

FOR RELEASE: November 5, 2014

Contact: Kristina Cahill
Report On Business[®] Analyst
ISM[®], ROB Media Relations
Tempe, Arizona
800/888-6276, Ext. 3015
E-mail: kcahill@ism.ws

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

NMI[®] at 57.1%

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 October 2014.

Business Activity Index at 60%

New Orders Index at 59.1%

Employment Index at 59.6%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in October for the 57th 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 57.1 percent in October, 1.5 percentage points lower than the September reading of 58.6 percent. This represents continued growth in the non-manufacturing sector. The Non-Manufacturing Business Activity Index decreased to 60 percent, which is 2.9 percentage points lower than the September reading of 62.9 percent, reflecting growth for the 63rd consecutive month at a slower rate. The New Orders Index registered 59.1 percent, 1.9 percentage points lower than the reading of 61 percent registered in September. The Employment Index increased 1.1 percentage points to 59.6 percent from the September reading of 58.5 percent and indicates growth for the eighth consecutive month. The Prices Index decreased 3.1 percentage points from the September reading of 55.2 percent to 52.1 percent, indicating prices

increased at a slower rate in October when compared to September. According to the NMI[®], 16 non-manufacturing industries reported growth in October. The majority of the respondents' comments reflect favorable business conditions; however, there is an indication that there continues to be a leveling off from the strong rate of growth of the preceding months."

INDUSTRY PERFORMANCE

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

WHAT RESPONDENTS ARE SAYING ...

- "Business is steady with new product launches." (Information)
- "The general business outlook is favorable. Approaching 2015 with cautious optimism." (Finance & Insurance)
- "Healthcare market continues to see challenges and uncertainty." (Health Care & Social Assistance)
- "Economy appears to be slowing. Fears of ISIS, Ebola, etc." (Professional, Scientific & Technical Services)
- "It appears that customers are beginning to engage which is producing sales. Not where we want to be, but continuing to see improvement." (Retail Trade)
- "Sales very sporadic. It's up and down weekly." (Accommodation & Food Services)
- "Business activity remains robust here." (Utilities)
- "The past few months have been record months for us in terms of sales, but we are seeing margin pressure." (Wholesale Trade)

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

	Non-Manufacturing						Manufacturing		
Index	Series Index Oct	Series Index Sep	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Oct	Series Index Sep	Percent Point Change
NMI[®]/PMI[®]	57.1	58.6	-1.5	Growing	Slower	57	59.0	56.6	+2.4
Business Activity/Production	60.0	62.9	-2.9	Growing	Slower	63	64.8	64.6	+0.2
New Orders	59.1	61.0	-1.9	Growing	Slower	63	65.8	60.0	+5.8
Employment	59.6	58.5	+1.1	Growing	Faster	8	55.5	54.6	+0.9
Supplier Deliveries	49.5	52.0	-2.5	Faster	From Slowing	1	56.2	52.2	+4.0
Inventories	49.5	52.0	-2.5	Contracting	From Growing	1	52.5	51.5	+1.0
Prices	52.1	55.2	-3.1	Increasing	Slower	61	53.5	59.5	-6.0
Backlog of Orders	51.5	52.0	-0.5	Growing	Slower	6	53.0	47.0	+6.0
New Export Orders	53.5	57.5	-4.0	Growing	Slower	7	51.5	53.5	-2.0
Imports	56.0	52.5	+3.5	Growing	Faster	8	54.5	53.0	+1.5
Inventory Sentiment	58.5	60.0	-1.5	Too High	Slower	209	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	48.0	44.5	+3.5

* **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

Alloy Products; Beef Items (11); Cocoa (2); Coffee; Dairy*; Electrical Components; Envelopes; Fuel* (2); Labor (2); Medical IV Solutions; Paper Products (4); and Polystyrene.

Commodities Down in Price

Bacon; Dairy*; #1 Diesel Fuel (2); #2 Diesel Fuel (3); Fuel*; Gasoline (4); Lumber; Maintenance, Repair and Operating Supplies (MRO); and Soy Products.

Commodities in Short Supply

Ammunition (2); Labor (2); and Medical IV Solutions (10).

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

*Reported as both up and down in price.

OCTOBER 2014 NON-MANUFACTURING INDEX SUMMARIES

NMI[®]

In October, the NMI[®] registered 57.1 percent, a decrease of 1.5 percentage points when compared to September's reading of 58.6 percent, indicating continued growth in the non-manufacturing sector for the 57th 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			
Month	NMI[®]	Month	NMI[®]
Oct 2014	57.1	Apr 2014	55.2
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
Average for 12 months – 55.6 High – 59.6 Low – 51.6			

Business Activity

ISM[®]'s Business Activity Index in October registered 60 percent, a decrease of 2.9 percentage points below September's reading of 62.9 percent. This represents growth in business activity for the 63rd consecutive month. Fifteen industries reported increased business activity, and two industries reported decreased activity for the month of October. Comments from respondents include: "Awarded new business" and "Higher consumer spending."

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

Business Activity	% Higher	% Same	% Lower	Index
Oct 2014	30	56	14	60.0
Sep 2014	37	50	13	62.9
Aug 2014	35	55	10	65.0
Jul 2014	34	55	11	62.4

New Orders

ISM®'s Non-Manufacturing New Orders Index grew in October for the 63rd consecutive month at a slower rate compared to September. The index registered 59.1 percent, a decrease of 1.9 percentage points from the September reading of 61 percent. Comments from respondents include: "Slight increase in orders" and "More orders placed to support business expansion and increased demand for support needs."

The 11 industries reporting growth of new orders in October — listed in order — are: Real Estate, Rental & Leasing; Information; Retail Trade; Management of Companies & Support Services; Professional, Scientific & Technical Services; Transportation & Warehousing; Construction; Wholesale Trade; Other Services; Health Care & Social Assistance; and Accommodation & Food Services. The three industries reporting contraction of new orders in October are: Arts, Entertainment & Recreation; Public Administration; and Utilities.

New Orders	% Higher	% Same	% Lower	Index
Oct 2014	26	61	13	59.1
Sep 2014	34	55	11	61.0
Aug 2014	29	63	8	63.8
Jul 2014	32	59	9	64.9

Employment

Employment activity in the non-manufacturing sector grew in October for the eighth consecutive month. ISM®'s Non-Manufacturing Employment Index registered 59.6 percent, which reflects an increase of 1.1 percentage points when compared to September's reading of 58.5 percent. Ten industries reported increased employment, and four industries reported decreased employment. Comments from respondents include: "Hiring staff for new accounts" and "Increased earnings — fill positions eliminated during Recession."

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

Employment	% Higher	% Same	% Lower	Index
Oct 2014	22	67	11	59.6
Sep 2014	24	60	16	58.5
Aug 2014	22	68	10	57.1
Jul 2014	26	64	10	56.0

Supplier Deliveries

The Supplier Deliveries Index decreased and registered 49.5 percent in October, 2.5 percentage points lower than the 52 percent registered in September. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The six industries reporting slower deliveries in October — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Utilities; Accommodation & Food Services; Information; Wholesale Trade; and Health Care & Social Assistance. The six industries reporting faster deliveries in October — listed in order — are: Mining; Real Estate, Rental & Leasing; Construction; Transportation & Warehousing; Finance & Insurance; and Professional, Scientific & Technical Services. Six industries reported no change in supplier deliveries in October compared to September.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Oct 2014	4	91	5	49.5
Sep 2014	8	88	4	52.0
Aug 2014	8	89	3	52.5
Jul 2014	7	89	4	51.5

Inventories

ISM[®]'s Non-Manufacturing Inventories contracted and registered 49.5 percent in October, which is 2.5 percentage points lower than the 52 percent that was reported in September. Of the total respondents in October, 24 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Intentional [inventory reduction] to reduce warehouse costs and using a JIT methodology" and "Trying to drive inventories lower as we go into winter."

The nine industries reporting an increase in inventories in October — listed in order — are: Retail Trade; Arts, Entertainment & Recreation; Agriculture, Forestry, Fishing & Hunting; Management of Companies & Support

Services; Accommodation & Food Services; Information; Wholesale Trade; Transportation & Warehousing; and Public Administration. The seven industries reporting decreases in inventories in October — listed in order — are: Mining; Other Services; Finance & Insurance; Construction; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Utilities.

Inventories	% Higher	% Same	% Lower	Index
Oct 2014	19	61	20	49.5
Sep 2014	18	68	14	52.0
Aug 2014	17	68	15	51.0
Jul 2014	18	66	16	51.0

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in October for the 61st consecutive month. ISM®'s Non-Manufacturing Prices Index for October registered 52.1 percent, 3.1 percentage points lower than the 55.2 percent reported in September. The percentage of respondents reporting higher prices is 15 percent, the percentage indicating no change in prices paid is 71 percent, and 14 percent of the respondents reported lower prices.

Seven non-manufacturing industries reported an increase in prices paid during the month of October, in the following order; Educational Services; Other Services; Accommodation & Food Services; Wholesale Trade; Transportation & Warehousing; Retail Trade; and Professional, Scientific & Technical Services. The nine industries reporting a decrease in prices paid for the month of October — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Public Administration; Management of Companies & Support Services; Real Estate, Rental & Leasing; Health Care & Social Assistance; Information; Finance & Insurance; Utilities; and Mining.

Prices	% Higher	% Same	% Lower	Index
Oct 2014	15	71	14	52.1
Sep 2014	16	75	9	55.2
Aug 2014	23	66	11	57.7
Jul 2014	25	70	5	60.9

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 October for the sixth consecutive month. The index registered 51.5 percent, which is 0.5 percentage point lower than the 52 percent that was reported in September. Of the total respondents in October, 39 percent indicated they do not measure backlog of orders.

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

Backlog of Orders	% Higher	% Same	% Lower	Index
Oct 2014	14	75	11	51.5
Sep 2014	14	76	10	52.0
Aug 2014	19	71	10	54.5
Jul 2014	13	80	7	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 October for the seventh consecutive month. The New Export Orders Index for October registered 53.5 percent, which is 4 percentage points lower than the 57.5 percent reported in September. Of the total respondents in October, 65 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 October — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Real Estate, Rental & Leasing; Transportation & Warehousing; Information; Retail Trade; Wholesale Trade; and Accommodation & Food Services. The only industry reporting a decrease in export orders in October is: Arts, Entertainment & Recreation. Eight industries reported no change in export orders in October compared to September.

New Export Orders	% Higher	% Same	% Lower	Index
Oct 2014	12	83	5	53.5
Sep 2014	20	75	5	57.5
Aug 2014	13	79	8	52.5
Jul 2014	11	84	5	53.0

Imports

The ISM® Non-Manufacturing Imports Index grew in October for the eighth consecutive month. This month's reading at 56 percent is 3.5 percentage points higher than the 52.5 percent that was reported in September. Fifty-four percent of respondents reported that they do not use, or do not track the use of, imported materials.

The nine industries reporting an increase in imports for the month of October — listed in order — are: Real Estate, Rental & Leasing; Retail Trade; Utilities; Transportation & Warehousing; Other Services; Management of Companies & Support Services; Professional, Scientific & Technical Services; Accommodation & Food Services; and Wholesale Trade. The only industry reporting a decrease in imports for the month of October is: Arts, Entertainment & Recreation. Eight industries reported no change in imports in October compared to September.

Imports	% Higher	% Same	% Lower	Index
Oct 2014	18	76	6	56.0
Sep 2014	12	81	7	52.5
Aug 2014	8	86	6	51.0
Jul 2014	14	81	5	54.5

Inventory Sentiment

The ISM® Non-Manufacturing Inventory Sentiment Index in October registered 58.5 percent, which is 1.5 percentage points lower than the 60 percent reported in September. This indicates that respondents believe their inventories are still too high at this time. In October, 23 percent of respondents said their inventories were too high, 6 percent said their inventories were too low, and 71 percent said their inventories were about right.

The 11 industries reporting a feeling that their inventories are too high in October — listed in order — are: Management of Companies & Support Services; Arts, Entertainment & Recreation; Wholesale Trade; Mining; Transportation & Warehousing; Finance & Insurance; Utilities; Retail Trade; Information; Professional, Scientific &

Technical Services; and Public Administration. The three industries reporting a feeling that their inventories are too low in October are: Accommodation & Food Services; Construction; and Health Care & Social Assistance.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Oct 2014	23	71	6	58.5
Sep 2014	27	66	7	60.0
Aug 2014	20	70	10	55.0
Jul 2014	19	78	3	58.0

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. 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 November 2014 data will be released at 10:00 a.m. (ET) on Wednesday, December 3, 2014.