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

NMI[®] at 58.6%

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 September 2014.

Business Activity Index at 62.9%

New Orders Index at 61%

Employment Index at 58.5%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in September for the 56th 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 58.6 percent in September, 1 percentage point lower than the August reading of 59.6 percent. This represents continued growth in the non-manufacturing sector. The Non-Manufacturing Business Activity Index decreased to 62.9 percent, which is 2.1 percentage points lower than the August reading of 65 percent, reflecting growth for the 62nd consecutive month at a slower rate. The New Orders Index registered 61 percent, 2.8 percentage points lower than the reading of 63.8 percent registered in August. The Employment Index increased 1.4 percentage points to 58.5 percent from the August reading of 57.1 percent and indicates growth for the seventh consecutive month. The Prices Index decreased 2.5 percentage points from the August reading of 57.7 percent to 55.2 percent, indicating prices increased at a slower rate in September when compared to August. According to the NMI[®], 12 non-manufacturing industries

reported growth in September. Respondents' comments indicate that business seems to be leveling off and there is a slight slowing in the momentum of the past few months of strong growth. They continue to remain optimistic about business conditions and the overall direction of the economy."

INDUSTRY PERFORMANCE

The 12 non-manufacturing industries reporting growth in September — listed in order — are: Construction; Retail Trade; Utilities; Information; Health Care & Social Assistance; Transportation & Warehousing; Management of Companies & Support Services; Wholesale Trade; Professional, Scientific & Technical Services; Accommodation & Food Services; Real Estate, Rental & Leasing; and Finance & Insurance. The five industries reporting contraction in September are: Arts, Entertainment & Recreation; Mining; Educational Services; Public Administration; and Other Services.

WHAT RESPONDENTS ARE SAYING ...

- "In the building industry there continues to be a lot of remodeling and smaller additions with replacement facilities and new buildings lagging. Many companies would like to build new, but are still concerned about making the large investment at this time." (Construction)
- "Far reaching and unprecedented commodity price increase for all animal proteins, produce, dairy, coffee and cocoa." (Accommodation & Food Services)
- "Orders continue to be steady and forecasts are strong for the remainder of the year. There does not appear to be significant growth, but a steady strong business level." (Professional, Scientific & Technical Services)
- "Activity is high right now as it is the last month of the government's fiscal year and all the FY14 appropriated funds are being spent on new and renewing requirements." (Public Administration)
- "Positive sales growth for the quarter is encouraging. Continue to see pricing pressure in most sectors which directly impact profit." (Retail Trade)
- "Business remains steady, but not robust." (Wholesale Trade)
- "Increased manufacturing lead times are requiring additional inventory to be maintained for older aircraft interior parts and new aircraft systems parts." (Transportation & Warehousing)
- "Fuels/propane prices rose slightly." (Utilities)

**COMPARISON OF ISM[®] NON-MANUFACTURING AND ISM[®] MANUFACTURING SURVEYS*
SEPTEMBER 2014**

	Non-Manufacturing						Manufacturing		
Index	Series Index Sep	Series Index Aug	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Sep	Series Index Aug	Percent Point Change
NMI[®]/PMI[®]	58.6	59.6	-1.0	Growing	Slower	56	56.6	59.0	-2.4
Business Activity/Production	62.9	65.0	-2.1	Growing	Slower	62	64.6	64.5	+0.1
New Orders	61.0	63.8	-2.8	Growing	Slower	62	60.0	66.7	-6.7
Employment	58.5	57.1	+1.4	Growing	Faster	7	54.6	58.1	-3.5
Supplier Deliveries	52.0	52.5	-0.5	Slowing	Slower	4	52.2	53.9	-1.7
Inventories	52.0	51.0	+1.0	Growing	Faster	6	51.5	52.0	-0.5
Prices	55.2	57.7	-2.5	Increasing	Slower	60	59.5	58.0	+1.5
Backlog of Orders	52.0	54.5	-2.5	Growing	Slower	5	47.0	52.5	-5.5
New Export Orders	57.5	52.5	+5.0	Growing	Faster	6	53.5	55.0	-1.5
Imports	52.5	51.0	+1.5	Growing	Faster	7	53.0	56.0	-3.0
Inventory Sentiment	60.0	55.0	+5.0	Too High	Faster	208	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	44.5	49.0	-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 (4); Beef Items (10); Cocoa; #2 Diesel Fuel*; Fuel; Gasoline*; Labor; Medical Supplies; Paper Products (3); Plastic Bags; Propane; Sugar; and X-Ray Supplies.

Commodities Down in Price

#1 Diesel Fuel; #2 Diesel Fuel* (2); Eggs; and Gasoline* (3).

Commodities in Short Supply

Ammunition; Labor; and Medical IV Solutions (9).

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

*Reported as both up and down in price.

SEPTEMBER 2014 NON-MANUFACTURING INDEX SUMMARIES

NMI[®]

In September, the NMI[®] registered 58.6 percent, a decrease of 1 percentage point when compared to August's reading of 59.6 percent, indicating continued growth in the non-manufacturing sector for the 56th 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>
Sep 2014	58.6	Mar 2014	53.1
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
Average for 12 months – 55.4 High – 59.6 Low – 51.6			

Business Activity

ISM®'s Business Activity Index in September registered 62.9 percent, a decrease of 2.1 percentage points below August's reading of 65 percent. This represents growth in business activity for the 62nd consecutive month. Thirteen industries reported increased business activity, and four industries reported decreased activity for the month of September. Comments from respondents include: "Stronger demand on the part of consumers" and "Just slightly lower than last month (last month was a record month)."

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

Business Activity	% Higher	% Same	% Lower	Index
Sep 2014	37	50	13	62.9
Aug 2014	35	55	10	65.0
Jul 2014	34	55	11	62.4
Jun 2014	29	58	13	57.5

New Orders

ISM®'s Non-Manufacturing New Orders Index grew in September for the 62nd consecutive month at a slower rate compared to August. The index registered 61 percent, a decrease of 2.8 percentage points from the August reading of 63.8 percent. Comments from respondents include: "New product launches" and "Market improving."

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

	%	%	%	
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New Orders	Higher	Same	Lower	Index
Sep 2014	34	55	11	61.0
Aug 2014	29	63	8	63.8
Jul 2014	32	59	9	64.9
Jun 2014	31	59	10	61.2

Employment

Employment activity in the non-manufacturing sector grew in September for the seventh consecutive month. ISM®'s Non-Manufacturing Employment Index registered 58.5 percent, which reflects an increase of 1.4 percentage points when compared to August's reading of 57.1 percent. Ten industries reported increased employment, and seven industries reported decreased employment. Comments from respondents include: "Previous conservative staffing model is relaxing due to increased demand for services" and "Added staff to support upcoming capital projects."

The 10 industries reporting an increase in employment in September — listed in order — are: Construction; Retail Trade; Management of Companies & Support Services; Transportation & Warehousing; Other Services; Health Care & Social Assistance; Wholesale Trade; Information; Finance & Insurance; and Professional, Scientific & Technical Services. The seven industries reporting a reduction in employment in September — listed in order — are: Arts, Entertainment & Recreation; Educational Services; Mining; Real Estate, Rental & Leasing; Accommodation & Food Services; Public Administration; and Utilities.

Employment	% Higher	% Same	% Lower	Index
Sep 2014	24	60	16	58.5
Aug 2014	22	68	10	57.1
Jul 2014	26	64	10	56.0
Jun 2014	29	60	11	54.4

Supplier Deliveries

The Supplier Deliveries Index registered 52 percent in September, 0.5 percentage point lower than the 52.5 percent registered in August. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The 10 industries reporting slower deliveries in September — listed in order — are: Real Estate, Rental & Leasing; Construction; Accommodation & Food Services; Utilities; Transportation & Warehousing; Retail Trade; Information; Health Care & Social Assistance; Public Administration; and Wholesale Trade. The three industries reporting faster deliveries in September are: Mining; Finance & Insurance; and Professional, Scientific & Technical Services.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Sep 2014	8	88	4	52.0
Aug 2014	8	89	3	52.5
Jul 2014	7	89	4	51.5
Jun 2014	6	90	4	51.0

Inventories

ISM®'s Non-Manufacturing Inventories registered 52 percent in September, which is 1 percentage point higher than the 51 percent that was reported in August. Of the total respondents in September, 27 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Using more inventory rather than purchasing new material" and "Higher inventory to support scheduled work."

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

Inventories	% Higher	% Same	% Lower	Index
Sep 2014	18	68	14	52.0
Aug 2014	17	68	15	51.0
Jul 2014	18	66	16	51.0
Jun 2014	19	69	12	53.5

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in September for the 60th consecutive month. ISM®'s Non-Manufacturing Prices Index for September registered 55.2 percent, 2.5

percentage points lower than the 57.7 percent reported in August. The percentage of respondents reporting higher prices is 16 percent, the percentage indicating no change in prices paid is 75 percent, and 9 percent of the respondents reported lower prices.

Nine non-manufacturing industries reported an increase in prices paid during the month of September, in the following order: Accommodation & Food Services; Retail Trade; Mining; Educational Services; Utilities; Construction; Wholesale Trade; Information; and Health Care & Social Assistance. The three industries reporting a decrease in prices paid for the month of September are: Arts, Entertainment & Recreation; Finance & Insurance; and Public Administration. Six industries reported no change in prices paid in September compared to August.

Prices	% Higher	% Same	% Lower	Index
Sep 2014	16	75	9	55.2
Aug 2014	23	66	11	57.7
Jul 2014	25	70	5	60.9
Jun 2014	25	72	3	61.2

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 September for the fifth consecutive month. The index registered 52 percent, which is 2.5 percentage points lower than the 54.5 percent that was reported in August. Of the total respondents in September, 36 percent indicated they do not measure backlog of orders.

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

	%	%	%	
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Backlog of Orders	Higher	Same	Lower	Index
Sep 2014	14	76	10	52.0
Aug 2014	19	71	10	54.5
Jul 2014	13	80	7	53.0
Jun 2014	17	72	11	53.0

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 September for the sixth consecutive month. The New Export Orders Index for September registered 57.5 percent, which is 5 percentage points higher than the 52.5 percent reported in August. Of the total respondents in September, 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 September — listed in order — are: Management of Companies & Support Services; Real Estate, Rental & Leasing; Retail Trade; Information; Construction; Professional, Scientific & Technical Services; and Wholesale Trade. The two industries reporting a decrease in export orders in September are: Arts, Entertainment & Recreation; and Other Services. Eight industries reported no change in export orders in September compared to August.

New Export Orders	% Higher	% Same	% Lower	Index
Sep 2014	20	75	5	57.5
Aug 2014	13	79	8	52.5
Jul 2014	11	84	5	53.0
Jun 2014	17	76	7	55.0

Imports

The ISM[®] Non-Manufacturing Imports Index grew in September for the seventh consecutive month. This month's reading at 52.5 percent is 1.5 percentage points higher than the 51 percent that was reported in August. Fifty-six 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 September — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Transportation & Warehousing; Management of Companies & Support Services;

Construction; Retail Trade; and Wholesale Trade. The two industries reporting a decrease in imports for the month of September are: Arts, Entertainment & Recreation; and Other Services. Nine industries reported no change in imports in September compared to August.

Imports	% Higher	% Same	% Lower	Index
Sep 2014	12	81	7	52.5
Aug 2014	8	86	6	51.0
Jul 2014	14	81	5	54.5
Jun 2014	10	86	4	53.0

Inventory Sentiment

The ISM[®] Non-Manufacturing Inventory Sentiment Index in September registered 60 percent, which is 5 percentage points higher than the 55 percent reported in August. This indicates that respondents believe their inventories are still too high at this time. In September, 27 percent of respondents said their inventories were too high, 7 percent said their inventories were too low, and 66 percent said their inventories were about right.

The nine industries reporting a feeling that their inventories are too high in September — listed in order — are: Arts, Entertainment & Recreation; Utilities; Management of Companies & Support Services; Wholesale Trade; Finance & Insurance; Mining; Information; Accommodation & Food Services; and Retail Trade. The five industries reporting a feeling that their inventories are too low in September are: Transportation & Warehousing; Construction; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Public Administration.

Inventory Sentiment	% Too High	% About Right	% Too Low	Index
Sep 2014	27	66	7	60.0
Aug 2014	20	70	10	55.0
Jul 2014	19	78	3	58.0
Jun 2014	25	71	4	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. The data 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 October 2014 data will be released at 10:00 a.m. (ET) on Wednesday, November 5, 2014.