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

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 March 2015.

NMI[®] at 56.5%

Business Activity Index at 57.5%

New Orders Index at 57.8%

Employment Index at 56.6%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in March for the 62nd 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 56.5 percent in March, 0.4 percentage point lower than the February reading of 56.9 percent. This represents continued growth in the non-manufacturing sector. The Non-Manufacturing Business Activity Index decreased to 57.5 percent, which is 1.9 percentage points lower than the February reading of 59.4 percent, reflecting growth for the 68th consecutive month at a slower rate. The New Orders Index registered 57.8 percent, 1.1 percentage points higher than the reading of 56.7 percent registered in February. The Employment Index increased 0.2 percentage point to 56.6 percent from the February reading of 56.4 percent and indicates growth for the 13th consecutive month. The

Prices Index increased 2.7 percentage points from the February reading of 49.7 percent to 52.4 percent, indicating prices increased in March after three consecutive months of decreasing. According to the NMI®, 14 non-manufacturing industries reported growth in March. The majority of respondents' comments reflect stability and are mostly positive about business conditions and the overall economy."

INDUSTRY PERFORMANCE

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

WHAT RESPONDENTS ARE SAYING ...

- "Business remains strong this month." (Health Care & Social Assistance)
- "Current business conditions are positive and the outlook for 2015 is on track this first quarter." (Finance & Insurance)
- "See tremendous increase of business activities due to increase of capital investment, sales efforts and competition for human resources." (Professional, Scientific & Technical Services)
- "Some increase in activity related to pre-construction season spending for budgeted capital projects." (Public Administration)
- "Business slightly increasing year-over-year, but about the same as last month." (Retail Trade)
- "Lower fuel prices improving overall profits, but do not appear to be lowering freight costs." (Transportation & Warehousing)
- "Fuel costs continue to remain low; however, suppliers not willing to give back on fuel surcharges or to reduce fuel cost components of transportation." (Utilities)
- "Overall business is continuing to expand for 2015." (Wholesale Trade)

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

Index	Non-Manufacturing						Manufacturing		
	Series Index Mar	Series Index Feb	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Mar	Series Index Feb	Percent Point Change
NMI®/PMI®	56.5	56.9	-0.4	Growing	Slower	62	51.5	52.9	-1.4
Business Activity/Production	57.5	59.4	-1.9	Growing	Slower	68	53.8	53.7	+0.1
New Orders	57.8	56.7	+1.1	Growing	Faster	68	51.8	52.5	-0.7
Employment	56.6	56.4	+0.2	Growing	Faster	13	50.0	51.4	-1.4
Supplier Deliveries	54.0	55.0	-1.0	Slowing	Slower	5	50.5	54.3	-3.8
Inventories	49.5	54.5	-5.0	Contracting	From Growing	1	51.5	52.5	-1.0
Prices	52.4	49.7	+2.7	Increasing	From Decreasing	1	39.0	35.0	+4.0
Backlog of Orders	53.5	53.0	+0.5	Growing	Faster	2	49.5	51.5	-2.0
New Export Orders	59.0	53.0	+6.0	Growing	Faster	12	47.5	48.5	-1.0
Imports	55.5	51.0	+4.5	Growing	Faster	2	52.5	54.0	-1.5
Inventory Sentiment	61.0	62.0	-1.0	Too High	Slower	214	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	45.5	46.5	-1.0
Overall Economy				Growing	Slower	68			
Non-Manufacturing Sector				Growing	Slower	62			

* **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 (5); Chicken; Class 8 Trailers; Cocoa; #1 Diesel Fuel* (3); Food Products; Fuel* (2); Gasoline (3); Paper; Services Labor (4); and Temporary Labor.

Commodities Down in Price

Butter (3); Cheese (4); Cooking Oil; Dairy (2); #1 Diesel Fuel* (7); Fuel* (6); Lumber (2); Milk Items; Resin; and Soy Products.

Commodities in Short Supply

Beef Trimmings; Medical IV Solutions (15); Pharmacy Drugs; and Services Labor (2).

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

*Reported as both up and down in price.

MARCH 2015 NON-MANUFACTURING INDEX SUMMARIES

NMI[®]

In March, the NMI[®] registered 56.5 percent, a decrease of 0.4 percentage point when compared to February's reading of 56.9 percent, indicating continued growth in the non-manufacturing sector for the 62nd 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 March NMI[®] indicates growth for the 68th consecutive month in the overall economy, and indicates expansion in the non-manufacturing sector for the 62nd consecutive month. Nieves stated, "The past relationship between the NMI[®] and the overall economy indicates that the NMI[®] for March (56.5 percent) corresponds to a 3.3 percent increase in real gross domestic product (GDP) on an annualized basis."

NMI® HISTORY			
<i>Month</i>	<i>NMI®</i>	<i>Month</i>	<i>NMI®</i>
Mar 2015	56.5	Sep 2014	58.1
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
Average for 12 months – 57.1			
High – 58.8			
Low – 55.3			

Business Activity

ISM®'s Business Activity Index in March registered 57.5 percent; a decrease of 1.9 percentage points below February's reading of 59.4 percent. This represents growth in business activity for the 68th consecutive month. Thirteen industries reported increased business activity, and four industries reported decreased activity for the month of March. Comments from respondents include: "Increased demand for services" and "Improved sales."

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

	%	%	%	
Business Activity	Higher	Same	Lower	Index
Mar 2015	36	51	13	57.5
Feb 2015	32	54	14	59.4
Jan 2015	35	45	20	61.5
Dec 2014	32	50	18	58.6

New Orders

ISM®'s Non-Manufacturing New Orders Index grew in March for the 68th consecutive month at a faster rate compared to February. The index registered 57.8 percent, an increase of 1.1 percentage

points from the February reading of 56.7 percent. Comments from respondents include: "Higher loan application volume" and "Contract uptake and new customers".

The 15 industries reporting growth of new orders in March — listed in order — are: Real Estate, Rental & Leasing; Transportation & Warehousing; Agriculture, Forestry, Fishing & Hunting; Arts, Entertainment & Recreation; Accommodation & Food Services; Management of Companies & Support Services; Finance & Insurance; Health Care & Social Assistance; Public Administration; Retail Trade; Professional, Scientific & Technical Services; Utilities; Information; Wholesale Trade; and Construction. The three industries reporting contraction of new orders in March are: Mining; Educational Services; and Other Services.

	%	%	%	
New Orders	Higher	Same	Lower	Index
Mar 2015	32	57	11	57.8
Feb 2015	26	63	11	56.7
Jan 2015	29	54	17	59.5
Dec 2014	30	53	17	59.2

Employment

Employment activity in the non-manufacturing sector grew in March for the 13th consecutive month. ISM®'s Non-Manufacturing Employment Index registered 56.6 percent, which reflects an increase of 0.2 percentage point when compared to February's reading of 56.4 percent. Thirteen industries reported increased employment, and two industries reported decreased employment. Comments from respondents include: "Funding available for additional positions" and "We continue to add staff."

The 13 industries reporting an increase in employment in March — listed in order — are: Management of Companies & Support Services; Accommodation & Food Services; Retail Trade; Construction; Agriculture, Forestry, Fishing & Hunting; Professional, Scientific & Technical Services; Educational Services; Finance & Insurance; Other Services; Public Administration; Transportation & Warehousing; Health Care & Social Assistance; and Wholesale Trade. The two industries reporting a reduction in employment in March are: Mining; and Information.

	%	%	%	
Employment	Higher	Same	Lower	Index
Mar 2015	26	65	9	56.6
Feb 2015	23	67	10	56.4
Jan 2015	17	64	19	51.6
Dec 2014	22	66	12	55.7

Supplier Deliveries

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

The nine industries reporting slower deliveries in March — listed in order — are: Wholesale Trade; Information; Real Estate, Rental & Leasing; Accommodation & Food Services; Retail Trade; Transportation & Warehousing; Professional, Scientific & Technical Services; Public Administration; and Construction. The four industries reporting faster deliveries in March are: Mining; Agriculture, Forestry, Fishing & Hunting; Educational Services; and Finance & Insurance.

	% Slower	% Same	% Faster	Index
Supplier Deliveries				
Mar 2015	12	84	4	54.0
Feb 2015	12	86	2	55.0
Jan 2015	11	86	3	54.0
Dec 2014	11	83	6	52.5

Inventories

ISM®'s Non-Manufacturing Inventories contracted and registered 49.5 percent in March, which is 5 percentage points lower than the 54.5 percent that was reported in February. Of the total respondents in March, 31 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Inventory reduction program" and "Undergoing lean distribution transformation that has reduced the amount of on-hand inventory."

The nine industries reporting an increase in inventories in March — listed in order — are: Educational Services; Arts, Entertainment & Recreation; Transportation & Warehousing; Real Estate, Rental & Leasing; Accommodation & Food Services; Wholesale Trade; Retail Trade; Finance & Insurance; and Public Administration. The six industries reporting decreases in inventories in March — listed in order — are: Other Services; Construction; Utilities; Professional, Scientific & Technical Services; Health Care & Social Assistance; and Information.

	% Higher	% Same	% Lower	Index
Inventories				
Mar 2015	19	61	20	49.5
Feb 2015	26	57	17	54.5
Jan 2015	27	51	22	52.5
Dec 2014	20	60	20	50.0

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in March after decreasing for three consecutive months. ISM®'s Non-Manufacturing Prices Index for March registered 52.4 percent, 2.7 percentage points higher than the 49.7 percent reported in February. The percentage of respondents reporting higher prices is 21 percent, the percentage indicating no change in prices paid is 70 percent, and 9 percent of the respondents reported lower prices.

The 11 non-manufacturing industries reporting an increase in prices paid during the month of March — listed in order — are: Management of Companies & Support Services; Public Administration; Transportation & Warehousing; Accommodation & Food Services; Professional, Scientific & Technical Services; Retail Trade; Information; Wholesale Trade; Finance & Insurance; Health Care & Social Assistance; and Construction. The four industries reporting a decrease in prices paid for the month of March are: Mining; Arts, Entertainment & Recreation; Agriculture, Forestry, Fishing & Hunting; and Utilities.

	%	%	%	
Prices	Higher	Same	Lower	Index
Mar 2015	21	70	9	52.4
Feb 2015	15	74	11	49.7
Jan 2015	14	66	20	45.5
Dec 2014	12	70	18	49.8

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 grew in March for the second consecutive month. The index registered 53.5 percent, which is 0.5 percentage point higher than the 53 percent that was reported in February. Of the total respondents in March, 40 percent indicated they do not measure backlog of orders.

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

	%	%	%	
Backlog of Orders	Higher	Same	Lower	Index
Mar 2015	21	65	14	53.5
Feb 2015	18	70	12	53.0
Jan 2015	15	68	17	49.0
Dec 2014	14	71	15	49.5

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 March for the 12th consecutive month. The New Export Orders Index for March registered 59 percent, which is 6 percentage points higher than the 53 percent reported in February. Of the total respondents in March, 67 percent indicated they either do not perform, or do not separately measure, orders for work outside of the United States. The seven industries reporting an increase in new export orders in March — listed in order — are: Management of Companies & Support Services; Arts, Entertainment & Recreation; Information; Public Administration; Agriculture, Forestry, Fishing & Hunting; Transportation & Warehousing; and Professional, Scientific & Technical Services. The only industry reporting a decrease in export orders in March is: Wholesale Trade. Seven industries reported no change in new export orders in March compared to February.

	%	%	%	
New Export Orders	Higher	Same	Lower	Index
Mar 2015	25	68	7	59.0
Feb 2015	16	74	10	53.0
Jan 2015	16	73	11	52.5
Dec 2014	14	79	7	53.5

Imports

The ISM® Non-Manufacturing Imports Index grew in March for the second consecutive month. This month's reading at 55.5 percent is 4.5 percentage points higher than the 51 percent that was reported in February. Sixty percent of respondents reported that they do not use, or do not track the use of, imported materials.

The seven industries reporting an increase in imports for the month of March — listed in order — are: Management of Companies & Support Services; Accommodation & Food Services; Other Services; Information; Agriculture, Forestry, Fishing & Hunting; Wholesale Trade; and Professional, Scientific & Technical Services. The two industries reporting a decrease in imports for the month of

March are: Utilities; and Retail Trade. Nine industries reported no change in imports in March compared to February.

	% Higher	% Same	% Lower	Index
Imports				
Mar 2015	17	77	6	55.5
Feb 2015	14	74	12	51.0
Jan 2015	11	71	18	46.5
Dec 2014	12	76	12	50.0

Inventory Sentiment

The ISM® Non-Manufacturing Inventory Sentiment Index in March registered 61 percent, which is 1 percentage point lower than the 62 percent reported in February. This indicates that respondents believe their inventories are still too high at this time. In March, 29 percent of respondents said their inventories were too high, 7 percent said their inventories were too low, and 64 percent said their inventories were about right. The nine industries reporting a feeling that their inventories are too high in March — listed in order — are: Mining; Construction; Finance & Insurance; Wholesale Trade; Utilities; Professional, Scientific & Technical Services; Health Care & Social Assistance; Public Administration; and Retail Trade. The only industry reporting a feeling that their inventory is too low in March is: Other Services. Six industries reported no change in inventory sentiment in March compared to February.

	% Too High	% About Right	% Too Low	Index
Inventory Sentiment				
Mar 2015	29	64	7	61.0
Feb 2015	34	56	10	62.0
Jan 2015	26	71	3	61.5
Dec 2014	23	72	5	59.0

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.

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.

About Institute for Supply Management®

Founded in 1915 as the first supply management institute in the world, Institute for Supply Management® (ISM®) 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®*, 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® 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 April 2015 data will be released at 10:00 a.m. (ET) on Tuesday, May 5, 2015.

*Unless the NYSE is closed.