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January 2015 Non-Manufacturing ISM[®] *Report On Business*[®]

NMI[®] at 56.7%

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 January 2015.

This report reflects the recently completed annual adjustments to the seasonal adjustment factors used to calculate the indexes.

Business Activity Index at 61.5%

New Orders Index at 59.5%

Employment Index at 51.6%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in January for the 60th 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 56.7 percent in January, 0.2 percentage point higher than the December reading of 56.5 percent. This represents continued growth in the non-manufacturing sector. The Non-Manufacturing Business Activity Index increased to 61.5 percent, which is 2.9 percentage points higher than the December reading of 58.6 percent, reflecting growth for the 66th consecutive month at a faster rate. The New Orders Index registered 59.5 percent, 0.3 percentage point higher than the reading

of 59.2 percent registered in December. The Employment Index decreased 4.1 percentage points to 51.6 percent from the December reading of 55.7 percent and indicates growth for the eleventh consecutive month. The Prices Index decreased 4.3 percentage points from the December reading of 49.8 percent to 45.5 percent, indicating prices contracted in January when compared to December. According to the NMI[®], eight non-manufacturing industries reported growth in January. Comments from respondents vary by industry and company; however, they are mostly positive and/or reflect stability about business conditions."

INDUSTRY PERFORMANCE

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

WHAT RESPONDENTS ARE SAYING ...

- "Business is turning up slightly." (Health Care & Social Assistance)
- "Construction demand growing." (Construction)
- "The fall of oil commodity pricing is putting a good deal of pressure on our customers (oil company) budgets for 2015." (Mining)
- "Mild winter has had a good effect on sales. Overall sales are up 2% from last year. Fuel prices are down which has reduced costs. Government mandates on healthcare and minimum wage are still a concern." (Accommodation & Food Services)
- "Start of the year is off to a great start. We remain cautiously optimistic. Lower fuel prices show strong local, regional and national economic activity." (Professional, Scientific & Technical Services)
- "Have not seen the [lower] cost of fuel have any affect yet on other prices." (Retail Trade)
- "General business activity remains consistent with past months; new projects/products continue to develop." (Wholesale Trade)

**ISM[®] NON-MANUFACTURING SURVEY RESULTS AT A GLANCE
COMPARISON OF ISM[®] NON-MANUFACTURING AND ISM[®] MANUFACTURING
SURVEYS*
JANUARY 2015**

Index	Non-Manufacturing						Manufacturing		
	Series Index Jan	Series Index Dec	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Jan	Series Index Dec	Percent Point Change
NMI[®]/PMI[®]	56.7	56.5	+0.2	Growing	Faster	60	53.5	55.1	-1.6
Business Activity/Production	61.5	58.6	+2.9	Growing	Faster	66	56.5	57.7	-1.2
New Orders	59.5	59.2	+0.3	Growing	Faster	66	52.9	57.8	-4.9
Employment	51.6	55.7	-4.1	Growing	Slower	11	54.1	56.0	-1.9
Supplier Deliveries	54.0	52.5	+1.5	Slowing	Faster	3	52.9	58.6	-5.7
Inventories	52.5	50.0	+2.5	Growing	Faster	2	51.0	45.5	+5.5
Prices	45.5	49.8	-4.3	Decreasing	Faster	2	35.0	38.5	-3.5
Backlog of Orders	49.0	49.5	-0.5	Contracting	Faster	2	46.0	52.5	-6.5
New Export Orders	52.5	53.5	-1.0	Growing	Slower	10	49.5	52.0	-2.5
Imports	46.5	50.0	-3.5	Contracting	From Unchanged	1	55.5	55.0	+0.5
Inventory Sentiment	61.5	59.0	+2.5	Too High	Faster	212	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	42.5	44.5	-2.0
Overall Economy				Growing	Faster	66			
Non-Manufacturing Sector				Growing	Faster	60			

* **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 (3); Beef Items (14); Coated Freesheet; #1 Diesel Fuel*; Gasoline*; Lettuce; Services Labor (2) and Lumber: Pine, Spruce, Treated.

Commodities Down in Price

Butter; #1 Diesel Fuel* (5); #2 Diesel Fuel (6); #2 Heating Fuel; Cheese (2); Fuel (4); Gasoline* (7); Natural Gas; Paper; and Propane.

Commodities in Short Supply

N95 Face Masks; and Medical IV Solutions (13).

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

JANUARY 2015 NON-MANUFACTURING INDEX SUMMARIES

NMI[®]

In January, the NMI[®] registered 56.7 percent, an increase of 0.2 percentage point when compared to December's reading of 56.5 percent, indicating continued growth in the non-manufacturing sector for the 60th 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.

An NMI[®] in excess of 48.7 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the January NMI[®] indicates growth for the 66th consecutive month in the overall economy, and indicates

expansion in the non-manufacturing sector for the 60th consecutive month. Nieves stated, "The past relationship between the NMI[®] and the overall economy indicates that the NMI[®] for January (56.7 percent) corresponds to a 3.4 percent increase in real gross domestic product (GDP) on an annualized basis."

NMI[®] HISTORY			
Month	NMI[®]	Month	NMI[®]
Jan 2015	56.7	Jul 2014	57.9
Dec 2014	56.5	Jun 2014	56.3
Nov 2014	58.8	May 2014	56.1
Oct 2014	56.9	Apr 2014	55.3
Sep 2014	58.1	Mar 2014	53.7
Aug 2014	58.6	Feb 2014	52.5
Average for 12 months – 56.5 High – 58.8 Low – 52.5			

Business Activity

ISM[®]'s Business Activity Index in January registered 61.5 percent; an increase of 2.9 percentage points above December's seasonally adjusted reading of 58.6 percent. This represents growth in business activity for the 66th consecutive month. Eight industries reported increased business activity, and six industries reported decreased activity for the month of January. Comments from respondents include: "Mild weather and lower gas prices" and "New products introduction."

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

Business Activity	% Higher	% Same	% Lower	Index
Jan 2015	35	45	20	61.5
Dec 2014	32	50	18	58.6
Nov 2014	37	51	12	63.4
Oct 2014	30	56	14	60.5

New Orders

ISM®'s Non-Manufacturing New Orders Index grew in January for the 66th consecutive month at a slightly faster rate compared to December. The index registered 59.5 percent, an increase of 0.3 percentage point from the December seasonally adjusted reading of 59.2 percent. Comments from respondents include: "New budgets" and "Increased orders and/or prospects."

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

New Orders	% Higher	% Same	% Lower	Index
Jan 2015	29	54	17	59.5
Dec 2014	30	53	17	59.2
Nov 2014	37	50	13	61.0
Oct 2014	26	61	13	59.3

Employment

Employment activity in the non-manufacturing sector grew in January for the eleventh consecutive month. ISM®'s Non-Manufacturing Employment Index registered 51.6 percent, which reflects a decrease of 4.1 percentage points when compared to December's seasonally adjusted reading of 55.7 percent. Six industries reported increased employment, and seven industries reported decreased employment. Comments from respondents include: "General decline in revenue year-over-year has caused some cutbacks in our labor force" and "New year budget passed. All open positions are now being filled."

The six industries reporting an increase in employment in January — listed in order — are: Accommodation & Food Services; Management of Companies & Support Services; Wholesale Trade; Finance & Insurance; Public Administration; and Transportation & Warehousing. The seven industries reporting a reduction in employment in January — listed in order — are: Arts, Entertainment & Recreation; Construction; Educational Services; Information; Other Services; Utilities; and Professional, Scientific & Technical Services.

Employment	% Higher	% Same	% Lower	Index
Jan 2015	17	64	19	51.6
Dec 2014	22	66	12	55.7
Nov 2014	18	68	14	56.3
Oct 2014	22	67	11	58.3

Supplier Deliveries

The Supplier Deliveries Index increased and registered 54 percent in January, 1.5 percentage points higher than the 52.5 percent registered in December. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The 10 industries reporting slower deliveries in January — listed in order — are: Educational Services; Real Estate, Rental & Leasing; Information; Arts, Entertainment & Recreation; Management of Companies & Support Services; Wholesale Trade; Accommodation & Food Services; Construction; Professional, Scientific & Technical Services; and Public Administration. No industry reported faster deliveries in January. Eight industries reported no change in supplier deliveries in January compared to December.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Jan 2015	11	86	3	54.0
Dec 2014	11	83	6	52.5
Nov 2014	13	83	4	54.5
Oct 2014	4	91	5	49.5

Inventories

ISM[®]'s Non-Manufacturing Inventories grew and registered 52.5 percent in January, which is 2.5 percentage points higher than the 50 percent that was reported in December. Of the total respondents in January, 33 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Increased volume" and "Removal of obsolete items."

The nine industries reporting an increase in inventories in January — listed in order — are: Mining; Management of Companies & Support Services; Utilities; Construction; Accommodation & Food Services; Finance & Insurance; Public Administration; Health Care & Social Assistance; and Wholesale Trade. The five industries reporting decreases in

inventories in January are: Educational Services; Arts, Entertainment & Recreation; Information; Retail Trade; and Professional, Scientific & Technical Services.

Inventories	% Higher	% Same	% Lower	Index
Jan 2015	27	51	22	52.5
Dec 2014	20	60	20	50.0
Nov 2014	24	63	13	55.5
Oct 2014	19	61	20	49.5

Prices

Prices paid by non-manufacturing organizations for purchased materials and services decreased in January for the second time in 63 months. ISM®'s Non-Manufacturing Prices Index for January registered 45.5 percent, 4.3 percentage points lower than the seasonally adjusted 49.8 percent reported in December. The percentage of respondents reporting higher prices is 14 percent, the percentage indicating no change in prices paid is 66 percent, and 20 percent of the respondents reported lower prices.

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

Prices	% Higher	% Same	% Lower	Index
Jan 2015	14	66	20	45.5
Dec 2014	12	70	18	49.8
Nov 2014	14	74	12	55.0
Oct 2014	15	71	14	52.8

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 January for the second consecutive time after seven months of growth. The index registered 49 percent, which is 0.5 percentage point lower than the 49.5 percent that was reported in December. Of the total respondents in January, 41 percent indicated they do not measure backlog of orders.

The six industries reporting an increase in order backlogs in January — listed in order — are: Real Estate, Rental & Leasing; Information; Finance & Insurance; Health Care & Social Assistance; Retail Trade; and Construction. The six industries reporting a decrease in order backlogs in January — listed in order — are: Arts, Entertainment & Recreation; Mining; Other Services; Wholesale Trade; Transportation & Warehousing; and Professional, Scientific & Technical Services.

Backlog of Orders	% Higher	% Same	% Lower	Index
Jan 2015	15	68	17	49.0
Dec 2014	14	71	15	49.5
Nov 2014	18	75	7	55.5
Oct 2014	14	75	11	51.5

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 January for the tenth consecutive month. The New Export Orders Index for January registered 52.5 percent, which is 1 percentage point lower than the 53.5 percent reported in December. Of the total respondents in January, 72 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 January are: Information; Construction; Transportation & Warehousing; and Retail Trade. The three industries reporting a decrease in export orders in January are: Public Administration; Arts, Entertainment & Recreation; and Professional, Scientific & Technical Services. Eight industries reported no change in new export orders in January compared to December.

New Export Orders	% Higher	% Same	% Lower	Index
Jan 2015	16	73	11	52.5
Dec 2014	14	79	7	53.5
Nov 2014	23	68	9	57.0
Oct 2014	12	83	5	53.5

Imports

The ISM® Non-Manufacturing Imports Index contracted in January after one month being unchanged and nine prior months of growth. This month's reading at 46.5 percent is 3.5 percentage points lower than the 50 percent that was reported in December. Fifty-nine percent of respondents reported that they do not use, or do not track the use of, imported materials.

The two industries reporting an increase in imports for the month of January are: Information; and Wholesale Trade. The six industries reporting a decrease in imports for the month of January — listed in order — are: Public Administration; Arts, Entertainment & Recreation; Transportation & Warehousing; Utilities; Retail Trade; and Professional, Scientific & Technical Services. Eight industries reported no change in imports in January compared to December.

Imports	% Higher	% Same	% Lower	Index
Jan 2015	11	71	18	46.5
Dec 2014	12	76	12	50.0
Nov 2014	15	77	8	53.5
Oct 2014	18	76	6	56.0

Inventory Sentiment

The ISM® Non-Manufacturing Inventory Sentiment Index in January registered 61.5 percent, which is 2.5 percentage points higher than the 59 percent reported in December. This indicates that respondents believe their inventories are still too high at this time. In January, 26 percent of respondents said their inventories were too high, 3 percent said their inventories were too low, and 71 percent said their inventories were about right.

The 10 industries reporting a feeling that their inventories are too high in January — listed in order — are: Mining; Construction; Information; Utilities; Arts, Entertainment & Recreation; Finance & Insurance; Wholesale Trade; Public

Administration; Health Care & Social Assistance; and Retail Trade. No industry reported a feeling that their inventories are too low.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Jan 2015	26	71	3	61.5
Dec 2014	23	72	5	59.0
Nov 2014	30	66	4	63.0
Oct 2014	23	71	6	58.5

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.

An NMI[®] in excess of 48.7 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 48.7 percent, it is generally declining. The distance from 50 percent or 48.7 percent is indicative of the strength of the expansion or decline.

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 February 2015 data will be released at 10:00 a.m. (ET) on Wednesday, March 4, 2015.