

FOR RELEASE: June 5, 2017

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May 2017 Non-Manufacturing ISM® Report On Business®

NMI® at 56.9%

Business Activity Index at 60.7%

New Orders Index at 57.7%

Employment Index at 57.8%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in May for the 89th 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., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee: "The NMI® registered 56.9 percent, which is 0.6 percentage point lower than the April reading of 57.5 percent. This represents continued growth in the non-manufacturing sector at a slightly slower rate. The Non-Manufacturing Business Activity Index decreased to 60.7 percent, 1.7 percentage points lower than the April reading of 62.4 percent, reflecting growth for the 94th consecutive month, at a slower rate in May. The New Orders Index registered 57.7 percent, 5.5 percentage points lower than the reading of 63.2 percent in April. The Employment Index increased 6.4 percentage points in May to 57.8 percent from the April reading of 51.4 percent. The Prices Index decreased 8.4 percentage points from the April reading of 57.6 percent to 49.2 percent, indicating prices decreased in May for the first time after 13 consecutive months of increasing. According to the NMI®, 17 non-manufacturing industries reported growth. Although the non-manufacturing sector's growth rate dipped in May, the sector continues to reflect strength, buoyed by the strong rate of growth in the Employment Index. The majority of respondents' comments continue to indicate optimism about business conditions and the overall economy."

INDUSTRY PERFORMANCE

The 17 non-manufacturing industries reporting growth in May — listed in order — are: Real Estate, Rental & Leasing; Construction; Accommodation & Food Services; Utilities;

Arts, Entertainment & Recreation; Wholesale Trade; Mining; Health Care & Social Assistance; Management of Companies & Support Services; Professional, Scientific & Technical Services; Agriculture, Forestry, Fishing & Hunting; Retail Trade; Finance & Insurance; Public Administration; Transportation & Warehousing; Information; and Other Services. The only industry reporting contraction in May is Educational Services.

WHAT RESPONDENTS ARE SAYING ...

- "Lumber tariff effects are beginning to show up." (Construction)
- "Business is progressing steadily. No real issues or adjustments to affect annual goals/efforts." (Finance & Insurance)
- "General feeling is caution. Too much uncertainty." (Health Care & Social Assistance)
- "Seeing an uptick in the overall activity within the oil and gas sector, which typically will cause a trickle-down effect on the majority of businesses." (Mining)
- "Typical transition month in terms of fresh produce and other food related categories. End of spring items and beginning of summer. Gapping of some items. Beef is increasing in price, especially grilling meat cuts. I anticipate this to increase to over \$1 per pound on some items as we approach the 4th of July holiday." (Accommodation & Food Services)
- "Continuing to feel [the] effect of overheated commercial construction market — few bidders, higher prices. Scarce construction labor seems to be the driver." (Public Administration)
- "Business outlook continues to be steady and meeting original projects, but some ups and downs in successive months." (Professional, Scientific & Technical Services)
- "Overall, business conditions the past month were flat as compared with several months of growth. While levels haven't decreased, it may be that overall conditions have reached a high watermark." (Retail Trade)
- "Strong market conditions bring a renewed confidence." (Transportation & Warehousing)

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

	Non-Manufacturing						Manufacturing		
Index	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®	56.9	57.5	-0.6	Growing	Slower	89	54.9	54.8	+0.1
Business Activity/Production	60.7	62.4	-1.7	Growing	Slower	94	57.1	58.6	-1.5
New Orders	57.7	63.2	-5.5	Growing	Slower	94	59.5	57.5	+2.0
Employment	57.8	51.4	+6.4	Growing	Faster	39	53.5	52.0	+1.5
Supplier Deliveries	51.5	53.0	-1.5	Slowing	Slower	17	53.1	55.1	-2.0
Inventories	54.0	52.5	+1.5	Growing	Faster	2	51.5	51.0	+0.5
Prices	49.2	57.6	-8.4	Decreasing	From Increasing	1	60.5	68.5	-8.0
Backlog of Orders	57.0	53.5	+3.5	Growing	Faster	4	55.0	57.0	-2.0
New Export Orders	54.5	65.5	-11.0	Growing	Slower	4	57.5	59.5	-2.0
Imports	48.5	53.0	-4.5	Contracting	From Growing	1	53.5	55.5	-2.0
Inventory Sentiment	63.0	60.0	+3.0	Too High	Faster	240	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	49.5	45.5	+4.0
Overall Economy				Growing	Slower	94			
Non-Manufacturing Sector				Growing	Slower	89			

* **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 (3); Construction; Construction Trades/Subcontractors; Corrugated Boxes; Diesel Fuel; #2 Diesel Fuel; Food and Beverages; Gasoline* (3); Labor (2); Labor — Construction (3); Labor — Service; Labor — Temporary; Lettuce (3); Lumber (2); Medical/Surgical Supplies; Ocean Freight; Plastic Products; Produce (2); Seafood; and Steel Products (6).

Commodities Down in Price

Bacon (2); Chicken; Fuel; Gasoline*; and Soy Products.

Commodities in Short Supply

Labor (4); Labor — Construction (14); Labor — Service; and Labor — Skilled.

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

*Reported as both up and down in price.

MAY 2017 NON-MANUFACTURING INDEX SUMMARIES

NMI®

In May, the NMI® registered 56.9 percent, 0.6 percentage point lower than the 57.5 percent registered in April, indicating continued growth in the non-manufacturing sector for the 89th 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 May NMI® indicates growth for the 94th consecutive month in the overall economy, and indicates expansion in the non-manufacturing sector for the 89th consecutive month. Nieves stated, "The past relationship between the NMI® and the overall economy indicates that the NMI® for May (56.9 percent) corresponds to a 3.1 percent increase in real gross domestic product (GDP) on an annualized basis."

NMI® HISTORY			
Month	NMI®	Month	NMI®
May 2017	56.9	Nov 2016	56.2
Apr 2017	57.5	Oct 2016	54.6
Mar 2017	55.2	Sep 2016	56.6
Feb 2017	57.6	Aug 2016	51.7
Jan 2017	56.5	Jul 2016	54.9
Dec 2016	56.6	Jun 2016	56.1
Average for 12 months – 55.9 High – 57.6 Low – 51.7			

Business Activity

ISM®'s Business Activity Index registered 60.7 percent in May, a decrease of 1.7 percentage points from the April reading of 62.4 percent. This represents growth in business activity for the 94th consecutive month. Sixteen industries reported increased business activity and one industry reported decreased activity for the month of May. Comments from respondents include: "Market continues to grow at a steady pace" and "Increased activity industry wide."

The 16 industries reporting growth of business activity in May — listed in order — are: Real Estate, Rental & Leasing; Accommodation & Food Services; Utilities; Arts, Entertainment & Recreation; Construction; Health Care & Social Assistance; Management of Companies & Support Services; Transportation & Warehousing; Mining; Agriculture, Forestry, Fishing & Hunting; Finance & Insurance; Information; Wholesale Trade; Other Services; Professional, Scientific & Technical Services; and Public Administration. The only industry reporting a decrease in business activity in May is Educational Services.

Business Activity	% Higher	% Same	% Lower	Index
May 2017	37	50	13	60.7
Apr 2017	42	50	8	62.4
Mar 2017	36	50	14	58.9
Feb 2017	36	51	13	63.6

New Orders

ISM®’s Non-Manufacturing New Orders Index registered 57.7 percent, a decrease of 5.5 percentage points from the April reading of 63.2 percent. May represents growth in new orders for the 94th consecutive month, at a slower rate compared with April. Comments from respondents include: "Less conversion from quote to orders" and "New projects starting up."

The 16 industries reporting growth of new orders in May — listed in order — are: Real Estate, Rental & Leasing; Agriculture, Forestry, Fishing & Hunting; Utilities; Accommodation & Food Services; Construction; Health Care & Social Assistance; Transportation & Warehousing; Retail Trade; Wholesale Trade; Information; Professional, Scientific & Technical Services; Other Services; Mining; Public Administration; Finance & Insurance; and Management of Companies & Support Services. The only industry reporting a decrease in business activity in May is Educational Services.

New Orders	% Higher	% Same	% Lower	Index
May 2017	34	52	14	57.7
Apr 2017	41	51	8	63.2
Mar 2017	34	52	14	58.9
Feb 2017	30	58	12	61.2

Employment

Employment activity in the non-manufacturing sector grew in May for the 39th consecutive month. ISM®’s Non-Manufacturing Employment Index registered 57.8 percent, which reflects a substantial increase of 6.4 percentage points when compared to the April reading of 51.4 percent. Fifteen industries reported increased employment, and one industry reported decreased employment. Comments from respondents

include: "Increased demand for our services" and "Business expansion and seasonal growth."

The 15 industries reporting an increase in employment in May — listed in order — are: Arts, Entertainment & Recreation; Construction; Real Estate, Rental & Leasing; Retail Trade; Utilities; Educational Services; Professional, Scientific & Technical Services; Public Administration; Finance & Insurance; Accommodation & Food Services; Wholesale Trade; Management of Companies & Support Services; Mining; Health Care & Social Assistance; and Other Services. The only industry reporting a reduction in employment in May is Information.

Employment	% Higher	% Same	% Lower	Index
May 2017	30	58	12	57.8
Apr 2017	23	62	15	51.4
Mar 2017	21	63	16	51.6
Feb 2017	21	66	13	55.2

Supplier Deliveries

Supplier deliveries were slower in May for the 17th consecutive month. The index registered 51.5 percent, which is 1.5 percentage points lower than the 53 percent that was registered in April. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries. Comments from respondents include: "Truck and rail car availability is scarce" and "Increased business for our suppliers has caused shipping delays."

The seven industries reporting slower deliveries in May — listed in order — are: Wholesale Trade; Management of Companies & Support Services; Construction; Mining; Accommodation & Food Services; Professional, Scientific & Technical Services; and Finance & Insurance. The four industries reporting faster deliveries in May are: Agriculture, Forestry, Fishing & Hunting; Other Services; Transportation & Warehousing; and Information. Seven industries reported no change in supplier deliveries in May compared to April.

Supplier Deliveries	% Slower	% Same	% Faster	Index
May 2017	8	87	5	51.5
Apr 2017	8	90	2	53.0
Mar 2017	7	89	4	51.5
Feb 2017	7	87	6	50.5

Inventories

ISM®'s Non-Manufacturing Inventories Index grew in May for the second consecutive month and registered 54 percent, 1.5 percentage points higher than the 52.5 percent 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: "New customers require holding additional inventory" and "Ramping up for sales growth."

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

Inventories	% Higher	% Same	% Lower	Index
May 2017	17	74	9	54.0
Apr 2017	21	63	16	52.5
Mar 2017	16	65	19	48.5
Feb 2017	21	62	17	52.0

Prices

Prices paid by non-manufacturing organizations for purchased materials and services decreased in May for the first time in 13 months. ISM®'s Non-Manufacturing Prices Index for May registered 49.2 percent, 8.4 percentage points lower than the 57.6 percent reported in April. Seventeen percent of respondents reported higher prices, 72 percent indicated no change in prices paid, and 11 percent of respondents reported lower prices.

The seven non-manufacturing industries reporting an increase in prices paid during the month of May — listed in order — are: Mining; Transportation & Warehousing; Public Administration; Other Services; Construction; Wholesale Trade; and Information. The four non-manufacturing industries reporting a decrease in prices paid during the month of May are: Retail Trade; Finance & Insurance; Professional, Scientific & Technical Services; and Management of Companies & Support Services. Seven industries reported no change in prices in May compared to April.

Prices	% Higher	% Same	% Lower	Index
May 2017	17	72	11	49.2
Apr 2017	26	69	5	57.6
Mar 2017	21	70	9	53.5
Feb 2017	22	72	6	57.7

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 indicates that order backlogs grew in May. The index registered 57 percent, which is 3.5 percentage points higher than the 53.5 percent reported in April. Of the total respondents in May, 34 percent indicated they do not measure backlog of orders.

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

Backlog of Orders	% Higher	% Same	% Lower	Index
May 2017	19	76	5	57.0
Apr 2017	15	77	8	53.5
Mar 2017	17	72	11	53.0
Feb 2017	18	72	10	54.0

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 in May for the fourth consecutive month, but at a substantially slower rate. The New Export Orders Index for May registered 54.5 percent, which is 11 percentage points lower than the 65.5 percent reported in April. Of the total respondents in May, 65 percent indicated they either do not perform, or do not separately measure, orders for work outside of the U.S.

The eight industries reporting an increase in new export orders in May — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Construction; Retail Trade; Transportation & Warehousing; Other Services; Information; Finance & Insurance; and Wholesale Trade. The two industries reporting a decrease in export orders in May are: Mining; and Professional, Scientific & Technical Services.

New Export Orders	% Higher	% Same	% Lower	Index
May 2017	14	81	5	54.5
Apr 2017	31	69	0	65.5
Mar 2017	27	71	2	62.5
Feb 2017	22	70	8	57.0

Imports

Imports contracted in May after four consecutive months of growth. This month's reading at 48.5 percent is 4.5 percentage points lower than the reading of 53 percent reported in April. Fifty-three percent of respondents reported that they do not use, or do not track the use of, imported materials.

The two industries reporting an increase in imports for the month of May are: Wholesale Trade; and Construction. The five industries reporting a decrease in imports in the month of May are: Retail Trade; Agriculture, Forestry, Fishing & Hunting; Accommodation & Food Services; Mining; and Finance & Insurance. Nine industries reported no change in imports in May compared to April.

Imports	% Higher	% Same	% Lower	Index
May 2017	6	85	9	48.5
Apr 2017	13	80	7	53.0
Mar 2017	18	77	5	56.5
Feb 2017	9	84	7	51.0

Inventory Sentiment

The ISM® Non-Manufacturing Inventory Sentiment Index in May registered 63 percent, which is 3 percentage points higher than the reading of 60 percent reported in April. This indicates that respondents believe their inventories are still too high at this time. In May, 28 percent of respondents said their inventories were too high, 2 percent of the

respondents said their inventories were too low, and 70 percent said their inventories were about right.

The 10 industries reporting a feeling that their inventories are too high in May — listed in order — are: Mining; Wholesale Trade; Utilities; Information; Construction; Other Services; Retail Trade; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Public Administration. The only industry reporting a feeling that their inventory is too low in May compared with April is Finance & Insurance.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
May 2017	28	70	2	63.0
Apr 2017	26	68	6	60.0
Mar 2017	34	62	4	65.0
Feb 2017	31	67	2	64.5

About This Report

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 2017.

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 50,000 members around the world manage about US\$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 June 2017 data will be released at 10:00 a.m. ET on Thursday, July 6, 2017.

*Unless the NYSE is closed.