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Contact: Kristina Cahill

Report On Business[®] Analyst

ISM[®], ROB/Research Manager

Tempe, Arizona

800/888-6276, Ext. 3015

E-mail: kcahill@instituteforsupplymanagement.org

June 2016 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 June 2016.

NMI[®] at 56.5%

Business Activity Index at 59.5%

New Orders Index at 59.9%

Employment Index at 52.7%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in June for the 77th 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 June, 3.6 percentage points higher than the May reading of 52.9 percent. This represents continued growth in the non-manufacturing sector at a faster rate. The Non-Manufacturing Business Activity Index increased to 59.5 percent, 4.4 percentage points higher than the May reading of 55.1 percent, reflecting growth for the 83rd consecutive month, at a faster rate in June. The New Orders Index registered 59.9 percent, 5.7 percentage points higher than the reading of 54.2 percent in May. The Employment Index grew 3 percentage points in June after one month of contraction to 52.7 percent from the May reading of 49.7 percent. The Prices Index decreased 0.1 percentage point from the May reading of 55.6 percent to 55.5 percent, indicating prices increased in

June for the third consecutive month. According to the NMI®, 15 non-manufacturing industries reported growth in June. Respondents' comments are mostly positive about business conditions and the economy. Overall, the report reflects a strong rebound from the 'cooling-off' of the previous month for the non-manufacturing sector."

INDUSTRY PERFORMANCE

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

WHAT RESPONDENTS ARE SAYING ...

- "Business is generally good and following historical seasonal patterns. Suppliers report being very busy compared to last year." (Management of Companies & Support Services)
- "Business is strong in the private sector; bidding a lot of commercial buildings." (Construction)
- "Slightly greater activity, specifically due to midyear reporting." (Finance & Insurance)
- "Oil prices seem to be stabilizing in the \$48/bbl. range which has eased the panic in the industry over falling prices." (Mining)
- "Overall business appears to have flattened out. New business for the next six months looks good according to sales forecasts." (Professional, Scientific & Technical Services)
- "Steady movement with negligible fluctuations both up and down." (Public Administration)
- "Business was slow, but starting to pick up this month." (Retail Trade)
- "More new business." (Utilities)
- "Oil, gas, steel [and] coal mining continues to drag down revenues. Automotive, food, package handling and airports [are] strong." (Wholesale Trade)
- "Overall business conditions are good, even though growth is flat." (Health Care & Social Assistance)

ISM® NON-MANUFACTURING SURVEY RESULTS AT A GLANCE
COMPARISON OF ISM® NON-MANUFACTURING AND ISM® MANUFACTURING
SURVEYS*
JUNE 2016

Index	Non-Manufacturing						Manufacturing		
	Series Index Jun	Series Index May	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Jun	Series Index May	Percent Point Change
NMI®/PMI®	56.5	52.9	+3.6	Growing	Faster	77	53.2	51.3	+1.9
Business Activity/Production	59.5	55.1	+4.4	Growing	Faster	83	54.7	52.6	+2.1
New Orders	59.9	54.2	+5.7	Growing	Faster	83	57.0	55.7	+1.3
Employment	52.7	49.7	+3.0	Growing	From Contracting	1	50.4	49.2	+1.2
Supplier Deliveries	54.0	52.5	+1.5	Slowing	Faster	6	55.4	54.1	+1.3
Inventories	55.5	54.0	+1.5	Growing	Faster	15	48.5	45.0	+3.5
Prices	55.5	55.6	-0.1	Increasing	Slower	3	60.5	63.5	-3.0
Backlog of Orders	47.5	50.0	-2.5	Contracting	From Growing	1	52.5	47.0	+5.5
New Export Orders	53.0	49.0	+4.0	Growing	From Contracting	1	53.5	52.5	+1.0
Imports	54.0	53.5	+0.5	Growing	Faster	5	52.0	50.0	+2.0
Inventory Sentiment	62.5	60.0	+2.5	Too High	Faster	229	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	51.0	50.0	+1.0
Overall Economy				Growing	Faster	83			
Non-Manufacturing Sector				Growing	Faster	77			

* **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

Aircraft Fuel; Airline Tickets (2); Beef*; Chemical Products; Construction Labor; #1 Diesel Fuel (3); #2 Diesel Fuel; Diesel (3); Fuel (3); Gasoline (4); Labor (14); Medical/Surgical Supplies; Paper (5); Produce (3); Resin-Based Products (3); and Steel Products.

Commodities Down in Price

Beef* (3); Lettuce; and Produce.

Commodities in Short Supply

Construction Labor (3); and Labor (9).

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

*Reported as both up and down in price.

JUNE 2016 NON-MANUFACTURING INDEX SUMMARIES

NMI®

In June, the NMI® registered 56.5 percent, an increase of 3.6 percentage points when compared to May's reading of 52.9 percent, indicating continued growth in the non-manufacturing sector for the 77th 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® above 48.9 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the June NMI® indicates growth for the 83rd consecutive month in the overall economy, and indicates expansion in the non-manufacturing sector for the 77th consecutive month. Nieves stated, "The past relationship between the NMI® and the overall economy indicates that the NMI® for June (56.5 percent) corresponds to a 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>
Jun 2016	56.5	Dec 2015	55.8
May 2016	52.9	Nov 2015	56.6
Apr 2016	55.7	Oct 2015	58.3
Mar 2016	54.5	Sep 2015	56.7
Feb 2016	53.4	Aug 2015	58.3
Jan 2016	53.5	Jul 2015	59.6
Average for 12 months – 56.0			
High – 59.6			
Low – 52.9			

Business Activity

ISM®’s Business Activity Index in June registered 59.5 percent, an increase of 4.4 percentage points from May’s reading of 55.1 percent. This represents growth in business activity for the 83rd consecutive month. Fourteen industries reported increased business activity and two industries reported decreased activity for the month of June. Comments from respondents include: "Sales are up month-to-month and year-over-year" and "There has been more business activity from greater demand for services by customers."

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

	%	%	%	
Business Activity	Higher	Same	Lower	Index
Jun 2016	35	47	18	59.5
May 2016	33	49	18	55.1
Apr 2016	37	52	11	58.8
Mar 2016	36	52	12	59.8

New Orders

ISM®'s Non-Manufacturing New Orders Index registered 59.9 percent, an increase of 5.7 percentage points from the May reading of 54.2 percent. June represents growth in new orders for the 83rd consecutive month and at a much faster rate compared to May. Comments from respondents include: "More marketing — more job awards" and "Gaining market share."

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

	%	%	%	
New Orders	Higher	Same	Lower	Index
Jun 2016	34	52	14	59.9
May 2016	31	52	17	54.2
Apr 2016	36	53	11	59.9
Mar 2016	31	55	14	56.7

Employment

Employment activity in the non-manufacturing sector grew in June after one month of contraction. ISM®'s Non-Manufacturing Employment Index registered 52.7 percent, which reflects an increase of 3 percentage points when compared to May's reading of 49.7 percent. Twelve industries reported increased employment, and two industries reported decreased employment. Comments from respondents include: "Hiring to address open positions and workload" and "Higher volumes — higher direct labor levels."

The 12 industries reporting an increase in employment in June — listed in order — are: Mining; Arts, Entertainment & Recreation; Real Estate, Rental & Leasing; Information; Transportation & Warehousing; Health Care & Social Assistance; Wholesale Trade; Management of Companies & Support Services; Retail Trade; Accommodation & Food Services; Construction; and Finance & Insurance. The two industries reporting a reduction in employment in June are: Educational Services; and Other Services.

	%	%	%	
Employment	Higher	Same	Lower	Index
Jun 2016	29	55	16	52.7
May 2016	22	60	18	49.7
Apr 2016	25	62	13	53.0
Mar 2016	19	67	14	50.3

Supplier Deliveries

Supplier deliveries were slower in June for the sixth consecutive month. The index registered 54 percent, which is 1.5 percentage points higher than the 52.5 percent that was registered in May. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries. Comments from respondents include: "Slowdown is very small, but measurable. Vendors report that the slowdown [is] due to their being busy and data sources being slow" and "Challenges at several LTL hubs with cross docking operations."

The 10 industries reporting slower deliveries in June — listed in order — are: Educational Services; Wholesale Trade; Utilities; Other Services; Construction; Management of Companies & Support Services; Information; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Public Administration. The only industry reporting faster deliveries in June is Agriculture, Forestry, Fishing & Hunting. Seven industries reported no change in supplier deliveries in June compared to May.

	%	%	%	
Supplier Deliveries	Slower	Same	Faster	Index
Jun 2016	11	86	3	54.0
May 2016	8	89	3	52.5
Apr 2016	9	84	7	51.0
Mar 2016	6	90	4	51.0

Inventories

ISM®'s Non-Manufacturing inventories grew for the 15th consecutive month and registered 55.5 percent in June, which is 1.5 percentage points higher than the 54 percent that was reported in May. Of the total respondents in June, 31 percent indicated they do not have inventories, or do not measure them. Comments from respondents include: "Ramping up for future planned large projects" and "More aggressive stocking strategy to capture new business".

The 11 industries reporting an increase in inventories in June — listed in order — are: Arts, Entertainment & Recreation; Transportation & Warehousing; Utilities; Mining; Agriculture,

Forestry, Fishing & Hunting; Real Estate, Rental & Leasing; Construction; Accommodation & Food Services; Retail Trade; Wholesale Trade; and Health Care & Social Assistance. The four industries reporting decreases in inventories in June are: Finance & Insurance; Information; Professional, Scientific & Technical Services; and Other Services.

	%	%	%	
Inventories	Higher	Same	Lower	Index
Jun 2016	28	55	17	55.5
May 2016	23	62	15	54.0
Apr 2016	21	66	13	54.0
Mar 2016	21	63	16	52.5

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in June for the third consecutive month. ISM®'s Non-Manufacturing Prices Index for June registered 55.5 percent, 0.1 percentage point lower than the 55.6 percent reported in May. The proportion of respondents reporting higher prices is 20 percent, 75 percent indicated no change in prices paid, and 5 percent of the respondents reported lower prices.

The 10 non-manufacturing industries reporting an increase in prices paid during the month of June — listed in order — are: Construction; Wholesale Trade; Real Estate, Rental & Leasing; Transportation & Warehousing; Public Administration; Retail Trade; Professional, Scientific & Technical Services; Finance & Insurance; Health Care & Social Assistance; and Accommodation & Food Services. The three industries reporting a decrease in prices paid for the month of June are: Mining; Information; and Agriculture, Forestry, Fishing & Hunting.

	%	%	%	
Prices	Higher	Same	Lower	Index
Jun 2016	20	75	5	55.5
May 2016	24	69	7	55.6
Apr 2016	19	74	7	53.4
Mar 2016	14	77	9	49.1

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 indicates order backlogs contracted in June. The index registered 47.5 percent, which is 2.5 percentage points lower than the 50 percent reported in May. Of the total respondents in June, 38 percent indicated they do not measure backlog of orders.

The four industries reporting an increase in order backlogs in June are: Educational Services; Finance & Insurance; Construction; and Wholesale Trade. The nine industries reporting a decrease in order backlogs in June — listed in order — are: Utilities; Management of Companies & Support Services; Other Services; Transportation & Warehousing; Information; Health Care & Social Assistance; Professional, Scientific & Technical Services; Retail Trade; and Public Administration.

	%	%	%	
Backlog of Orders	Higher	Same	Lower	Index
Jun 2016	12	71	17	47.5
May 2016	15	70	15	50.0
Apr 2016	18	67	15	51.5
Mar 2016	18	68	14	52.0

New Export Orders

Orders and requests for services and other non-manufacturing activities to be provided outside of the United States by domestically based personnel grew in June after a month of contraction. The New Export Orders Index for June registered 53 percent, which is 4 percentage points higher than the 49 percent reported in May. Of the total respondents in June, 69 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 June are: Agriculture, Forestry, Fishing & Hunting; Construction; Information; Transportation & Warehousing; and Professional, Scientific & Technical Services. The two industries reporting a decrease in new export orders in June are: Retail Trade; and Wholesale Trade. Nine industries reported no change in new export orders in June compared to May.

	%	%	%	
New Export Orders	Higher	Same	Lower	Index
Jun 2016	11	84	5	53.0
May 2016	8	82	10	49.0
Apr 2016	16	81	3	56.5
Mar 2016	21	75	4	58.5

Imports

Imports of raw materials grew in June for the fifth consecutive month. This month's reading at 54 percent is 0.5 percentage point higher than the reading of 53.5 percent reported in May. Fifty-seven percent of respondents reported that they do not use, or do not track the use of, imported materials.

The five industries reporting an increase in imports for the month of June are: Agriculture, Forestry, Fishing & Hunting; Mining; Transportation & Warehousing; Wholesale Trade; and Professional, Scientific & Technical Services. The only industry reporting a decrease in imports for the month of June is Information. Eleven industries reported no change in imports in June compared to May.

	% Higher	% Same	% Lower	Index
Imports				
Jun 2016	13	82	5	54.0
May 2016	12	83	5	53.5
Apr 2016	14	80	6	54.0
Mar 2016	14	78	8	53.0

Inventory Sentiment

The ISM® Non-Manufacturing Inventory Sentiment Index in June registered 62.5 percent, which is 2.5 percentage points higher than the 60 percent reported in May. This indicates that respondents believe their inventories are still too high at this time. In June, 26 percent of respondents said their inventories were too high, 1 percent said their inventories were too low, and 73 percent said their inventories were about right.

The 10 industries reporting a feeling that their inventories are too high in June — listed in order — are: Real Estate, Rental & Leasing; Mining; Wholesale Trade; Retail Trade; Public Administration; Finance & Insurance; Utilities; Construction; Professional, Scientific & Technical Services; and Health Care & Social Assistance. The only industry reporting the feeling that their inventory was too low for the month of June is Transportation & Warehousing.

	% Too High	% About Right	% Too Low	Index
Inventory Sentiment				
Jun 2016	26	73	1	62.5
May 2016	26	68	6	60.0
Apr 2016	25	72	3	61.0
Mar 2016	30	65	5	62.5

About This Report

The data presented herein is obtained from a survey of non-manufacturing supply executives 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 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[®] above 48.9 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 48.9 percent, it is generally declining. The distance from 50 percent or 48.9 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.

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Institute for Supply Management® (ISM®) serves supply management professionals in more than 90 countries. Its 48,000 members around the world manage about \$1 trillion in corporate and government supply chain procurement annually. Founded in 1915 as the first supply management institute in the world, ISM is committed to advancing the practice of supply management to drive value and competitive advantage for its members, contributing to a prosperous and sustainable world. ISM leads the profession through the ISM Report On Business®, its highly regarded certification programs and the newly launched ISM Mastery Model™. This report has been issued by the association since 1931, except for a four-year interruption during World War II.

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 July 2016 data will be released at 10:00 a.m. (ET) on Wednesday, August 3, 2016.

*Unless the NYSE is closed