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May 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 May 2015.

NMI[®] at 55.7%

Business Activity Index at 59.5%

New Orders Index at 57.9%

Employment Index at 55.3%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in May for the 64th 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 55.7 percent in May, 2.1 percentage points lower than the April reading of 57.8 percent. This represents continued growth in the non-manufacturing sector although at a slower rate. The Non-Manufacturing Business Activity Index decreased to 59.5 percent, which is 2.1 percentage points lower than the April reading of 61.6 percent, reflecting growth for the 70th consecutive month at a slower rate. The New Orders Index registered 57.9 percent, 1.3 percentage points lower than the reading of 59.2 percent registered in April. The Employment Index decreased 1.4 percentage points to 55.3 percent from the April reading of 56.7 percent and indicates growth for the 15th consecutive

month. The Prices Index increased 5.8 percentage points from the April reading of 50.1 percent to 55.9 percent, indicating prices increased in May for the third consecutive month. According to the NMI®, 15 non-manufacturing industries reported growth in May. Overall there has been a slight slowing in the rate of growth for the non-manufacturing sector. Respondents' comments are mostly positive about business conditions and indicate economic growth will continue."

INDUSTRY PERFORMANCE

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

WHAT RESPONDENTS ARE SAYING ...

- "Avian influenza is causing major issues within the poultry industry. Uncertainty has caused us to adopt a 'hand-to-mouth' procurement strategy." (Agriculture, Forestry, Fishing & Hunting)
- "In most regions, the construction business is picking-up. Weather conditions have helped with this pick-up." (Construction)
- "Generally everything remains the same, slight increase towards offshore alternatives starting to pick up speed." (Finance & Insurance)
- "Moderate recovery continues with all signs pointing to rebound in the fourth quarter." (Educational Services)
- "Current level of new orders is still flat. Expecting uptick in the near future." (Professional, Scientific & Technical Services)
- "Increased retail sales; stronger housing market; increased employment." (Public Administration)
- "Business steady, little or no change. Annual year-over-year growth approximately three percent." (Retail Trade)
- "As expendable income continues to be available [due to] lower gas prices, our business continues to increase. The port congestion is hampering deliveries and is keeping inventories at a lower level than desired on imports." (Wholesale Trade)

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

Index	Non-Manufacturing						Manufacturing		
	Series Index May	Series Index Apr	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index May	Series Index Apr	Percent Point Change
NMI®/PMI®	55.7	57.8	-2.1	Growing	Slower	64	52.8	51.5	+1.3
Business Activity/Production	59.5	61.6	-2.1	Growing	Slower	70	54.5	56.0	-1.5
New Orders	57.9	59.2	-1.3	Growing	Slower	70	55.8	53.5	+2.3
Employment	55.3	56.7	-1.4	Growing	Slower	15	51.7	48.3	+3.4
Supplier Deliveries	50.0	53.5	-3.5	Unchanged	From Slower	1	50.7	50.1	+0.6
Inventories	51.0	51.0	0	Growing	Same	2	51.5	49.5	+2.0
Prices	55.9	50.1	+5.8	Increasing	Faster	3	49.5	40.5	+9.0
Backlog of Orders	48.5	54.5	-6.0	Contracting	From Growing	1	53.5	49.5	+4.0
New Export Orders	55.0	48.5	+6.5	Growing	From Contracting	1	50.0	51.5	-1.5
Imports	53.5	51.5	+2.0	Growing	Faster	4	55.0	54.0	+1.0
Inventory Sentiment	59.0	59.5	-0.5	Too High	Slower	216	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	45.5	44.0	+1.5
Overall Economy				Growing	Slower	70			
Non-Manufacturing Sector				Growing	Slower	64			

* **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 (7); Beef Products; Chicken (3); Consultants; Copper Products; Dairy Products; #1 Diesel Fuel (5); #2 Diesel Fuel (2); Eggs; Fuel (4); Gasoline (5); Labor; Medical Supplies; Natural Gas*; and Paper (3).

Commodities Down in Price

Bacon; Coffee; Computer Products; Contract Labor; Corn; Lubricant Products; Natural Gas*; Plastic Products; and Pork (2).

Commodities in Short Supply

Drugs; and Services Labor (4).

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

*Reported as both up and down in price.

MAY 2015 NON-MANUFACTURING INDEX SUMMARIES

NMI®

In May, the NMI® registered 55.7 percent, a decrease of 2.1 percentage points when compared to April's reading of 57.8 percent, indicating continued growth in the non-manufacturing sector for the 64th 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 May NMI® indicates growth for the 70th consecutive month in the overall economy, and indicates expansion in the non-manufacturing sector for the 64th consecutive month. Nieves stated, "The past relationship between the NMI® and the overall economy indicates

that the NMI® for May (55.7 percent) corresponds to a 3.0 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>
May 2015	55.7	Nov 2014	58.8
Apr 2015	57.8	Oct 2014	56.9
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
Average for 12 months – 57.2			
High – 58.8			
Low – 55.7			

Business Activity

ISM®'s Business Activity Index in May registered 59.5 percent; a decrease of 2.1 percentage points below April's reading of 61.6 percent. This represents growth in business activity for the 70th consecutive month. Fifteen industries reported increased business activity, and two industries reported decreased activity for the month of May. Comments from respondents include: "Business expansion and seasonal increases" and "Spring season peak activity of consumer goods flowing to major retailers."

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

	% Higher	% Same	% Lower	Index
Business Activity				
May 2015	39	47	14	59.5
Apr 2015	40	51	9	61.6
Mar 2015	36	51	13	57.5
Feb 2015	32	54	14	59.4

New Orders

ISM®'s Non-Manufacturing New Orders Index grew in May for the 70th consecutive month at a slower rate compared to April. The index registered 57.9 percent, a decrease of 1.3 percentage points from the April reading of 59.2 percent. Comments from respondents include: "More demand and requests for services" and "Seeing new business development and new service requirements with new customers planning new and higher levels of market demands."

The 14 industries reporting growth of new orders in May — listed in order — are: Management of Companies & Support Services; Arts, Entertainment & Recreation; Educational Services; Transportation & Warehousing; Real Estate, Rental & Leasing; Utilities; Public Administration; Professional, Scientific & Technical Services; Construction; Accommodation & Food Services; Finance & Insurance; Retail Trade; Health Care & Social Assistance; and Wholesale Trade. The only industry reporting contraction of new orders in May is: Mining.

New Orders	% Higher	% Same	% Lower	Index
May 2015	34	54	12	57.9
Apr 2015	35	53	12	59.2
Mar 2015	32	57	11	57.8
Feb 2015	26	63	11	56.7

Employment

Employment activity in the non-manufacturing sector grew in May for the 15th consecutive month. ISM®'s Non-Manufacturing Employment Index registered 55.3 percent, which reflects a decrease of 1.4 percentage points when compared to April's reading of 56.7 percent. Fourteen industries reported increased employment, and two industries reported decreased employment. Comments from respondents include: "Additional demand for services necessitated increased staffing counts" and "Staffing for new client."

The 14 industries reporting an increase in employment in May — listed in order — are: Arts, Entertainment & Recreation; Retail Trade; Utilities; Transportation & Warehousing; Management of Companies & Support Services; Agriculture, Forestry, Fishing & Hunting; Finance & Insurance; Real Estate, Rental & Leasing; Professional, Scientific & Technical Services; Wholesale Trade; Health Care & Social Assistance; Public Administration; Accommodation & Food Services; and Construction. The two industries reporting a reduction in employment in May are: Mining; and Educational Services.

	%	%	%	
Employment	Higher	Same	Lower	Index
May 2015	28	61	11	55.3
Apr 2015	28	63	9	56.7
Mar 2015	26	65	9	56.6
Feb 2015	23	67	10	56.4

Supplier Deliveries

Supplier Deliveries were unchanged in May as the index registered 50 percent which is 3.5 percentage points lower than the 53.5 percent registered in April. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries.

The seven industries reporting slower deliveries in May — listed in order — are: Arts, Entertainment & Recreation; Agriculture, Forestry, Fishing & Hunting; Real Estate, Rental & Leasing; Wholesale Trade; Construction; Accommodation & Food Services; and Professional, Scientific & Technical Services. The eight industries reporting faster deliveries in May — listed in order — are: Mining; Educational Services; Retail Trade; Transportation & Warehousing; Health Care & Social Assistance; Information; Finance & Insurance; and Public Administration.

	%	%	%	
Supplier Deliveries	Slower	Same	Faster	Index
May 2015	8	84	8	50.0
Apr 2015	12	83	5	53.5
Mar 2015	12	84	4	54.0
Feb 2015	12	86	2	55.0

Inventories

ISM®'s Non-Manufacturing Inventories grew for the second consecutive month after a month of contraction and registered 51 percent in May, which is the same reading that was reported in April. Of the total respondents in May, 32 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Deliberate actions to bring them down" and "Same level, but more frequent turns."

The eight industries reporting an increase in inventories in May — listed in order — are: Educational Services; Transportation & Warehousing; Real Estate, Rental & Leasing; Other Services; Management of Companies & Support Services; Wholesale Trade; Public Administration; and Retail Trade. The seven industries reporting decreases in inventories in May — listed in order — are: Arts,

Entertainment & Recreation; Professional, Scientific & Technical Services; Mining; Accommodation & Food Services; Construction; Finance & Insurance; and Health Care & Social Assistance.

	%	%	%	
Inventories	Higher	Same	Lower	Index
May 2015	23	56	21	51.0
Apr 2015	21	60	19	51.0
Mar 2015	19	61	20	49.5
Feb 2015	26	57	17	54.5

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in May for the third consecutive month. ISM®'s Non-Manufacturing Prices Index for May registered 55.9 percent, 5.8 percentage points higher than the 50.1 percent reported in April. The percentage of respondents reporting higher prices is 20 percent, the percentage indicating no change in prices paid is 73 percent, and 7 percent of the respondents reported lower prices.

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

	%	%	%	
Prices	Higher	Same	Lower	Index
May 2015	20	73	7	55.9
Apr 2015	15	75	10	50.1
Mar 2015	21	70	9	52.4
Feb 2015	15	74	11	49.7

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

Backlog of Orders

ISM®'s Non-Manufacturing Backlog of Orders Index contracted in May after three consecutive months of growth. The index registered 48.5 percent, which is 6 percentage points lower than the

54.5 percent that was reported in April. Of the total respondents in May, 42 percent indicated they do not measure backlog of orders.

The six industries reporting an increase in order backlogs in May — listed in order — are: Construction; Real Estate, Rental & Leasing; Management of Companies & Support Services; Health Care & Social Assistance; Public Administration; and Wholesale Trade. The six industries reporting a decrease in order backlogs in May — listed in order — are: Mining; Transportation & Warehousing; Information; Professional, Scientific & Technical Services; Retail Trade; and Finance & Insurance. Six industries reported no change in order backlogs in May compared to April.

	%	%	%	
Backlog of Orders	Higher	Same	Lower	Index
May 2015	14	69	17	48.5
Apr 2015	20	69	11	54.5
Mar 2015	21	65	14	53.5
Feb 2015	18	70	12	53.0

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 May after a month of contraction. Prior to the contraction in April, the last time new export orders contracted was in March 2014. The New Export Orders Index for May registered 55 percent, which is 6.5 percentage points higher than the 48.5 percent reported in April. Of the total respondents in May, 68 percent indicated they either do not perform, or do not separately measure, orders for work outside of the United States.

The six industries reporting an increase in new export orders in May — listed in order — are: Information; Real Estate, Rental & Leasing; Management of Companies & Support Services; Arts, Entertainment & Recreation; Construction; and Finance & Insurance. The three industries reporting a decrease in new export orders in May are: Mining; Wholesale Trade; and Agriculture, Forestry, Fishing & Hunting. Eight industries reported no change in new export orders in May compared to April.

	%	%	%	
New Export Orders	Higher	Same	Lower	Index
May 2015	19	72	9	55.0
Apr 2015	13	71	16	48.5
Mar 2015	25	68	7	59.0
Feb 2015	16	74	10	53.0

Imports

The ISM® Non-Manufacturing Imports Index grew in May for the fourth consecutive month. This month's reading at 53.5 percent is 2 percentage points higher than the reading of 51.5 percent reported in April. Fifty-nine percent of respondents reported that they do not use, or do not track the use of, imported materials.

The nine industries reporting an increase in imports for the month of May — listed in order — are: Transportation & Warehousing; Real Estate, Rental & Leasing; Management of Companies & Support Services; Other Services; Agriculture, Forestry, Fishing & Hunting; Information; Retail Trade; Wholesale Trade; and Professional, Scientific & Technical Services. The three industries reporting a decrease in imports for the month of May are: Mining; Accommodation & Food Services; and Construction. Six industries reported no change in imports in May compared to April.

	%	%	%	
Imports	Higher	Same	Lower	Index
May 2015	17	73	10	53.5
Apr 2015	15	73	12	51.5
Mar 2015	17	77	6	55.5
Feb 2015	14	74	12	51.0

Inventory Sentiment

The ISM® Non-Manufacturing Inventory Sentiment Index in May registered 59 percent, which is 0.5 percentage point lower than the 59.5 percent reported in April. This indicates that respondents believe their inventories are still too high at this time. In May, 24 percent of respondents said their inventories were too high, 6 percent said their inventories were too low, and 70 percent said their inventories were about right.

The eight industries reporting a feeling that their inventories are too high in May — listed in order — are: Educational Services; Other Services; Wholesale Trade; Finance & Insurance; Retail Trade; Utilities; Professional, Scientific & Technical Services; and Public Administration. The only industry reporting a feeling that their inventory is too low in May is: Information. Nine industries reported no change in inventory sentiment in May compared to April.

	%Too	%About	%Too	
Inventory Sentiment	High	Right	Low	Index
May 2015	24	70	6	59.0
Apr 2015	24	71	5	59.5
Mar 2015	29	64	7	61.0
Feb 2015	34	56	10	62.0

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.instituteforsupplymanagement.org on the third business day* of every month after 10:00 a.m. (ET).

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

*Unless the NYSE is closed.