 58     | 13      | 57.5  |
| May 2014          | 36       | 56     | 8       | 62.1  |
| Apr 2014          | 37       | 54     | 9       | 60.9  |

## New Orders

ISM®'s Non-Manufacturing New Orders Index grew in July for the 60th consecutive month at a faster rate. The index registered 64.9 percent, an increase of 3.7 percentage points from the June reading of 61.2 percent. This month's New Orders Index is the highest reading since August 2005 when it registered 65.3 percent. Comments from respondents include: "Increased demand for services" and "New product placements."

The 14 industries reporting growth of new orders in July — listed in order — are: Educational Services; Mining; Real Estate, Rental & Leasing; Retail Trade; Health Care & Social Assistance; Public Administration; Construction; Management of Companies & Support Services; Finance & Insurance; Professional, Scientific & Technical Services; Information; Transportation & Warehousing; Wholesale Trade; and Accommodation & Food Services. The two industries reporting contraction of new orders in July are: Other Services; and Utilities.

| <b>New Orders</b> | <b>% Higher</b> | <b>% Same</b> | <b>% Lower</b> | <b>Index</b> |
|-------------------|-----------------|---------------|----------------|--------------|
| Jul 2014          | 32              | 59            | 9              | 64.9         |
| Jun 2014          | 31              | 59            | 10             | 61.2         |
| May 2014          | 36              | 54            | 10             | 60.5         |
| Apr 2014          | 33              | 55            | 12             | 58.2         |

## **Employment**

Employment activity in the non-manufacturing sector grew in July for the fifth consecutive month. ISM®'s Non-Manufacturing Employment Index registered 56 percent, which reflects an increase of 1.6 percentage points when compared to June's reading of 54.4 percent. Thirteen industries reported increased employment, and three industries reported decreased employment. Comments from respondents include: "Employment ramp-up" and "Positions eliminated during the Great Recession are now being filled."

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

| <b>Employment</b> | <b>% Higher</b> | <b>% Same</b> | <b>% Lower</b> | <b>Index</b> |
|-------------------|-----------------|---------------|----------------|--------------|
| Jul 2014          | 26              | 64            | 10             | 56.0         |
| Jun 2014          | 29              | 60            | 11             | 54.4         |
| May 2014          | 26              | 61            | 13             | 52.4         |
| Apr 2014          | 21              | 68            | 11             | 51.3         |

## **Supplier Deliveries**

The Supplier Deliveries Index registered 51.5 percent in July, 0.5 percentage point higher than the 51 percent registered in June. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The six industries reporting slower deliveries in July — listed in order — are: Educational Services; Accommodation & Food Services; Construction; Arts, Entertainment & Recreation; Retail Trade; and Professional, Scientific & Technical Services. The three industries reporting faster deliveries in July are: Transportation & Warehousing; Information; and Finance & Insurance. Nine industries reported no change in supplier deliveries in July compared to June.

| Supplier Deliveries | % Slower | % Same | % Faster | Index |
|---------------------|----------|--------|----------|-------|
| Jul 2014            | 7        | 89     | 4        | 51.5  |
| Jun 2014            | 6        | 90     | 4        | 51.0  |
| May 2014            | 5        | 90     | 5        | 50.0  |
| Apr 2014            | 5        | 91     | 4        | 50.5  |

## Inventories

ISM®'s Non-Manufacturing Inventories registered 51 percent in July, which is 2.5 percentage points lower than the 53.5 percent that was reported in June. Of the total respondents in July, 28 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Depletion of stock on hand to improve cash flow" and "Consumed as soon as we can get them."

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

| Inventories | % Higher | % Same | % Lower | Index |
|-------------|----------|--------|---------|-------|
| Jul 2014    | 18       | 66     | 16      | 51.0  |
| Jun 2014    | 19       | 69     | 12      | 53.5  |
| May 2014    | 22       | 67     | 11      | 55.5  |
| Apr 2014    | 22       | 67     | 11      | 55.5  |

## Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in July for the 58th consecutive month. ISM®'s Non-Manufacturing Prices Index for July registered 60.9 percent, 0.3 percentage point

lower than the 61.2 percent reported in June. The percentage of respondents reporting higher prices is 25 percent, the percentage indicating no change in prices paid is 70 percent, and 5 percent of the respondents reported lower prices.

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

| Prices   | % Higher | % Same | % Lower | Index |
|----------|----------|--------|---------|-------|
| Jul 2014 | 25       | 70     | 5       | 60.9  |
| Jun 2014 | 25       | 72     | 3       | 61.2  |
| May 2014 | 27       | 68     | 5       | 61.4  |
| Apr 2014 | 31       | 65     | 4       | 60.8  |

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 July for the third consecutive month. The index registered 53 percent, which is the same percentage reported in June. Of the total respondents in July, 45 percent indicated they do not measure backlog of orders.

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

| <b>Backlog of Orders</b> | <b>% Higher</b> | <b>% Same</b> | <b>% Lower</b> | <b>Index</b> |
|--------------------------|-----------------|---------------|----------------|--------------|
| Jul 2014                 | 13              | 80            | 7              | 53.0         |
| Jun 2014                 | 17              | 72            | 11             | 53.0         |
| May 2014                 | 17              | 74            | 9              | 54.0         |
| Apr 2014                 | 14              | 70            | 16             | 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 July for the fourth consecutive month. The New Export Orders Index for July registered 53 percent, which is 2 percentage points lower than the 55 percent reported in June. Of the total respondents in July, 71 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 July are: Utilities; Construction; Other Services; and Professional, Scientific & Technical Services. The two industries reporting a decrease in export orders in July are: Arts, Entertainment & Recreation; and Information. Nine industries reported no change in export orders in July compared to June.

| <b>New Export Orders</b> | <b>% Higher</b> | <b>% Same</b> | <b>% Lower</b> | <b>Index</b> |
|--------------------------|-----------------|---------------|----------------|--------------|
| Jul 2014                 | 11              | 84            | 5              | 53.0         |
| Jun 2014                 | 17              | 76            | 7              | 55.0         |
| May 2014                 | 12              | 82            | 6              | 53.0         |
| Apr 2014                 | 23              | 68            | 9              | 57.0         |

## **Imports**

The ISM<sup>®</sup> Non-Manufacturing Imports Index grew in July for the fifth consecutive month. This month's reading at 54.5 percent is 1.5 percentage points higher than the 53 percent that was reported in June. Sixty-one percent of respondents reported that they do not use, or do not track the use of, imported materials.

The six industries reporting an increase in imports for the month of July — listed in order — are: Management of Companies & Support Services; Utilities; Retail Trade; Wholesale Trade; Accommodation & Food Services; and

Professional, Scientific & Technical Services. The two industries reporting a decrease in imports for the month of July are: Other Services; and Information. Ten industries reported no change in imports in July compared to June.

| Imports  | % Higher | % Same | % Lower | Index |
|----------|----------|--------|---------|-------|
| Jul 2014 | 14       | 81     | 5       | 54.5  |
| Jun 2014 | 10       | 86     | 4       | 53.0  |
| May 2014 | 14       | 83     | 3       | 55.5  |
| Apr 2014 | 17       | 77     | 6       | 55.5  |

### Inventory Sentiment

The ISM® Non-Manufacturing Inventory Sentiment Index in July registered 58 percent, which is 2.5 percentage points lower than the 60.5 percent reported in June. This indicates that respondents believe their inventories are still too high at this time. In July, 19 percent of respondents said their inventories were too high, 3 percent said their inventories were too low, and 78 percent said their inventories were about right.

The six industries reporting a feeling that their inventories are too high in July — listed in order — are: Retail Trade; Wholesale Trade; Health Care & Social Assistance; Finance & Insurance; Utilities; and Public Administration. The two industries reporting a feeling that their inventories are too low in July are: Construction; and Professional, Scientific & Technical Services. Nine industries reported no change in inventory sentiment in July compared to June.

| Inventory Sentiment | %Too High | %About Right | %Too Low | Index |
|---------------------|-----------|--------------|----------|-------|
| Jul 2014            | 19        | 78           | 3        | 58.0  |
| Jun 2014            | 25        | 71           | 4        | 60.5  |
| May 2014            | 27        | 72           | 1        | 63.0  |
| Apr 2014            | 31        | 68           | 1        | 65.0  |

### 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](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®** featuring the August 2014 data will be released at 10:00 a.m. (ET) on Thursday, September 4, 2014.