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## **February 2015 Non-Manufacturing ISM<sup>®</sup> *Report On Business*<sup>®</sup>**

**NMI<sup>®</sup> at 56.9%**

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 February 2015.

**Business Activity Index at 59.4%**

**New Orders Index at 56.7%**

**Employment Index at 56.4%**

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in February for the 61st 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 56.9 percent in February, 0.2 percentage point higher than the January reading of 56.7 percent. This represents continued growth in the non-manufacturing sector. The Non-Manufacturing Business Activity Index decreased to 59.4 percent, which is 2.1 percentage points lower than the January reading of 61.5 percent, reflecting growth for the 67th consecutive month at a slower rate. The New Orders Index registered 56.7 percent, 2.8 percentage points lower than the reading of 59.5 percent registered in January. The Employment Index increased 4.8 percentage points to 56.4 percent from the January reading of 51.6 percent and indicates growth for the 12th consecutive month. The Prices Index increased 4.2 percentage points from the January reading of 45.5 percent to 49.7 percent, indicating prices contracted in February

for the third consecutive month. According to the NMI<sup>®</sup>, 14 non-manufacturing industries reported growth in February. Comments from respondents have increased in regards to the affects of the reduction in fuel costs and the impact of the West Coast port labor issues on the continuity of supply. Overall, supply managers feel mostly positive about the direction of the economy."

## **INDUSTRY PERFORMANCE**

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

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

- "The lower price of oil is providing a beneficial impact on certain products, specifically plastics." (Agriculture, Forestry, Fishing & Hunting)
- "Business conditions are seeing less money being spent on capital projects by the major oil companies." (Construction)
- "Business is on par or slightly up for this time of year. This time of year is considerably slower than peak season." (Arts, Entertainment & Recreation)
- "West Coast ports are causing shortages." (Health Care & Social Assistance)
- "Signs of continued, but slowed growth in our sector. Low fuel prices and utility prices helping with costs. International markets remain lagging behind US growth." (Professional, Scientific & Technical Services)
- "The West Coast port labor union situation is slowing down the products we need to release to our customers. Business is good, but waiting and not shipping on time will cost us big time." (Information)
- "Sales continue to be solid which is believed to align with lower fuel costs and overall consumer sentiment being positive." (Retail Trade)
- "Port congestion is causing major delays in the delivery of product. The reduced cost of fuel has increased our sales and we believe it will continue throughout the first quarter." (Wholesale Trade)

**ISM® NON-MANUFACTURING SURVEY RESULTS AT A GLANCE  
COMPARISON OF ISM® NON-MANUFACTURING AND ISM® MANUFACTURING  
SURVEYS\*  
FEBRUARY 2015**

Index	Non-Manufacturing						Manufacturing		
	Series Index Feb	Series Index Jan	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Feb	Series Index Jan	Percent Point Change
<b>NMI®/PMI®</b>	56.9	56.7	+0.2	Growing	Faster	61	52.9	53.5	-0.6
<b>Business Activity/Production</b>	59.4	61.5	-2.1	Growing	Slower	67	53.7	56.5	-2.8
<b>New Orders</b>	56.7	59.5	-2.8	Growing	Slower	67	52.5	52.9	-0.4
<b>Employment</b>	56.4	51.6	+4.8	Growing	Faster	12	51.4	54.1	-2.7
<b>Supplier Deliveries</b>	55.0	54.0	+1.0	Slowing	Faster	4	54.3	52.9	+1.4
<b>Inventories</b>	54.5	52.5	+2.0	Growing	Faster	2	52.5	51.0	+1.5
<b>Prices</b>	49.7	45.5	+4.2	Decreasing	Slower	3	35.0	35.0	0.0
<b>Backlog of Orders</b>	53.0	49.0	+4.0	Growing	From Contracting	1	51.5	46.0	+5.5
<b>New Export Orders</b>	53.0	52.5	+0.5	Growing	Faster	11	48.5	49.5	-1.0
<b>Imports</b>	51.0	46.5	+4.5	Growing	From Contracting	1	54.0	55.5	-1.5
<b>Inventory Sentiment</b>	62.0	61.5	+0.5	Too High	Faster	213	N/A	N/A	N/A
<b>Customers' Inventories</b>	N/A	N/A	N/A	N/A	N/A	N/A	46.5	42.5	+4.0
<b>Overall Economy</b>				Growing	Faster	67			
<b>Non-Manufacturing Sector</b>				Growing	Slower	61			

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

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

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

### **Commodities Up in Price**

Beef (4); #1 Diesel Fuel\* (2); Fuel\*; Gasoline\* (2); Services Labor (3); and Software Maintenance.

### **Commodities Down in Price**

Bacon; Butter (2); Cheese (3); Copper Fittings; Dairy; #1 Diesel Fuel\* (6); #2 Diesel Fuel (7); Fuel\* (5); Gasoline\* (8); Lumber: Pine, Plywood, Spruce, Treated; Natural Gas (2); Pork; and Produce.

### **Commodities in Short Supply**

Laptops; Medical IV Solutions (14); and Services Labor.

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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## **FEBRUARY 2015 NON-MANUFACTURING INDEX SUMMARIES**

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### **NMI<sup>®</sup>**

In February, the NMI<sup>®</sup> registered 56.9 percent, an increase of 0.2 percentage point when compared to January's reading of 56.7 percent, indicating continued growth in the non-manufacturing sector for the 61st 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<sup>®</sup> in excess of 48.7 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the February NMI<sup>®</sup> indicates growth for the 67th consecutive month in the overall economy, and indicates

expansion in the non-manufacturing sector for the 61st consecutive month. Nieves stated, "The past relationship between the NMI<sup>®</sup> and the overall economy indicates that the NMI<sup>®</sup> for February (56.9 percent) corresponds to a 3.5 percent increase in real gross domestic product (GDP) on an annualized basis."

<b>NMI<sup>®</sup> HISTORY</b>			
<b><i>Month</i></b>	<b><i>NMI<sup>®</sup></i></b>	<b><i>Month</i></b>	<b><i>NMI<sup>®</sup></i></b>
Feb 2015	56.9	Aug 2014	58.6
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
Average for 12 months – 56.8 High – 58.8 Low – 53.7			

## **Business Activity**

ISM<sup>®</sup>'s Business Activity Index in February registered 59.4 percent; a decrease of 2.1 percentage points below January's seasonally adjusted reading of 61.5 percent. This represents growth in business activity for the 67th consecutive month. Thirteen industries reported increased business activity, and four industries reported decreased activity for the month of February. Comments from respondents include: "Improved economic conditions and seasonal opportunities" and "The new year and approved budgets allow for project origination and kick-off."

The 13 industries reporting growth of business activity in February — listed in order — are: Transportation & Warehousing; Agriculture, Forestry, Fishing & Hunting; Utilities; Real Estate, Rental & Leasing; Wholesale Trade; Management of Companies & Support Services; Arts, Entertainment & Recreation; Accommodation & Food Services; Finance & Insurance; Educational Services; Public Administration; Information; and Health Care & Social Assistance. The four industries reporting a decrease in business activity in February are: Construction; Other Services; Professional, Scientific & Technical Services; and Retail Trade.

<b>Business Activity</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Feb 2015	32	54	14	59.4
Jan 2015	35	45	20	61.5
Dec 2014	32	50	18	58.6
Nov 2014	37	51	12	63.4

## **New Orders**

ISM®'s Non-Manufacturing New Orders Index grew in February for the 67th consecutive month at a slower rate compared to January. The index registered 56.7 percent, a decrease of 2.8 percentage points from the January seasonally adjusted reading of 59.5 percent. Comments from respondents include: "Business expansion" and "New customers driving new orders."

The 11 industries reporting growth of new orders in February — listed in order — are: Transportation & Warehousing; Agriculture, Forestry, Fishing & Hunting; Real Estate, Rental & Leasing; Utilities; Wholesale Trade; Accommodation & Food Services; Information; Finance & Insurance; Management of Companies & Support Services; Educational Services; and Public Administration. The four industries reporting contraction of new orders in February are: Mining; Construction; Retail Trade; and Health Care & Social Assistance.

<b>New Orders</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Feb 2015	26	63	11	56.7
Jan 2015	29	54	17	59.5
Dec 2014	30	53	17	59.2
Nov 2014	37	50	13	61.0

## **Employment**

Employment activity in the non-manufacturing sector grew in February for the 12th consecutive month. ISM®'s Non-Manufacturing Employment Index registered 56.4 percent, which reflects an increase of 4.8 percentage points when compared to January's seasonally adjusted reading of 51.6 percent. Eleven industries reported increased employment, and four industries reported decreased employment. Comments from respondents include: "Due to continued business growth" and "More job awards plus added staff."

The 11 industries reporting an increase in employment in February — listed in order — are: Wholesale Trade; Accommodation & Food Services; Retail Trade; Management of Companies & Support Services; Professional, Scientific & Technical Services; Construction; Other Services; Utilities; Public Administration; Health Care & Social Assistance; and Finance & Insurance. The four industries reporting a reduction in employment in February are: Mining; Information; Arts, Entertainment & Recreation; and Transportation & Warehousing.

<b>Employment</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Feb 2015	23	67	10	56.4
Jan 2015	17	64	19	51.6
Dec 2014	22	66	12	55.7
Nov 2014	18	68	14	56.3

## **Supplier Deliveries**

The Supplier Deliveries Index increased and registered 55 percent in February, 1 percentage point higher than the 54 percent registered in January. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The nine industries reporting slower deliveries in February — listed in order — are: Accommodation & Food Services; Information; Real Estate, Rental & Leasing; Wholesale Trade; Construction; Health Care & Social Assistance; Retail Trade; Professional, Scientific & Technical Services; and Public Administration. The only industry reporting faster deliveries in February is Mining. Eight industries reported no change in supplier deliveries in February compared to January.

<b>Supplier Deliveries</b>	<b>% Slower</b>	<b>% Same</b>	<b>% Faster</b>	<b>Index</b>
Feb 2015	12	86	2	55.0
Jan 2015	11	86	3	54.0
Dec 2014	11	83	6	52.5
Nov 2014	13	83	4	54.5

## **Inventories**

ISM®'s Non-Manufacturing Inventories grew and registered 54.5 percent in February, which is 2 percentage points higher than the 52.5 percent that was reported in January. Of the total respondents in February, 31 percent indicated

they do not have inventories or do not measure them. Comments from respondents include: "Building stock due to potential West Coast port shutdown" and "Raising inventory for upcoming startup."

The 11 industries reporting an increase in inventories in February — listed in order — are: Mining; Real Estate, Rental & Leasing; Management of Companies & Support Services; Other Services; Information; Finance & Insurance; Transportation & Warehousing; Accommodation & Food Services; Construction; Health Care & Social Assistance; and Wholesale Trade. The four industries reporting decreases in inventories in February are: Arts, Entertainment & Recreation; Retail Trade; Public Administration; and Utilities.

<b>Inventories</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Feb 2015	26	57	17	54.5
Jan 2015	27	51	22	52.5
Dec 2014	20	60	20	50.0
Nov 2014	24	63	13	55.5

## **Prices**

Prices paid by non-manufacturing organizations for purchased materials and services decreased in February for the third time in 32 months. ISM®'s Non-Manufacturing Prices Index for February registered 49.7 percent, 4.2 percentage points higher than the seasonally adjusted 45.5 percent reported in January. The percentage of respondents reporting higher prices is 15 percent, the percentage indicating no change in prices paid is 74 percent, and 11 percent of the respondents reported lower prices.

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

<b>Prices</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Feb 2015	15	74	11	49.7
Jan 2015	14	66	20	45.5
Dec 2014	12	70	18	49.8
Nov 2014	14	74	12	55.0



NOTE: Commodities reported as up in price and down in price are listed in the commodities section of this report.

## Backlog of Orders

ISM<sup>®</sup>'s Non-Manufacturing Backlog of Orders Index grew in February after two consecutive months of contraction. The index registered 53 percent, which is 4 percentage points higher than the 49 percent that was reported in January. Of the total respondents in February, 38 percent indicated they do not measure backlog of orders.

The nine industries reporting an increase in order backlogs in February — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Educational Services; Accommodation & Food Services; Information; Real Estate, Rental & Leasing; Public Administration; Wholesale Trade; Finance & Insurance; and Construction. The four industries reporting a decrease in order backlogs in February are: Mining; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Retail Trade.

Backlog of Orders	% Higher	% Same	% Lower	Index
Feb 2015	18	70	12	53.0
Jan 2015	15	68	17	49.0
Dec 2014	14	71	15	49.5
Nov 2014	18	75	7	55.5

## 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 February for the 11th consecutive month. The New Export Orders Index for February registered 53 percent, which is 0.5 percentage point higher than the 52.5 percent reported in January. Of the total respondents in February, 71 percent indicated they either do not perform, or do not separately measure, orders for work outside of the United States.

The five industries reporting an increase in new export orders in February are: Agriculture, Forestry, Fishing & Hunting; Real Estate, Rental & Leasing; Information; Finance & Insurance; and Wholesale Trade. The two industries reporting a decrease in export orders in February are: Arts, Entertainment & Recreation; and Retail Trade. Eight industries reported no change in new export orders in February compared to January.

<b>New Export Orders</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Feb 2015	16	74	10	53.0
Jan 2015	16	73	11	52.5
Dec 2014	14	79	7	53.5
Nov 2014	23	68	9	57.0

## **Imports**

The ISM<sup>®</sup> Non-Manufacturing Imports Index grew in February after one month of contraction. This month's reading at 51 percent is 4.5 percentage points higher than the 46.5 percent that was reported in January. Sixty 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 February — listed in order — are: Real Estate, Rental & Leasing; Accommodation & Food Services; Information; Public Administration; Agriculture, Forestry, Fishing & Hunting; and Construction. The four industries reporting a decrease in imports for the month of February are: Arts, Entertainment & Recreation; Retail Trade; Utilities; and Wholesale Trade. Eight industries reported no change in imports in February compared to January.

<b>Imports</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Index</b>
Feb 2015	14	74	12	51.0
Jan 2015	11	71	18	46.5
Dec 2014	12	76	12	50.0
Nov 2014	15	77	8	53.5

## **Inventory Sentiment**

The ISM<sup>®</sup> Non-Manufacturing Inventory Sentiment Index in February registered 62 percent, which is 0.5 percentage point higher than the 61.5 percent reported in January. This indicates that respondents believe their inventories are still too high at this time. In February, 34 percent of respondents said their inventories were too high, 10 percent said their inventories were too low, and 56 percent said their inventories were about right.

The 11 industries reporting a feeling that their inventories are too high in February — listed in order — are: Mining; Management of Companies & Support Services; Arts, Entertainment & Recreation; Finance & Insurance; Other Services; Public Administration; Wholesale Trade; Utilities; Accommodation & Food Services; Information; and Health

Care & Social Assistance. The two industries reporting a feeling that their inventories are too low are: Transportation & Warehousing; and Professional, Scientific & Technical Services.

<b>Inventory Sentiment</b>	<b>%Too High</b>	<b>%About Right</b>	<b>%Too Low</b>	<b>Index</b>
Feb 2015	34	56	10	62.0
Jan 2015	26	71	3	61.5
Dec 2014	23	72	5	59.0
Nov 2014	30	66	4	63.0

### **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.

An NMI<sup>®</sup> 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<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.

### **About Institute for Supply Management<sup>®</sup>**

Founded in 1915 as the first supply management institute in the world, Institute for Supply Management<sup>®</sup> (ISM<sup>®</sup>) is committed to advancing the practice of supply chain management to drive value and competitive advantage for its members, contributing to a prosperous and sustainable world. This year, ISM celebrates 100 years of leading, innovating and guiding the profession through the renowned **ISM Report On Business<sup>®</sup>**, highly regarded certification programs, and industry-standard training and educational resources. ISM is a not-for-profit organization with global influence, serving supply chain professionals in more than 90 countries.

The full text version of the **Non-Manufacturing ISM<sup>®</sup> Report On Business<sup>®</sup>** is posted on ISM<sup>®</sup>'s website at [www.ism.ws](http://www.ism.ws) on the third business day\* of every month after 10:00 a.m. (ET).

The next **Non-Manufacturing ISM<sup>®</sup> Report On Business<sup>®</sup>** featuring the March 2015 data will be released at 10:00 a.m. (ET) on Monday, April 6, 2015.