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

NMI[®] at 56.2%

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 December 2014.

Business Activity Index at 57.2%

New Orders Index at 58.9%

Employment Index at 56%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in December for the 59th 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 56.2 percent in December, 3.1 percentage points lower than the November reading of 59.3 percent. This represents continued growth in the non-manufacturing sector. The Non-Manufacturing Business Activity Index decreased to 57.2 percent, which is 7.2 percentage points lower than the November reading of 64.4 percent, reflecting growth for the 65th consecutive month at a slower rate. The New Orders Index registered 58.9 percent, 2.5 percentage points lower than the reading of 61.4 percent registered in November. The Employment Index decreased 0.7 percentage point to 56 percent from

the November reading of 56.7 percent and indicates growth for the tenth consecutive month. The Prices Index decreased 4.9 percentage points from the November reading of 54.4 percent to 49.5 percent, indicating prices contracted in December when compared to November. According to the NMI[®], 12 non-manufacturing industries reported growth in December. Comments from respondents are mostly positive about business conditions and the overall economy for year-end."

INDUSTRY PERFORMANCE

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

WHAT RESPONDENTS ARE SAYING ...

- "Delays at West Coast ports are requiring re-routing to east coast facilities." (Management of Companies & Support Services)
- "Still struggling with supply of solutions for patient care." (Health Care & Social Assistance)
- "Low oil prices are easing tensions on wholesale prices. Energy exports should be able to boost the economy upward. Obamacare and wages are still the biggest enemies to profitability." (Accommodation & Food Services)
- "Outlook for 1Q 2015 is strong. Up from a relatively strong 4th quarter 2014." (Professional, Scientific & Technical Services)
- "Reduced fuel prices will improve the cash position of the company." (Transportation & Warehousing)
- "We are finishing the year strong." (Wholesale Trade)
- "Another terrific month in the auto industry. Sales are near historic highs." (Retail Trade)

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

Index	Non-Manufacturing						Manufacturing		
	Series Index Dec	Series Index Nov	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Dec	Series Index Nov	Percent Point Change
NMI®/PMI®	56.2	59.3	-3.1	Growing	Slower	59	55.5	58.7	-3.2
Business Activity/Production	57.2	64.4	-7.2	Growing	Slower	65	58.8	64.4	-5.6
New Orders	58.9	61.4	-2.5	Growing	Slower	65	57.3	66.0	-8.7
Employment	56.0	56.7	-0.7	Growing	Slower	10	56.8	54.9	+1.9
Supplier Deliveries	52.5	54.5	-2.0	Slowing	Slower	2	59.3	56.8	+2.5
Inventories	50.0	55.5	-5.5	Unchanged	From Growing	1	45.5	51.5	-6.0
Prices	49.5	54.4	-4.9	Contracting	From Growing	1	38.5	44.5	-6.0
Backlog of Orders	49.5	55.5	-6.0	Contracting	From Growing	1	52.5	55.0	-2.5
New Export Orders	53.5	57.0	-3.5	Growing	Slower	9	52.0	55.0	-3.0
Imports	50.0	53.5	-3.5	Unchanged	From Growing	1	55.0	56.0	-1.0
Inventory Sentiment	59.0	63.0	-4.0	Too High	Slower	211	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	44.5	50.0	-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

Beef (2); Beef Items (13); Cocoa; Coffee; Corn; Produce (2); Services Labor; and Software Maintenance.

Commodities Down in Price

#1 Diesel Fuel (4); #2 Diesel Fuel (5); Cheese; Chicken; Computer & Peripherals; Dairy; Fuel (3); Gasoline (6); Lumber (3); and Office Products / Supplies.

Commodities in Short Supply

Medical IV Solutions (12) is the only commodity reported in short supply.

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

DECEMBER 2014 NON-MANUFACTURING INDEX SUMMARIES

NMI®

In December, the NMI® registered 56.2 percent, a decrease of 3.1 percentage points when compared to November's reading of 59.3 percent, indicating continued growth in the non-manufacturing sector for the 59th 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®
Dec 2014	56.2	Jun 2014	56.0
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
Average for 12 months – 56.3 High – 59.6 Low – 51.6			

Business Activity

ISM®'s Business Activity Index in December registered 57.2 percent; a decrease of 7.2 percentage points below November's reading of 64.4 percent. This represents growth in business activity for the 65th consecutive month. Nine industries reported increased business activity, and five industries reported decreased activity for the month of December. Comments from respondents include: "Year-end spending prior to new year budget" and "Strong foot traffic through retail stores and stand alone shops."

The industries reporting growth of business activity in December — listed in order — are: Retail Trade Management of Companies & Support Services; Information; Professional, Scientific & Technical Services; Agriculture, Forestry, Fishing & Hunting; Accommodation & Food Services; Health Care & Social Assistance; Wholesale Trade; and Public

Administration. The five industries reporting a decrease in business activity in December are: Arts, Entertainment & Recreation; Educational Services; Mining; Other Services; and Transportation & Warehousing.

Business Activity	% Higher	% Same	% Lower	Index
Dec 2014	32	50	18	57.2
Nov 2014	37	51	12	64.4
Oct 2014	30	56	14	60.0
Sep 2014	37	50	13	62.9

New Orders

ISM®'s Non-Manufacturing New Orders Index grew in December for the 65th consecutive month at a slower rate compared to November. The index registered 58.9 percent, a decrease of 2.5 percentage points from the November reading of 61.4 percent. Comments from respondents include: "Expansion in business locations" and "Business growth."

The 10 industries reporting growth of new orders in December — listed in order — are: Management of Companies & Support Services; Professional, Scientific & Technical Services; Information; Retail Trade; Agriculture, Forestry, Fishing & Hunting; Utilities; Accommodation & Food Services; Finance & Insurance; Wholesale Trade; and Health Care & Social Assistance. The six industries reporting contraction of new orders in December — listed in order — are: Educational Services; Arts, Entertainment & Recreation; Mining; Other Services; Transportation & Warehousing; and Public Administration.

New Orders	% Higher	% Same	% Lower	Index
Dec 2014	30	53	17	58.9
Nov 2014	37	50	13	61.4
Oct 2014	26	61	13	59.1
Sep 2014	34	55	11	61.0

Employment

Employment activity in the non-manufacturing sector grew in December for the tenth consecutive month. ISM®'s Non-Manufacturing Employment Index registered 56 percent, which reflects a decrease of 0.7 percentage point when compared to November's reading of 56.7 percent. Ten industries reported increased employment, and three

industries reported decreased employment. Comments from respondents include: "Expansion of business locations" and "Employment ramp up."

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

Employment	% Higher	% Same	% Lower	Index
Dec 2014	22	66	12	56.0
Nov 2014	18	68	14	56.7
Oct 2014	22	67	11	59.6
Sep 2014	24	60	16	58.5

Supplier Deliveries

The Supplier Deliveries Index decreased and registered 52.5 percent in December, 2 percentage points lower than the 54.5 percent registered in November. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The nine industries reporting slower deliveries in December — listed in order — are: Other Services; Educational Services; Retail Trade; Wholesale Trade; Transportation & Warehousing; Accommodation & Food Services; Construction; Health Care & Social Assistance; and Public Administration. The three industries reporting faster deliveries in December are: Information; Professional, Scientific & Technical Services; and Finance & Insurance. Six industries reported no change in supplier deliveries in December compared to November.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Dec 2014	11	83	6	52.5
Nov 2014	13	83	4	54.5
Oct 2014	4	91	5	49.5
Sep 2014	8	88	4	52.0

Inventories

ISM®'s Non-Manufacturing Inventories were unchanged and registered 50 percent in December, which is 5.5 percentage points lower than the 55.5 percent that was reported in November. Of the total respondents in December, 30 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Using some older inventory to fulfill orders and not produce new" and "Keeping inventories tight for year-end."

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

Inventories	% Higher	% Same	% Lower	Index
Dec 2014	20	60	20	50.0
Nov 2014	24	63	13	55.5
Oct 2014	19	61	20	49.5
Sep 2014	18	68	14	52.0

Prices

Prices paid by non-manufacturing organizations for purchased materials and services decreased in December for the first time in 62 months. ISM®'s Non-Manufacturing Prices Index for December registered 49.5 percent, 4.9 percentage points lower than the 54.4 percent reported in November. The percentage of respondents reporting higher prices is 12 percent, the percentage indicating no change in prices paid is 70 percent, and 18 percent of the respondents reported lower prices.

Four non-manufacturing industries reporting an increase in prices paid during the month of December are: Agriculture, Forestry, Fishing & Hunting; Other Services; Accommodation & Food Services; and Wholesale Trade. The 10 industries reporting a decrease in prices paid for the month of December — listed in order — are: Arts, Entertainment & Recreation; Educational Services; Utilities; Transportation & Warehousing; Health Care & Social Assistance; Finance & Insurance; Information; Public Administration; Construction; and Professional, Scientific & Technical Services.

Prices	% Higher	% Same	% Lower	Index
Dec 2014	12	70	18	49.5
Nov 2014	14	74	12	54.4
Oct 2014	15	71	14	52.1
Sep 2014	16	75	9	55.2

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 contracted in December after seven months of growth. The index registered 49.5 percent, which is 6 percentage points lower than the 55.5 percent that was reported in November. Of the total respondents in December, 37 percent indicated they do not measure backlog of orders.

The six industries reporting an increase in order backlogs in December — listed in order — are: Finance & Insurance; Utilities; Real Estate, Rental & Leasing; Management of Companies & Support Services; Retail Trade; and Professional, Scientific & Technical Services. The five industries reporting a decrease in order backlogs in December are: Educational Services; Other Services; Information; Public Administration; and Wholesale Trade. Seven industries reported no change in backlog of orders in December compared to November.

Backlog of Orders	% Higher	% Same	% Lower	Index
Dec 2014	14	71	15	49.5
Nov 2014	18	75	7	55.5
Oct 2014	14	75	11	51.5
Sep 2014	14	76	10	52.0

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 December for the ninth consecutive month. The New Export Orders Index for December registered 53.5 percent, which is 3.5 percentage points lower than the 57 percent reported in

November. Of the total respondents in December, 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 December are: Information; Retail Trade; Finance & Insurance; and Professional, Scientific & Technical Services. The two industries reporting a decrease in export orders in December are: Other Services; and Wholesale Trade. Nine industries reported no change in new export orders in December compared to November.

New Export Orders	% Higher	% Same	% Lower	Index
Dec 2014	14	79	7	53.5
Nov 2014	23	68	9	57.0
Oct 2014	12	83	5	53.5
Sep 2014	20	75	5	57.5

Imports

The ISM[®] Non-Manufacturing Imports Index was unchanged in December after nine consecutive months of growth. This month's reading at 50 percent is 3.5 percentage points lower than the 53.5 percent that was reported in November. Fifty-six percent of respondents reported that they do not use, or do not track the use of, imported materials.

The four industries reporting an increase in imports for the month of December are: Information; Health Care & Social Assistance; Wholesale Trade; and Professional, Scientific & Technical Services. The four industries reporting a decrease in imports for the month of December are: Other Services; Arts, Entertainment & Recreation; Retail Trade; and Accommodation & Food Services. Nine industries reported no change in imports in December compared to November.

Imports	% Higher	% Same	% Lower	Index
Dec 2014	12	76	12	50.0
Nov 2014	15	77	8	53.5
Oct 2014	18	76	6	56.0
Sep 2014	12	81	7	52.5

Inventory Sentiment

The ISM[®] Non-Manufacturing Inventory Sentiment Index in December registered 59 percent, which is 4 percentage points lower than the 63 percent reported in November. This indicates that respondents believe their inventories are still too high at this time. In December, 23 percent of respondents said their inventories were too high, 5 percent said their inventories were too low, and 72 percent said their inventories were about right.

The 10 industries reporting a feeling that their inventories are too high in December — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Mining; Management of Companies & Support Services; Arts, Entertainment & Recreation; Utilities; Transportation & Warehousing; Finance & Insurance; Accommodation & Food Services; Wholesale Trade; and Retail Trade. The two industries reporting a feeling that their inventories are too low in December are: Construction; and Professional, Scientific & Technical Services.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Dec 2014	23	72	5	59.0
Nov 2014	30	66	4	63.0
Oct 2014	23	71	6	58.5
Sep 2014	27	66	7	60.0

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 10:00 a.m. (ET).

The next **Non-Manufacturing ISM® Report On Business®** featuring the January 2015 data will be released at 10:00 a.m. (ET) on Wednesday, February 4, 2015.