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

NMI[®] at 59.6%

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 August 2014.

Business Activity Index at 65%

New Orders Index at 63.8%

Employment Index at 57.1%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in August for the 55th 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 59.6 percent in August, 0.9 percentage point higher than the July reading of 58.7 percent. This represents continued growth in the Non-Manufacturing sector. The August reading of 59.6 percent is the highest for the composite index since its inception in January 2008. The Non-Manufacturing Business Activity Index increased to 65 percent, which is 2.6 percentage points higher than the July reading of 62.4 percent, reflecting growth for the 61st consecutive month at a faster rate. This is the highest reading for the index since December of 2004 when the index also registered 65 percent. The New Orders Index registered 63.8 percent, 1.1 percentage points lower than the reading of 64.9 percent registered

in July. The Employment Index increased 1.1 percentage points to 57.1 percent from the July reading of 56 percent and indicates growth for the sixth consecutive month. The Prices Index decreased 3.2 percentage points from the July reading of 60.9 percent to 57.7 percent, indicating prices increased at a slower rate in August when compared to July. According to the NMI[®], 15 non-manufacturing industries reported growth in August. Respondents' comments vary by business and industry. The majority of the comments reflect continued optimism in regards to business conditions. Some respondents indicate that there may be some tapering off in the recent strong rate of growth in the non-manufacturing sector."

INDUSTRY PERFORMANCE

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

WHAT RESPONDENTS ARE SAYING ...

- "General business conditions have improved." (Information)
- "Local business, and thus lending activity, is picking up." (Finance & Insurance)
- "Still incurring significant global challenges on pharmaceutical solution supply shortages." (Health Care & Social Assistance)
- "Pricing on most food related items continue to go up monthly." (Accommodation & Food Services)
- "Business is holding steady with orders increasing slightly. The rest of 2014 should show some slight growth. International orders have been slow to match U.S. growth but appear to be increasing slightly as well." (Professional, Scientific & Technical Services)
- "The local economy continues to get stronger." (Public Administration)
- "Year-over-year same store sales up approximately 4 percent resulting in continued store remodeling, new construction and upgrades." (Retail Trade)
- "New orders, project business and backlog remain robust. Internal investment in capital remains positive." (Wholesale Trade)

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

Index	Non-Manufacturing						Manufacturing		
	Series Index Aug	Series Index Jul	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Aug	Series Index Jul	Percent Point Change
NMI[®]/PMI[®]	59.6	58.7	+0.9	Growing	Faster	55	59.0	57.1	+1.9
Business Activity/Production	65.0	62.4	+2.6	Growing	Faster	61	64.5	61.2	+3.3
New Orders	63.8	64.9	-1.1	Growing	Slower	61	66.7	63.4	+3.3
Employment	57.1	56.0	+1.1	Growing	Faster	6	58.1	58.2	-0.1
Supplier Deliveries	52.5	51.5	+1.0	Slowing	Faster	3	53.9	54.1	-0.2
Inventories	51.0	51.0	0.0	Growing	Same	5	52.0	48.5	+3.5
Prices	57.7	60.9	-3.2	Increasing	Slower	59	58.0	59.5	-1.5
Backlog of Orders	54.5	53.0	+1.5	Growing	Faster	4	52.5	49.5	+3.0
New Export Orders	52.5	53.0	-0.5	Growing	Slower	5	55.0	53.0	+2.0
Imports	51.0	54.5	-3.5	Growing	Slower	6	56.0	52.0	+4.0
Inventory Sentiment	55.0	58.0	-3.0	Too High	Slower	207	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	49.0	43.5	+5.5

* **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

Bacon (3); Beef (3); Beef Items (9); Chicken (3); Contract Labor; Dairy Products (9); Medical IV Solutions; Packaging; Paper (4); Paper Products (2); Pork; Pork Items; Produce (2); and Services Labor*.

Commodities Down in Price

#2 Diesel Fuel; Computer and Peripherals (2); Fuel; Gasoline (2); Medical Supplies; Natural Gas (2); Office Supplies; and Services Labor*.

Commodities in Short Supply

Medical IV Solutions (8); and Nuts.

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

*Reported as both up and down in price.

AUGUST 2014 NON-MANUFACTURING INDEX SUMMARIES

NMI[®]

In August, the NMI[®] registered 59.6 percent, an increase of 0.9 percentage point when compared to July's reading of 58.7 percent, indicating continued growth in the non-manufacturing sector for the 55th consecutive month. This month's NMI[®] 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[®] HISTORY			
<i>Month</i>	<i>NMI[®]</i>	<i>Month</i>	<i>NMI[®]</i>
Aug 2014	59.6	Feb 2014	51.6
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
Average for 12 months – 55.1 High – 59.6 Low – 51.6			

Business Activity

ISM[®]'s Business Activity Index in August registered 65 percent, an increase of 2.6 percentage points above July's reading of 62.4 percent. This represents growth in business activity for the 61st consecutive month and the highest reading for the index since December 2004 when it also registered 65 percent. Fourteen industries reported increased business activity, and two industries reported decreased activity for the month of August. Comments from respondents include: "Improving business environment" and "New contracts and short-term prospects."

The industries reporting growth of business activity in August — listed in order — are: Construction; Retail Trade; Management of Companies & Support Services; Wholesale Trade; Educational Services; Information; Real Estate, Rental & Leasing; Finance & Insurance; Professional, Scientific & Technical Services; Public Administration; Utilities;

Transportation & Warehousing; Health Care & Social Assistance; and Accommodation & Food Services. The two industries reporting a decrease in business activity in August are: Mining; and Arts, Entertainment & Recreation.

Business Activity	% Higher	% Same	% Lower	Index
Aug 2014	35	55	10	65.0
Jul 2014	34	55	11	62.4
Jun 2014	29	58	13	57.5
May 2014	36	56	8	62.1

New Orders

ISM®'s Non-Manufacturing New Orders Index grew in August for the 61st consecutive month at a slower rate compared to July. The index registered 63.8 percent, a decrease of 1.1 percentage points from the July reading of 64.9 percent. Comments from respondents include: "Increased transactions and loans" and "Slight increase in new orders for Q3/Q4."

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

New Orders	% Higher	% Same	% Lower	Index
Aug 2014	29	63	8	63.8
Jul 2014	32	59	9	64.9
Jun 2014	31	59	10	61.2
May 2014	36	54	10	60.5

Employment

Employment activity in the non-manufacturing sector grew in August for the sixth consecutive month. ISM®'s Non-Manufacturing Employment Index registered 57.1 percent, which reflects an increase of 1.1 percentage points when compared to July's reading of 56 percent. Twelve industries reported increased employment, and four industries

reported decreased employment. Comments from respondents include: "New hires in new office" and "Open positions are finally being filled."

The 12 industries reporting an increase in employment in August — listed in order — are: Other Services; Transportation & Warehousing; Educational Services; Construction; Retail Trade; Wholesale Trade; Public Administration; Information; Management of Companies & Support Services; Health Care & Social Assistance; Finance & Insurance; and Professional, Scientific & Technical Services. The four industries reporting a reduction in employment in August are: Arts, Entertainment & Recreation; Utilities; Mining; and Accommodation & Food Services.

Employment	% Higher	% Same	% Lower	Index
Aug 2014	22	68	10	57.1
Jul 2014	26	64	10	56.0
Jun 2014	29	60	11	54.4
May 2014	26	61	13	52.4

Supplier Deliveries

The Supplier Deliveries Index registered 52.5 percent in August, 1 percentage point higher than the 51.5 percent registered in July. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The eight industries reporting slower deliveries in August — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Accommodation & Food Services; Construction; Retail Trade; Transportation & Warehousing; Health Care & Social Assistance; Information; and Public Administration. The three industries reporting faster deliveries in August are: Real Estate, Rental & Leasing; Mining; and Finance & Insurance. Seven industries reported no change in supplier deliveries in August compared to July.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Aug 2014	8	89	3	52.5
Jul 2014	7	89	4	51.5
Jun 2014	6	90	4	51.0
May 2014	5	90	5	50.0

Inventories

ISM®'s Non-Manufacturing Inventories registered 51 percent in August, which is the same percentage that was reported in July. Of the total respondents in August, 28 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Increased volume requires us to adjust PAR levels" and "Beginning to see some slack on our inventories."

The six industries reporting an increase in inventories in August — listed in order — are: Mining; Retail Trade; Utilities; Public Administration; Finance & Insurance; and Transportation & Warehousing. The six industries reporting decreases in inventories in August — listed in order — are: Arts, Entertainment & Recreation; Health Care & Social Assistance; Information; Accommodation & Food Services; Wholesale Trade; and Professional, Scientific & Technical Services. Six industries reported no change in inventories in August compared to July.

Inventories	% Higher	% Same	% Lower	Index
Aug 2014	17	68	15	51.0
Jul 2014	18	66	16	51.0
Jun 2014	19	69	12	53.5
May 2014	22	67	11	55.5

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in August for the 59th consecutive month. ISM®'s Non-Manufacturing Prices Index for August registered 57.7 percent, 3.2 percentage points lower than the 60.9 percent reported in July. The percentage of respondents reporting higher prices is 23 percent, the percentage indicating no change in prices paid is 66 percent, and 11 percent of the respondents reported lower prices.

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

Prices	% Higher	% Same	% Lower	Index
Aug 2014	23	66	11	57.7
Jul 2014	25	70	5	60.9
Jun 2014	25	72	3	61.2
May 2014	27	68	5	61.4

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 August for the fourth consecutive month. The index registered 54.5 percent, which is 1.5 percentage points higher than the 53 percent that was reported in July. Of the total respondents in August, 35 percent indicated they do not measure backlog of orders.

The six industries reporting an increase in order backlogs in August — listed in order — are: Construction; Management of Companies & Support Services; Professional, Scientific & Technical Services; Public Administration; Wholesale Trade; and Retail Trade. The five industries reporting a decrease in order backlogs in August are: Mining; Information; Transportation & Warehousing; Accommodation & Food Services; and Finance & Insurance. Six industries reported no change in backlog of orders in August compared to July.

Backlog of Orders	% Higher	% Same	% Lower	Index
Aug 2014	19	71	10	54.5
Jul 2014	13	80	7	53.0
Jun 2014	17	72	11	53.0
May 2014	17	74	9	54.0

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 August for the fifth consecutive month. The New Export Orders Index for August registered 52.5 percent, which is 0.5 percentage point lower than the 53 percent reported in July. Of the total respondents in August, 68 percent indicated they either do not perform, or do not separately measure, orders for work outside of the United States.

The four industries reporting an increase in new export orders in August are: Professional, Scientific & Technical Services; Transportation & Warehousing; Retail Trade; and Accommodation & Food Services. The two industries reporting a decrease in export orders in August are: Arts, Entertainment & Recreation; and Wholesale Trade. Ten industries reported no change in export orders in August compared to July.

New Export Orders	% Higher	% Same	% Lower	Index
Aug 2014	13	79	8	52.5
Jul 2014	11	84	5	53.0
Jun 2014	17	76	7	55.0
May 2014	12	82	6	53.0

Imports

The ISM[®] Non-Manufacturing Imports Index grew in August for the sixth consecutive month. This month's reading at 51 percent is 3.5 percentage points lower than the 54.5 percent that was reported in July. Fifty-seven percent of respondents reported that they do not use, or do not track the use of, imported materials.

The three industries reporting an increase in imports for the month of August are: Retail Trade; Professional, Scientific & Technical Services; and Wholesale Trade. The three industries reporting a decrease in imports for the month of August are: Arts, Entertainment & Recreation; Public Administration; and Information. Eleven industries reported no change in imports in August compared to July.

Imports	% Higher	% Same	% Lower	Index
Aug 2014	8	86	6	51.0
Jul 2014	14	81	5	54.5
Jun 2014	10	86	4	53.0
May 2014	14	83	3	55.5

Inventory Sentiment

The ISM[®] Non-Manufacturing Inventory Sentiment Index in August registered 55 percent, which is 3 percentage points lower than the 58 percent reported in July. This indicates that respondents believe their inventories are still too high at this time. In August, 20 percent of respondents said their inventories were too high, 10 percent said their inventories were too low, and 70 percent said their inventories were about right.

The seven industries reporting a feeling that their inventories are too high in August — listed in order — are: Real Estate, Rental & Leasing; Mining; Management of Companies & Support Services; Wholesale Trade; Utilities; Finance & Insurance; and Health Care & Social Assistance. The four industries reporting a feeling that their inventories are too low in August are: Transportation & Warehousing; Construction; Professional, Scientific & Technical Services; and Retail Trade.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Aug 2014	20	70	10	55.0
Jul 2014	19	78	3	58.0
Jun 2014	25	71	4	60.5
May 2014	27	72	1	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 September 2014 data will be released at 10:00 a.m. (ET) on Friday, October 3, 2014.