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August 2017 Non-Manufacturing ISM[®] *Report On Business*[®]

NMI[®] at 55.3%

Business Activity Index at 57.5%

New Orders Index at 57.1%

Employment Index at 56.2%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in August for the 92nd 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 55.3 percent, which is 1.4 percentage points higher than the July reading of 53.9 percent. This represents continued growth in the non-manufacturing sector at a faster rate. The Non-Manufacturing Business Activity Index increased to 57.5 percent, 1.6 percentage points higher than the July reading of 55.9 percent, reflecting growth for the 97th consecutive month, at a faster rate in August. The New Orders Index registered 57.1 percent, 2 percentage points higher than the reading of 55.1 percent in July. The Employment Index increased 2.6 percentage points in August to 56.2 percent from the July reading of 53.6 percent. The Prices Index increased 2.2 percentage points from the July reading of 55.7 percent to 57.9 percent, indicating prices increased in August for the third consecutive month. According to the NMI[®], 15 non-manufacturing industries reported growth. The non-manufacturing sector has rebounded from the prior month's cooling-off period. The majority of respondents are optimistic about business conditions going forward."

INDUSTRY PERFORMANCE

The 15 non-manufacturing industries reporting growth in August — listed in order — are: Retail Trade; Information; Management of Companies & Support Services; Real Estate, Rental & Leasing; Other Services; Wholesale Trade; Utilities; Mining; Educational Services; Accommodation & Food Services; Finance & Insurance; Public Administration; Professional, Scientific & Technical Services; Construction;

and Health Care & Social Assistance. The two industries reporting contraction in August are: Agriculture, Forestry, Fishing & Hunting; and Transportation & Warehousing.

WHAT RESPONDENTS ARE SAYING ...

- "Impressive numbers month-over-month, 8 percent more projects and 4 percent higher revenues." (Construction)
- "Economy is chugging along. Decent crop yields seem to be offsetting poor commodity prices to some extent. Construction abounds." (Finance & Insurance)
- "Volumes remain about the same. Actual revenue has decreased due to price compression." (Health Care & Social Assistance)
- "Flat, stable pricing in the oil and gas sector currently has led to a flattening of supply chain activities." (Mining)
- "The overall animal protein market is stable, except for pork bellies and bacon. A major shortage of raw material has caused prices to spike, with every restaurant and hotel using bacon or pork bellies on their menu. The demand has outstripped supply. This will continue for the next 3 – 6 months. Eggs are at an all-time historical low and [there is] an overabundance of supply." (Accommodation & Food Services)
- "Still optimistic conditions and attitudes about [the] economy, job and wage growth." (Professional, Scientific & Technical Services)
- "Seasonally slow period. Preparations for busy quarter well under way." (Retail Trade)
- "General slight increase in activity. Some stocking up in the market in anticipation of increased sales in the fall months and to cover for recent inventory shortfalls." (Wholesale Trade)

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

	Non-Manufacturing						Manufacturing		
Index	Series Index Aug	Series Index Jul	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Aug	Series Index Jul	Percent Point Change
NMI[®]/PMI[®]	55.3	53.9	+1.4	Growing	Faster	92	58.8	56.3	+2.5
Business Activity/Production	57.5	55.9	+1.6	Growing	Faster	97	61.0	60.6	+0.4
New Orders	57.1	55.1	+2.0	Growing	Faster	97	60.3	60.4	-0.1
Employment	56.2	53.6	+2.6	Growing	Faster	42	59.9	55.2	+4.7
Supplier Deliveries	50.5	51.0	-0.5	Slowing	Slower	20	57.1	55.4	+1.7
Inventories	53.5	56.5	-3.0	Growing	Slower	5	55.5	50.0	+5.5
Prices	57.9	55.7	+2.2	Increasing	Faster	3	62.0	62.0	0.0
Backlog of Orders	53.5	52.0	+1.5	Growing	Faster	7	57.5	55.0	+2.5
New Export Orders	55.0	53.0	+2.0	Growing	Faster	7	55.5	57.5	-2.0
Imports	50.5	51.5	-1.0	Growing	Slower	3	54.5	56.0	-1.5
Inventory Sentiment	61.0	67.5	-6.5	Too High	Slower	243	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	41.0	49.0	-8.0
Overall Economy				Growing	Faster	97			

Non-Manufacturing Sector	Growing	Faster	92	
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* **Non-Manufacturing ISM® Report On Business®** data is seasonally adjusted for the 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

Bacon (3); Chicken Breast; Copper Products; Corrugated Boxes (4); #1 Diesel Fuel (3); #2 Diesel Fuel; Fuel (2); Gasoline; Labor (5); Labor — Construction (6); Lumber Products — Pine, Plywood and Spruce (2); Medical/Surgical Supplies (2); Paper (3); PVC Products; Software; and Steel Products (9).

Commodities Down in Price

Beef Products; Propane; and Soy Products.

Commodities in Short Supply

IV Solutions; Labor; Labor — Construction (17); and Medical Supplies (3).

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

August 2017 NON-MANUFACTURING INDEX SUMMARIES

NMI®

In August, the NMI® registered 55.3 percent, 1.4 percentage points higher than the 53.9 percent registered in July, indicating continued growth in the non-manufacturing sector for the 92nd 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 August NMI[®] indicates growth for the 97th consecutive month in the overall economy, and indicates expansion in the non-manufacturing sector for the 92nd consecutive month. Nieves says, "The past relationship between the NMI[®] and the overall economy indicates that the NMI[®] for August (55.3 percent) corresponds to a 2.5 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>
Aug 2017	55.3	Feb 2017	57.6
Jul 2017	53.9	Jan 2017	56.5
Jun 2017	57.4	Dec 2016	56.6
May 2017	56.9	Nov 2016	56.2
Apr 2017	57.5	Oct 2016	54.6
Mar 2017	55.2	Sep 2016	56.6
Average for 12 months – 56.2 High – 57.6 Low – 53.9			

Business Activity

ISM[®]'s Business Activity Index registered 57.5 percent in August, an increase of 1.6 percentage points from the July reading of 55.9 percent. This represents growth in business activity for the 97th consecutive month. Comments from respondents include: "Business expansion and seasonal growth" and "Increasing business."

The 12 industries reporting growth of business activity in August — listed in order — are: Information; Retail Trade; Real Estate, Rental & Leasing; Management of Companies & Support Services; Utilities; Wholesale Trade; Other Services; Finance & Insurance; Public Administration; Professional, Scientific & Technical Services; Accommodation & Food Services; and Mining. The three industries reporting a

decrease in business activity in August are: Agriculture, Forestry, Fishing & Hunting; Transportation & Warehousing; and Construction.

Business Activity	% Higher	% Same	% Lower	Index
Aug 2017	32	52	16	57.5
Jul 2017	29	58	13	55.9
Jun 2017	32	58	10	60.8
May 2017	37	50	13	60.7

New Orders

ISM[®]'s Non-Manufacturing New Orders Index registered 57.1 percent, an increase of 2 percentage points from the July reading of 55.1 percent. August represents growth in new orders for the 97th consecutive month, at a faster rate compared with July. Comments from respondents include: "Positive economic momentum and expectations" and "Start of [a] new budget year."

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

New Orders	% Higher	% Same	% Lower	Index
Aug 2017	29	55	16	57.1
Jul 2017	27	61	12	55.1
Jun 2017	33	58	9	60.5
May 2017	34	52	14	57.7

Employment

Employment activity in the non-manufacturing sector grew in August for the 42nd consecutive month. ISM's Non-Manufacturing Employment Index registered 56.2 percent, which reflects an increase of 2.6 percentage points when compared to the July reading of 53.6 percent. Comments from respondents include: "Anticipating new business" and "Increasing workforce to prepare for recently awarded projects."

The 11 industries reporting an increase in employment in August — listed in order — are: Retail Trade; Real Estate, Rental & Leasing; Accommodation & Food Services; Construction; Other Services; Finance & Insurance; Management of Companies & Support Services; Mining; Wholesale Trade; Health Care & Social Assistance; and Transportation & Warehousing. The three industries reporting a reduction in employment in August are: Utilities; Information; and Public Administration.

Employment	% Higher	% Same	% Lower	Index
Aug 2017	25	60	15	56.2
Jul 2017	26	60	14	53.6
Jun 2017	32	56	12	55.8
May 2017	30	58	12	57.8

Supplier Deliveries

Supplier deliveries were slower in August for the 20th consecutive month. The index registered 50.5 percent, which is 0.5 percentage point lower than the 51 percent that was registered in July. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries. Comments from respondents include: "Trucking is slow" and "The summer weather has helped with the speed and efficiency of deliveries."

The seven industries reporting slower deliveries in August — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Educational Services; Mining; Information; Management of Companies & Support Services; Accommodation & Food Services; and Wholesale Trade. The six industries reporting faster deliveries in August — listed in order — are: Retail Trade; Finance & Insurance; Public Administration; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Construction.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Aug 2017	7	87	6	50.5
Jul 2017	7	88	5	51.0
Jun 2017	8	89	3	52.5
May 2017	8	87	5	51.5

Inventories

ISM[®]'s Non-Manufacturing Inventories Index grew in August for the fifth consecutive month and registered 53.5 percent, 3 percentage points lower than the 56.5 percent that was reported in July. Of the total respondents in August, 32 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Fiscal year-end is September, so we drive down inventory where we can" and "Increased need."

The eight industries reporting an increase in inventories in August — listed in order — are: Utilities; Retail Trade; Real Estate, Rental & Leasing; Finance & Insurance; Accommodation & Food Services; Agriculture, Forestry, Fishing & Hunting; Public Administration; and Transportation & Warehousing. The six industries reporting decreases in inventories in August — listed in order — are: Educational Services; Mining; Other Services; Construction; Professional, Scientific & Technical Services; and Wholesale Trade.

Inventories	% Higher	% Same	% Lower	Index
Aug 2017	24	59	17	53.5
Jul 2017	26	61	13	56.5
Jun 2017	29	57	14	57.5
May 2017	17	74	9	54.0

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in August for the third consecutive month. ISM[®]'s Non-Manufacturing Prices Index for August registered 57.9 percent, 2.2 percentage points higher than the 55.7 percent reported in July. Twenty percent of respondents reported higher prices, 73 percent indicated no change in prices paid, and 7 percent of respondents reported lower prices.

The 12 non-manufacturing industries reporting an increase in prices paid during the month of August — listed in order — are: Mining; Construction; Management of Companies & Support Services; Accommodation & Food Services; Wholesale Trade; Information; Real Estate, Rental & Leasing; Finance & Insurance; Transportation & Warehousing; Public Administration; Retail Trade; and Professional, Scientific & Technical Services. The three industries reporting a decrease in prices paid during the month of August are: Agriculture, Forestry, Fishing & Hunting; Other Services; and Health Care & Social Assistance.

Prices	% Higher	% Same	% Lower	Index
Aug 2017	20	73	7	57.9
Jul 2017	19	77	4	55.7
Jun 2017	19	72	9	52.1
May 2017	17	72	11	49.2

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 August. The index registered 53.5 percent, which is 1.5 percentage points higher than the 52 percent reported in July. Of the total respondents in August, 36 percent indicated they do not measure backlog of orders.

The eight industries reporting an increase in order backlogs in August — listed in order — are: Finance & Insurance; Management of Companies & Support Services; Retail Trade; Accommodation & Food Services; Information; Public Administration; Health Care & Social Assistance; and Other Services. The five industries reporting a decrease in order backlogs in August are: Utilities; Transportation & Warehousing; Wholesale Trade; Construction; and Mining.

Backlog of Orders	% Higher	% Same	% Lower	Index
Aug 2017	20	67	13	53.5
Jul 2017	15	74	11	52.0
Jun 2017	15	75	10	52.5
May 2017	19	76	5	57.0

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 August for the seventh consecutive month at a faster rate. The New Export Orders Index for August registered 55 percent, which is 2 percentage points higher than the 53 percent reported in July. Of the total respondents in August, 65 percent indicated they either do not perform, or do not separately measure, orders for work outside of the U.S.

The seven industries reporting an increase in new export orders in August — listed in order — are: Mining; Information; Retail Trade; Finance & Insurance; Accommodation & Food Services; Wholesale Trade; and Professional, Scientific & Technical Services. The two industries reporting a decrease in export orders in August are: Public Administration; and Health Care & Social Assistance. Seven industries reported no change in exports in August compared to July.

New Export Orders	% Higher	% Same	% Lower	Index
Aug 2017	16	78	6	55.0
Jul 2017	15	76	9	53.0
Jun 2017	13	84	3	55.0
May 2017	14	81	5	54.5

Imports

Imports grew in August for the third consecutive month. This month's reading at 50.5 percent is 1 percentage point lower than the reading of 51.5 percent reported in July. Fifty-five percent of respondents reported that they do not use, or do not track the use of, imported materials.

The six industries reporting an increase in imports for the month of August — listed in order — are: Real Estate, Rental & Leasing; Management of Companies & Support Services; Retail Trade; Mining; Construction; and Wholesale Trade. The three industries reporting a decrease in imports in the month of August are: Health Care & Social Assistance; Accommodation & Food Services; and Professional, Scientific & Technical Services. Seven industries reported no change in imports in August compared to July.

Imports	% Higher	% Same	% Lower	Index
Aug 2017	11	79	10	50.5
Jul 2017	9	85	6	51.5
Jun 2017	9	84	7	51.0
May 2017	6	85	9	48.5

Inventory Sentiment

The ISM[®] Non-Manufacturing Inventory Sentiment Index in August registered 61 percent, which is 6.5 percentage points lower than the reading of 67.5 percent reported in July. This indicates that respondents believe their inventories are still too high at this time. In August, 26 percent of respondents said their inventories were too high, 4 percent of the respondents said their inventories were too low, and 70 percent said their inventories were about right.

The nine industries reporting a feeling that their inventories are too high in August — listed in order — are: Mining; Agriculture, Forestry, Fishing & Hunting; Utilities; Wholesale Trade; Public Administration; Construction; Retail Trade; Finance & Insurance; and Accommodation & Food Services. The only industry reporting a feeling that its inventory is too low in August, compared with July, is Transportation & Warehousing. Six industries reported no change in inventory sentiment in August compared to July.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Aug 2017	26	70	4	61.0
Jul 2017	35	65	0	67.5
Jun 2017	29	66	5	62.0
May 2017	28	70	2	63.0

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 U.S., 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 August 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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About Institute for Supply Management[®]

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 September 2017 data will be released at 10:00 a.m. ET on Wednesday, October 4, 2017.