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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 2017.

NMI[®] at 57.6%

Business Activity Index at 63.6%

New Orders Index at 61.2%

Employment Index at 55.2%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in February for the 86th 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 57.6 percent, which is 1.1 percentage points higher than the January reading of 56.5 percent. This is the highest reading since October 2015 and represents continued growth in the non-manufacturing sector at a slightly faster rate. The Non-Manufacturing Business Activity Index increased to 63.6 percent, 3.3 percentage points higher than the January reading of 60.3 percent, which is the highest reading since February 2011, when the index registered 63.8 percent, reflecting growth for the 91st consecutive month, at a faster rate in February. The New Orders Index registered 61.2

percent, 2.6 percentage points higher than the reading of 58.6 percent in January. This is the highest reading since August 2015, when the index registered 62.7 percent. The Employment Index increased 0.5 percentage point in February to 55.2 percent from the January reading of 54.7 percent. The Prices Index decreased 1.3 percentage points from the January reading of 59 percent to 57.7 percent, indicating prices increased for the 11th consecutive month, at a slower rate in February. According to the NMI®, 16 non-manufacturing industries reported growth in February. The non-manufacturing sector reflected strong growth in February after cooling off in January. Respondents' comments continue to be mixed, with some uncertainty; however, the majority indicate a positive outlook on business conditions and the overall economy."

INDUSTRY PERFORMANCE

The 16 non-manufacturing industries reporting growth in February — listed in order — are: Utilities; Mining; Management of Companies & Support Services; Other Services; Accommodation & Food Services; Health Care & Social Assistance; Agriculture, Forestry, Fishing & Hunting; Professional, Scientific & Technical Services; Finance & Insurance; Public Administration; Educational Services; Wholesale Trade; Arts, Entertainment & Recreation; Retail Trade; Transportation & Warehousing; and Construction. The two industries reporting contraction in February are: Real Estate, Rental & Leasing; and Information.

WHAT RESPONDENTS ARE SAYING ...

- "Our business remains strong." (Health Care & Social Assistance)
- "Business has been consistent for the start of 2017." (Management of Companies & Support Services)
- "U.S. construction labor is tight." (Construction)
- "Lending has picked up quite nicely." (Finance & Insurance)
- "Strong 1st quarter for our industry shows promise for 2017." (Mining)
- "Heavy rains and continuing storms have affected the quality and availability of greens and lettuces in California. Prices have also increased. Product yield has also declined, specifically for heartier greens." (Accommodation & Food Services)
- "Oil prices have stabilized, but not at a level that drives significant increases in capital spending at oil and gas companies. Business activity has increased just slightly." (Professional, Scientific & Technical Services)
- "Slow after the holiday. Positive year ahead." (Retail Trade)
- "The dramatic improvement in business, which began in December continued into January. Early February is showing similar results." (Wholesale Trade)

ISM® NON-MANUFACTURING SURVEY RESULTS AT A GLANCE
COMPARISON OF ISM® NON-MANUFACTURING AND ISM® MANUFACTURING
SURVEYS*
FEBRUARY 2017

	Non-Manufacturing						Manufacturing		
Index	Serie s Index Feb	Serie s Index Jan	Perce nt Point Chang e	Direction	Rate of Change	Trend** (Months)	Serie s Index Feb	Serie s Index Jan	Perce nt Point Chang e
NMI®/PMI®	57.6	56.5	+1.1	Growing	Faster	86	57.7	56.0	+1.7
Business Activity/Production	63.6	60.3	+3.3	Growing	Faster	91	62.9	61.4	+1.5
New Orders	61.2	58.6	+2.6	Growing	Faster	91	65.1	60.4	+4.7
Employment	55.2	54.7	+0.5	Growing	Faster	36	54.2	56.1	-1.9
Supplier Deliveries	50.5	52.5	-2.0	Slowing	Slower	14	54.8	53.6	+1.2
Inventories	52.0	48.0	+4.0	Growing	From Contractin g	1	51.5	48.5	+3.0
Prices	57.7	59.0	-1.3	Increase ing	Slower	11	68.0	69.0	-1.0
Backlog of Orders	54.0	50.0	+4.0	Growing	From Unchange d	1	57.0	49.5	+7.5
New Export Orders	57.0	48.0	+9.0	Growing	From Contractin g	1	55.0	54.5	+0.5
Imports	51.0	54.0	-3.0	Growing	Slower	2	54.0	50.0	+4.0
Inventory Sentiment	64.5	62.0	+2.5	Too High	Faster	237	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	47.5	48.5	-1.0
Overall Economy				Growing	Faster	91			
Non-Manufacturing Sector				Growing	Faster	86			

* **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

#2 Diesel Fuel (3); Bacon; Carbon Pipe; Chemicals; Construction; Copper (5); Copper Wire; Corrugated Boxes (4); Labor (5); Lumber— Pine, Plywood and Spruce; Maintenance Fees; Paper (3); Rubber (2); Services (2); Software Maintenance; Stainless Steel Products (3); Steel Products (3); Temporary Labor*; and Tires.

Commodities Down in Price

Beef (7); Eggs; Fuel; Gasoline (3); IT Labor; Laboratory Supplies; Ocean Freight; Temporary Labor*; and Unleaded Fuel.

Commodities in Short Supply

Labor — Construction (11); Labor; Paper; and Solutions.

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

*Reported as both up and down in price.

FEBRUARY 2017 NON-MANUFACTURING INDEX SUMMARIES

In February, the NMI® registered 57.6 percent, 1.1 percentage points higher than the 56.5 percent registered in January, indicating continued growth in the non-manufacturing sector for the 86th consecutive month. This is the highest reading since October 2015. 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 February NMI® indicates growth for the 91st consecutive month in the overall economy, and indicates expansion in the non-manufacturing sector for the 86th consecutive month. Nieves stated, "The past relationship between the NMI® and the overall economy indicates that the NMI® for February (57.6 percent) corresponds to a 3.4 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>
Feb 2017	57.6	Aug 2016	51.7
Jan 2017	56.5	Jul 2016	54.9
Dec 2016	56.6	Jun 2016	56.1
Nov 2016	56.2	May 2016	53.6
Oct 2016	54.6	Apr 2016	55.7
Sep 2016	56.6	Mar 2016	54.9
Average for 12 months – 55.4			
High – 57.6			
Low – 51.7			

Business Activity

ISM®’s Business Activity Index in February registered 63.6 percent, an increase of 3.3 percentage points from the January reading of 60.3 percent. This represents growth in business activity for the 91st consecutive month. Thirteen industries reported increased business activity and one industry reported decreased activity for the month of February. Comments from respondents include: "Seasonal uptick over a typically slow January " and "Optimistic business climate."

The 13 industries reporting growth of business activity in February — listed in order — are: Utilities; Mining; Other Services; Management of Companies & Support Services; Transportation & Warehousing; Finance & Insurance; Professional, Scientific & Technical Services; Accommodation & Food Services; Educational Services; Public Administration; Health Care & Social Assistance; Wholesale Trade; and Construction. The only industry reporting a decrease in business activity in February is Information.

	%	%	%	
Business Activity	Higher	Same	Lower	Index
Feb 2017	36	51	13	63.6
Jan 2017	34	44	22	60.3
Dec 2016	34	49	17	60.9
Nov 2016	32	55	13	60.3

New Orders

ISM®'s Non-Manufacturing New Orders Index registered 61.2 percent, an increase of 2.6 percentage points from the January reading of 58.6 percent. February represents growth in new orders for the 91st consecutive month at a faster rate compared to January. This is the highest reading since August 2015. Comments from respondents include: "New clients onboard" and "Spending new budgets."

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

	%	%	%	
New Orders	Higher	Same	Lower	Index
Feb 2017	30	58	12	61.2
Jan 2017	27	54	19	58.6
Dec 2016	33	50	17	60.7
Nov 2016	28	59	13	57.4

Employment

Employment activity in the non-manufacturing sector grew in February for the 36th consecutive month. ISM®'s Non-Manufacturing Employment Index registered 55.2 percent, which reflects an increase of 0.5 percentage point when compared to the January reading of 54.7 percent. Eleven industries reported increased employment, and four industries reported decreased employment. Comments from respondents include: "Adding new positions to meet the demands of new business" and "Hiring freeze that we had last month was lifted in certain areas."

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

	%	%	%	
Employment	Higher	Same	Lower	Index
Feb 2017	21	66	13	55.2
Jan 2017	17	67	16	54.7
Dec 2016	20	65	15	52.7
Nov 2016	20	66	14	55.2

Supplier Deliveries

Supplier deliveries were slower in February for the 14th consecutive month. The index registered 50.5 percent, which is 2 percentage points lower than the 52.5 percent that was registered in January. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries. Comments from respondents include: "Some suppliers are having service problems" and "Chinese suppliers [are] just returning from Chinese New Year."

The five industries reporting slower deliveries in February are: Agriculture, Forestry, Fishing & Hunting; Wholesale Trade; Retail Trade; Information; and Construction. The five industries reporting faster deliveries in February are: Utilities; Transportation & Warehousing; Accommodation & Food Services; Finance & Insurance; and Public Administration. Eight industries reported no change in supplier deliveries in February compared to January.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Feb 2017	7	87	6	50.5
Jan 2017	10	85	5	52.5
Dec 2016	10	84	6	52.0
Nov 2016	7	90	3	52.0

Inventories

ISM®’s Non-Manufacturing Inventories Index grew in February (after a month of contraction) and registered 52 percent, which is 4 percentage points greater than the 48 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: "Equipment inventory still being increased to meet expected future workload" and "Adjusting upward to meet greater demand during Q1 2017."

The eight industries reporting an increase in inventories in February — listed in order — are: Utilities; Wholesale Trade; Accommodation & Food Services; Public Administration; Transportation & Warehousing; Health Care & Social Assistance; Retail Trade; and Information. The five industries reporting decreases in inventories in February are: Management of Companies & Support Services; Professional, Scientific & Technical Services; Other Services; Finance & Insurance; and Construction.

Inventories	% Higher	% Same	% Lower	Index
Feb 2017	21	62	17	52.0
Jan 2017	19	58	23	48.0
Dec 2016	21	62	17	52.0
Nov 2016	22	59	19	51.5

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in February for the 11th consecutive month. ISM®’s Non-Manufacturing Prices Index for February registered 57.7 percent, 1.3 percentage points lower than the 59 percent reported in January. Twenty-two percent of respondents reported higher prices, 72 percent indicated no change in prices paid, and 6 percent of respondents reported lower prices.

The 13 non-manufacturing industries reporting an increase in prices paid during the month of February — listed in order — are: Real Estate, Rental & Leasing; Wholesale Trade; Transportation & Warehousing; Accommodation & Food Services; Mining; Utilities; Health Care & Social Assistance; Construction; Retail Trade; Information; Professional, Scientific & Technical Services; Public Administration; and Finance & Insurance. The only industry reporting a decrease in prices paid for the month of February is Management of Companies & Support Services.

Prices	% Higher	% Same	% Lower	Index
Feb 2017	22	72	6	57.7
Jan 2017	20	73	7	59.0
Dec 2016	14	77	9	56.1
Nov 2016	12	81	7	55.6

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 February after a month of being unchanged. The index registered 54 percent, which is 4 percentage points higher than the 50 percent reported in January. Of the total respondents in February, 39 percent indicated they do not measure backlog of orders.

The seven industries reporting an increase in order backlogs in February — listed in order — are: Utilities; Management of Companies & Support Services; Professional, Scientific & Technical Services; Other Services; Public Administration; Construction; and Wholesale Trade. The four industries reporting a decrease in order backlogs in February are: Retail Trade; Health Care & Social Assistance; Information; and Transportation & Warehousing. Six industries reported no change in backlogs in February compared to January.

	%	%	%	
Backlog of Orders	Higher	Same	Lower	Index
Feb 2017	18	72	10	54.0
Jan 2017	14	72	14	50.0
Dec 2016	13	70	17	48.0
Nov 2016	16	70	14	51.0

New Export Orders

Orders and requests for services and other non-manufacturing activities to be provided outside of the U.S. by domestically based personnel grew considerably in February after a month of contraction. The New Export Orders Index for February registered 57 percent, which is 9 percentage points higher than the 48 percent reported in January. Of the total respondents in February, 68 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 February — listed in order — are: Utilities; Agriculture, Forestry, Fishing & Hunting; Mining; Transportation & Warehousing; Other Services; Professional, Scientific & Technical Services; and Wholesale Trade. The three industries reporting a decrease in new export orders in February are: Finance & Insurance; Information; and Retail Trade. Seven industries reported no change in new export orders in February compared to January.

	%	%	%	
New Export Orders	Higher	Same	Lower	Index
Feb 2017	22	70	8	57.0
Jan 2017	6	84	10	48.0
Dec 2016	17	72	11	53.0
Nov 2016	19	76	5	57.0

Imports

Imports grew in February for the second consecutive month. This month's reading at 51 percent is 3 percentage points lower than the reading of 54 percent reported in January. Fifty-eight percent of respondents reported that they do not use, or do not track the use of, imported materials.

The three industries reporting an increase in imports for the month of February are: Other Services; Retail Trade; and Accommodation & Food Services. The three industries reporting a decrease in imports for the month of February are: Agriculture, Forestry, Fishing

& Hunting; Transportation & Warehousing; and Wholesale Trade. Ten industries reported no change in imports in February compared to January.

	%	%	%	
Imports	Higher	Same	Lower	Index
Feb 2017	9	84	7	51.0
Jan 2017	14	80	6	54.0
Dec 2016	8	84	8	50.0
Nov 2016	16	76	8	54.0

Inventory Sentiment

The ISM® Non-Manufacturing Inventory Sentiment Index in February registered 64.5 percent, which is 2.5 percentage points higher than the reading of 62 percent reported in January. This indicates that respondents believe their inventories are still too high at this time. In February, 31 percent of respondents said their inventories were too high, 2 percent of the respondents said their inventories were too low, and 67 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; Information; Wholesale Trade; Management of Companies & Support Services; Utilities; Health Care & Social Assistance; Retail Trade; Professional, Scientific & Technical Services; Transportation & Warehousing; Finance & Insurance; and Public Administration. The only industry reporting a feeling that their inventories are too low in February compared to January is Accommodation & Food Services.

	%Too	%About	%Too	
Inventory Sentiment	High	Right	Low	Index
Feb 2017	31	67	2	64.5
Jan 2017	24	76	0	62.0
Dec 2016	29	65	6	61.5
Nov 2016	27	67	6	60.5

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.ismrob.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 March 2017 data will be released at 10:00 a.m. (ET) on Wednesday, April 5, 2017.

*Unless the NYSE is closed.