

**FOR RELEASE: December 3, 2014**

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

**NMI<sup>®</sup> at 59.3%**

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 November 2014.

**Business Activity Index at 64.4%**

**New Orders Index at 61.4%**

**Employment Index at 56.7%**

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in November for the 58th 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 59.3 percent in November, 2.2 percentage points higher than the October reading of 57.1 percent. This represents continued growth in the non-manufacturing sector. The Non-Manufacturing Business Activity Index increased to 64.4 percent, which is 4.4 percentage points higher than the October reading of 60 percent, reflecting growth for the 64th consecutive month at a faster rate. The New Orders Index registered 61.4 percent, 2.3 percentage points higher than the reading of 59.1 percent registered in October. The Employment Index decreased 2.9 percentage points to 56.7 percent from the October reading of 59.6 percent and indicates growth for the ninth consecutive month. The Prices Index increased 2.3 percentage points from the October reading of 52.1 percent to 54.4 percent, indicating prices increased at a faster rate in November when compared to October. According to the NMI<sup>®</sup>, 14 non-manufacturing industries

reported growth in November. Comments from the majority of respondents indicate that business conditions are on track for continued growth. The respondents have also stated that there is some strain on capacity due to the month-over-month increase in activity."

## **INDUSTRY PERFORMANCE**

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

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

- "Business is good with new technology and products." (Information)
- "General uptick in demand/spending." (Finance & Insurance)
- "We are experiencing downward pricing pressures on the price of natural gas as a result of the lower energy prices being driven by OPEC's lower oil prices." (Mining)
- "Food cost continues to be a challenge due to cost of goods increases. Beef, produce and turkey markets remain high. Chicken, pork and eggs, although year-over-year are higher; prices have fallen from one month ago." (Accommodation & Food Services)
- "Business is strong. Many new accounts want to be implemented before year-end so cost reductions can be included." (Professional, Scientific & Technical Services)
- "We are looking forward to a strong holiday season." (Retail Trade)
- "We are still seeing continued momentum month-over-month with the strongest area being government accounts." (Wholesale Trade)

**ISM® NON-MANUFACTURING SURVEY RESULTS AT A GLANCE  
COMPARISON OF ISM® NON-MANUFACTURING AND ISM® MANUFACTURING  
SURVEYS\*  
NOVEMBER 2014**

Index	Non-Manufacturing						Manufacturing		
	Series Index Nov	Series Index Oct	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Nov	Series Index Oct	Percent Point Change
<b>NMI®/PMI®</b>	59.3	57.1	+2.2	Growing	Faster	58	58.7	59.0	-0.3
<b>Business Activity/Production</b>	64.4	60.0	+4.4	Growing	Faster	64	64.4	64.8	-0.4
<b>New Orders</b>	61.4	59.1	+2.3	Growing	Faster	64	66.0	65.8	+0.2
<b>Employment</b>	56.7	59.6	-2.9	Growing	Slower	9	54.9	55.5	-0.6
<b>Supplier Deliveries</b>	54.5	49.5	+5.0	Slower	From Faster	1	56.8	56.2	+0.6
<b>Inventories</b>	55.5	49.5	+6.0	Growing	From Contracting	1	51.5	52.5	-1.0
<b>Prices</b>	54.4	52.1	+2.3	Increasing	Faster	62	44.5	53.5	-9.0
<b>Backlog of Orders</b>	55.5	51.5	+4.0	Growing	Faster	7	55.0	53.0	+2.0
<b>New Export Orders</b>	57.0	53.5	+3.5	Growing	Faster	8	55.0	51.5	+3.5
<b>Imports</b>	53.5	56.0	-2.5	Growing	Slower	9	56.0	54.5	+1.5
<b>Inventory Sentiment</b>	63.0	58.5	+4.5	Too High	Faster	210	N/A	N/A	N/A
<b>Customers' Inventories</b>	N/A	N/A	N/A	N/A	N/A	N/A	50.0	48.0	+2.0

\* **Non-Manufacturing ISM® Report On Business®** data is seasonally adjusted for Business Activity, New Orders, Prices and Employment Indexes. **Manufacturing ISM® Report On Business®** data is seasonally adjusted for New Orders, Production, Employment and Supplier Deliveries.

\*\* Number of months moving in current direction.

## **COMMODITIES REPORTED UP/DOWN IN PRICE, AND IN SHORT SUPPLY**

### **Commodities Up in Price**

Beef; Beef Items (12); Computer Hardware; Gasoline\*; Medical IV Products; Medical IV Solutions (2); Paper Products (5); Plastic Products; Produce; and Services.

### **Commodities Down in Price**

Butter; #1 Diesel Fuel (3); #2 Diesel Fuel (4); Fuel (2); Gasoline\* (5); Lumber (2); and Soy Products (2).

### **Commodities in Short Supply**

Labor (3); Medical IV Products; and Medical IV Solutions (11).

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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## NOVEMBER 2014 NON-MANUFACTURING INDEX SUMMARIES

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### NMI®

In November, the NMI® registered 59.3 percent, an increase of 2.2 percentage points when compared to October's reading of 57.1 percent, indicating continued growth in the non-manufacturing sector for the 58th 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.

<b>NMI® HISTORY</b>			
<b><i>Month</i></b>	<b><i>NMI®</i></b>	<b><i>Month</i></b>	<b><i>NMI®</i></b>
Nov 2014	59.3	May 2014	56.3
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
Average for 12 months – 56 High – 59.6 Low – 51.6			

### Business Activity

ISM®'s Business Activity Index in November registered 64.4 percent; an increase of 4.4 percentage points above October's reading of 60 percent. This represents growth in business activity for the 64th consecutive month. Fourteen industries reported increased business activity, and two industries reported decreased activity for the month of November. Comments from respondents include: "More customer orders" and "New business and planned capital expenditures."

The industries reporting growth of business activity in November — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Retail Trade; Construction; Information; Finance & Insurance; Health Care & Social Assistance; Mining; Management of Companies & Support Services; Public Administration; Other Services; Professional, Scientific

& Technical Services; Educational Services; Accommodation & Food Services; and Wholesale Trade. The two industries reporting a decrease in business activity in November are: Arts, Entertainment & Recreation; and Utilities.

<b>Business Activity</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Nov 2014	37	51	12	64.4
Oct 2014	30	56	14	60.0
Sep 2014	37	50	13	62.9
Aug 2014	35	55	10	65.0

## **New Orders**

ISM®'s Non-Manufacturing New Orders Index grew in November for the 64th consecutive month at a faster rate compared to October. The index registered 61.4 percent, an increase of 2.3 percentage points from the October reading of 59.1 percent. Comments from respondents include: "Year-end spend-down" and "More customer orders".

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

<b>New Orders</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Nov 2014	37	50	13	61.4
Oct 2014	26	61	13	59.1
Sep 2014	34	55	11	61.0
Aug 2014	29	63	8	63.8

## **Employment**

Employment activity in the non-manufacturing sector grew in November for the ninth consecutive month. ISM®'s Non-Manufacturing Employment Index registered 56.7 percent, which reflects a decrease of 2.9 percentage points when compared to October's reading of 59.6 percent. Nine industries reported increased employment, and five

industries reported decreased employment. Comments from respondents include: "Capital projects approved that strained resource levels" and "Still understaffed for current requirements."

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

<b>Employment</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Nov 2014	18	68	14	56.7
Oct 2014	22	67	11	59.6
Sep 2014	24	60	16	58.5
Aug 2014	22	68	10	57.1

## **Supplier Deliveries**

The Supplier Deliveries Index increased and registered 54.5 percent in November, 5 percentage points higher than the 49.5 percent registered in October. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The 10 industries reporting slower deliveries in November — listed in order — are: Transportation & Warehousing; Arts, Entertainment & Recreation; Construction; Wholesale Trade; Accommodation & Food Services; Other Services; Retail Trade; Professional, Scientific & Technical Services; Public Administration; and Health Care & Social Assistance. The two industries reporting faster deliveries in November are: Management of Companies & Support Services; and Finance & Insurance. Six industries reported no change in supplier deliveries in November compared to October.

<b>Supplier Deliveries</b>	<b>% Slower</b>	<b>% Same</b>	<b>% Faster</b>	<b>Index</b>
Nov 2014	13	83	4	54.5
Oct 2014	4	91	5	49.5
Sep 2014	8	88	4	52.0
Aug 2014	8	89	3	52.5

## Inventories

ISM®'s Non-Manufacturing Inventories grew after a month of contraction and registered 55.5 percent in November, which is 6 percentage points higher than the 49.5 percent that was reported in October. Of the total respondents in November, 29 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Planned increases" and "replenishing previous month's sales."

The 10 industries reporting an increase in inventories in November — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Retail Trade; Utilities; Mining; Wholesale Trade; Accommodation & Food Services; Information; Health Care & Social Assistance; Construction; and Transportation & Warehousing. The two industries reporting decreases in inventories in November are: Finance & Insurance; and Public Administration.

Inventories	% Higher	% Same	% Lower	Index
Nov 2014	24	63	13	55.5
Oct 2014	19	61	20	49.5
Sep 2014	18	68	14	52.0
Aug 2014	17	68	15	51.0

## Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in November for the 62nd consecutive month. ISM®'s Non-Manufacturing Prices Index for November registered 54.4 percent, 2.3 percentage points higher than the 52.1 percent reported in October. The percentage of respondents reporting higher prices is 14 percent, the percentage indicating no change in prices paid is 74 percent, and 12 percent of the respondents reported lower prices.

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



Prices	% Higher	% Same	% Lower	Index
Nov 2014	14	74	12	54.4
Oct 2014	15	71	14	52.1
Sep 2014	16	75	9	55.2
Aug 2014	23	66	11	57.7

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 November for the seventh consecutive month. The index registered 55.5 percent, which is 4 percentage points higher than the 51.5 percent that was reported in October. Of the total respondents in November, 36 percent indicated they do not measure backlog of orders.

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

Backlog of Orders	% Higher	% Same	% Lower	Index
Nov 2014	18	75	7	55.5
Oct 2014	14	75	11	51.5
Sep 2014	14	76	10	52.0
Aug 2014	19	71	10	54.5

### New Export Orders

Orders and requests for services and other non-manufacturing activities to be provided outside of the United States by domestically based personnel grew in November for the eighth consecutive month. The New Export Orders Index for November registered 57 percent, which is 3.5 percentage points higher than the 53.5 percent reported in

October. Of the total respondents in November, 65 percent indicated they either do not perform, or do not separately measure, orders for work outside of the United States.

The nine industries reporting an increase in new export orders in November — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Construction; Retail Trade; Management of Companies & Support Services; Information; Finance & Insurance; Wholesale Trade; Professional, Scientific & Technical Services; and Accommodation & Food Services. The two industries reporting a decrease in export orders in November are: Arts, Entertainment & Recreation; and Utilities.

<b>New Export Orders</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Nov 2014	23	68	9	57.0
Oct 2014	12	83	5	53.5
Sep 2014	20	75	5	57.5
Aug 2014	13	79	8	52.5

## **Imports**

The ISM<sup>®</sup> Non-Manufacturing Imports Index grew in November for the ninth consecutive month. This month's reading at 53.5 percent is 2.5 percentage points lower than the 56 percent that was reported in October. Fifty-eight 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 November — listed in order — are: Real Estate, Rental & Leasing; Information; Public Administration; Management of Companies & Support Services; Wholesale Trade; and Retail Trade. The three industries reporting a decrease in imports for the month of November are: Arts, Entertainment & Recreation; Finance & Insurance; and Agriculture, Forestry, Fishing & Hunting. Eight industries reported no change in imports in November compared to October.

<b>Imports</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Nov 2014	15	77	8	53.5
Oct 2014	18	76	6	56.0
Sep 2014	12	81	7	52.5
Aug 2014	8	86	6	51.0

## Inventory Sentiment

The ISM® Non-Manufacturing Inventory Sentiment Index in November registered 63 percent, which is 4.5 percentage points higher than the 58.5 percent reported in October. This indicates that respondents believe their inventories are still too high at this time. In November, 30 percent of respondents said their inventories were too high, 4 percent said their inventories were too low, and 66 percent said their inventories were about right.

The 13 industries reporting a feeling that their inventories are too high in November — listed in order — are: Management of Companies & Support Services; Agriculture, Forestry, Fishing & Hunting; Real Estate, Rental & Leasing; Arts, Entertainment & Recreation; Wholesale Trade; Utilities; Finance & Insurance; Professional, Scientific & Technical Services; Transportation & Warehousing; Information; Public Administration; Retail Trade; and Health Care & Social Assistance. The only industry reporting a feeling that their inventory is too low in November is: Construction.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Nov 2014	30	66	4	63.0
Oct 2014	23	71	6	58.5
Sep 2014	27	66	7	60.0
Aug 2014	20	70	10	55.0

## 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<sup>®</sup> (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<sup>®</sup> Report On Business<sup>®</sup>** 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<sup>®</sup> 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<sup>®</sup> 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<sup>®</sup> Report On Business<sup>®</sup>** 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<sup>®</sup> Report On Business<sup>®</sup>** is published monthly by Institute for Supply Management<sup>®</sup>, the first supply institute in the world. Founded in 1915, ISM<sup>®</sup>'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<sup>®</sup> Report On Business<sup>®</sup>** — ISM<sup>®</sup> maintains a strong global influence among individuals and organizations. ISM<sup>®</sup> 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 December 2014 data will be released at 10:00 a.m. (ET) on Tuesday, January 6, 2015.