

FOR RELEASE: January 5, 2018

Contact: Kristina Cahill
Report On Business[®] Analyst
ISM[®], ROB/Research Manager
Tempe, Arizona
[480-752-6276](tel:480-752-6276), Ext. 3015
E-mail: kcahill@instituteforsupplymanagement.org

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

NMI[®] at 55.9%

Business Activity Index at 57.3%

New Orders Index at 54.3%

Employment Index at 56.3%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in December for the 96th 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 55.9 percent, which is 1.5 percentage points lower than the November reading of 57.4 percent. This represents continued growth in the non-manufacturing sector at a slower rate. The Non-Manufacturing Business Activity Index decreased to 57.3 percent, 4.1 percentage points lower than the November reading of 61.4 percent, reflecting growth for the 101st consecutive month, at a slower rate in December. The New Orders Index registered 54.3 percent, 4.4 percentage points lower than the reading of 58.7 percent in November. The Employment Index increased 1 percentage point in December to 56.3 percent from the November reading of 55.3 percent. The Prices Index increased by 0.1 percentage point from the November reading of 60.7 percent to 60.8 percent, indicating that prices increased in December for the seventh consecutive month. According to the NMI[®], 14 non-manufacturing industries reported growth. There has been a second consecutive month of pullback in the rate of growth. Overall, the majority of respondents' comments indicate that they finished the year on a positive note. They also indicate optimism for business conditions and the economic outlook going forward."

INDUSTRY PERFORMANCE

The 14 non-manufacturing industries reporting growth in December — listed in order — are: Retail Trade; Utilities; Arts, Entertainment & Recreation; Other Services; Health Care & Social Assistance; Accommodation & Food Services; Finance & Insurance; Real Estate, Rental & Leasing; Transportation & Warehousing; Mining; Construction; Wholesale Trade; Public Administration; and Professional, Scientific & Technical Services. The three industries reporting contraction in December are: Information; Educational Services; and Management of Companies & Support Services.

WHAT RESPONDENTS ARE SAYING...

- "Many suppliers are proposing price increases, but few are being implemented. Increases in volume and efficiencies seem to be outperforming commodity pricing." (Accommodation & Food Services)
- "December is slowing, as is seasonally expected after a strong fall. Business in general is strong [and] within the normal pattern of seasonal fluctuation." (Management of Companies & Support Services)
- "Some improvement is jobs from the private sector." (Professional, Scientific & Technical Services)
- "Lumber prices are increasing due to product [being] damaged in the recent wildfires. Duties on steel from Vietnam is expected to cause an increase in steel prices. Ongoing shortages in construction related [to] labor continue to be a problem." (Construction)
- "Ending the year with profits and business levels on track. 2018 is projected to be as productive with an optimistic outlook." (Finance & Insurance)
- "IV solutions are still on national manufacturer back order. Hospital gauze back orders are also causing issues in the industry." (Health Care & Social Assistance)
- "We are seeing a resurgence in the business activity of our oil and gas customers, in a positive direction that is impacting our sales." (Other Services)
- "Steady end-of-year demand. Forecasting substantial increase in 2018 activity." (Public Administration)
- "Sales have slowed in food supply after last month's buildup for the holidays." (Retail Trade)

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

	Non-Manufacturing						Manufacturing		
Index	Series Index Dec	Series Index Nov	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Dec	Series Index Nov	Percent Point Change
NMI[®]/PMI[®]	55.9	57.4	-1.5	Growing	Slower	96	59.7	58.2	+1.5
Business Activity/Production	57.3	61.4	-4.1	Growing	Slower	101	65.8	63.9	+1.9
New Orders	54.3	58.7	-4.4	Growing	Slower	101	69.4	64.0	+5.4
Employment	56.3	55.3	+1.0	Growing	Faster	46	57.0	59.7	-2.7
Supplier Deliveries	55.5	54.0	+1.5	Slowing	Faster	24	57.9	56.5	+1.4
Inventories	53.5	54.5	-1.0	Growing	Slower	9	48.5	47.0	+1.5
Prices	60.8	60.7	+0.1	Increasing	Faster	7	69.0	65.5	+3.5
Backlog of Orders	50.0	51.5	-1.5	Unchanged	From Growing	1	56.0	55.0	+1.0
New Export Orders	56.5	57.0	-0.5	Growing	Slower	11	58.5	56.0	+2.5
Imports	52.5	52.5	0.0	Growing	Same	7	57.5	54.5	+3.0
Inventory Sentiment	62.5	56.0	+6.5	Too High	Faster	247	N/A	N/A	N/A
Customers'	N/A	N/A	N/A	N/A	N/A	N/A	42.0	45.5	-3.5

Inventories									
Overall Economy				Growing	Slower	101			
Non-Manufacturing Sector				Growing	Slower	96			

***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; Copper Products (5); #1 Diesel Fuel (7); #2 Diesel Fuel (5); Eggs; Gasoline* (5); Labor — Construction (10); Lumber Products* (6); Natural Gas (2); Paper (2); PVC Products; Resin; Steel Products (3); and Tomatoes.

Commodities Down in Price

Gasoline*; and Lumber Products*.

Commodities in Short Supply

Construction Contractors; Groundwood (2); IV Solutions (5); Labor (5); Labor — Construction (21); Labor — Temporary (4); Lumber Products; and Transportation Services.

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

*Indicates both up and down in price.

DECEMBER 2017 NON-MANUFACTURING INDEX SUMMARIES

NMI[®]

In December, the NMI[®] registered 55.9 percent, 1.5 percentage points lower than the 57.4 percent registered in November, indicating continued growth in the non-manufacturing sector for the 96th 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 December NMI[®] indicates growth for the 101st consecutive month in the overall economy, and indicates expansion in the non-manufacturing sector for the 96th consecutive month. Nieves says, "The past relationship between the NMI[®] and the overall economy indicates that the NMI[®] for December (55.9 percent) corresponds to a 2.7 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>
Dec 2017	55.9	Jun 2017	57.4
Nov 2017	57.4	May 2017	56.9
Oct 2017	60.1	Apr 2017	57.5
Sep 2017	59.8	Mar 2017	55.2
Aug 2017	55.3	Feb 2017	57.6
Jul 2017	53.9	Jan 2017	56.5
Average for 12 months – 57.0 High – 60.1 Low – 53.9			

Business Activity

ISM[®]'s Business Activity Index registered 57.3 percent in December, a decrease of 4.1 percentage points from the November reading of 61.4 percent. This represents growth in business activity for the 101st consecutive month. Ten industries reported increased business activity and seven industries reported decreased activity for the month of December. Comments from respondents include: "Economic outlook encouraging" and "Seasonal demand increasing due to the holidays."

The 10 industries reporting growth of business activity in December — listed in order — are: Utilities; Retail Trade; Arts, Entertainment & Recreation; Other Services; Health Care & Social Assistance; Accommodation & Food Services; Transportation & Warehousing; Finance & Insurance; Real Estate, Rental & Leasing; and Public Administration. The seven industries reporting a decrease in business activity in December — listed in order — are: Educational Services; Information; Mining; Management of Companies & Support Services; Wholesale Trade; Professional, Scientific & Technical Services; and Construction.

Business Activity	% Higher	% Same	% Lower	Index
Dec 2017	29	52	19	57.3
Nov 2017	32	57	11	61.4
Oct 2017	34	53	13	62.2
Sep 2017	37	49	14	61.3

New Orders

ISM[®]'s Non-Manufacturing New Orders Index registered 54.3 percent, a decrease of 4.4 percentage points from the November reading of 58.7 percent. December represents growth in new orders for the 101st consecutive month, at a slower rate compared with November. Comments from respondents include: "We continue to add new business with existing customers and add new customers" and "End-of-year spending."

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

New Orders	% Higher	% Same	% Lower	Index
Dec 2017	25	54	21	54.3
Nov 2017	30	57	13	58.7
Oct 2017	35	52	13	62.8
Sep 2017	40	49	11	63.0

Employment

Employment activity in the non-manufacturing sector grew in December for the 46th consecutive month. ISM's Non-Manufacturing Employment Index registered 56.3 percent, which reflects an increase of 1 percentage point when compared to the November reading of 55.3 percent. Twelve industries reported increased employment and three industries reported decreased employment. Comments from respondents include: "New growth is causing new work and employee growth" and "New hiring initiatives."

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

Employment	% Higher	% Same	% Lower	Index
Dec 2017	25	62	13	56.3
Nov 2017	23	61	16	55.3
Oct 2017	24	65	11	57.5
Sep 2017	22	66	12	56.8

Supplier Deliveries

Supplier deliveries were slower in December for the 24th consecutive month. The index registered 55.5 percent, which is 1.5 percentage points higher than the 54 percent that was registered in November. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries. Comments from respondents include: "More non-stock items being added" and "Holiday periods delay deliveries."

The eight industries reporting slower deliveries in December — listed in order — are: Mining; Wholesale Trade; Professional, Scientific & Technical Services; Accommodation & Food Services; Health Care & Social Assistance; Public Administration; Construction; and Finance & Insurance. The four industries reporting faster deliveries in December are: Retail Trade; Other Services; Information; and Management of Companies & Support Services. Six industries reported no change in supplier deliveries in December compared to November.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Dec 2017	15	81	4	55.5
Nov 2017	11	86	3	54.0
Oct 2017	17	82	1	58.0
Sep 2017	19	78	3	58.0

Inventories

ISM[®]'s Non-Manufacturing Inventories Index grew in December for the ninth consecutive month and registered 53.5 percent, 1 percentage point lower than the 54.5 percent that was reported in November. Of the total respondents in December, 30 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Adding products to stock" and "Higher to support increased sales."

The seven industries reporting an increase in inventories in December — listed in order — are: Retail Trade; Wholesale Trade; Real Estate, Rental & Leasing; Other Services; Public Administration; Finance & Insurance; and Accommodation & Food Services. The four industries reporting decreases in inventories in December are: Professional, Scientific & Technical Services; Utilities; Construction; and Information.

Inventories	% Higher	% Same	% Lower	Index
Dec 2017	24	59	17	53.5
Nov 2017	26	57	17	54.5
Oct 2017	22	61	17	52.5
Sep 2017	24	55	21	51.5

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in December for the seventh consecutive month. ISM[®]'s Non-Manufacturing Prices Index registered 60.8 percent, 0.1 percentage point higher than the 60.7 percent reported in November. Twenty-one percent of respondents reported higher prices, 72 percent indicated no change in prices paid and 7 percent of respondents reported lower prices.

The 13 non-manufacturing industries reporting an increase in prices paid during the month of December — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Wholesale Trade; Management of Companies & Support Services; Other Services; Accommodation & Food Services; Construction; Health Care & Social Assistance; Mining; Transportation & Warehousing; Finance & Insurance; Information; Professional, Scientific & Technical Services; and Public Administration. No industry reported a decrease in prices paid during the month of December.

Prices	% Higher	% Same	% Lower	Index
Dec 2017	21	72	7	60.8
Nov 2017	21	73	6	60.7
Oct 2017	27	66	7	62.7
Sep 2017	31	65	4	66.3

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 were unchanged in December. The index registered 50 percent, which is 1.5 percentage points lower than the 51.5 percent reported in November. Of the total respondents in December, 34 percent indicated they do not measure backlog of orders.

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

Backlog of Orders	% Higher	% Same	% Lower	Index
Dec 2017	13	74	13	50.0
Nov 2017	16	71	13	51.5
Oct 2017	18	71	11	53.5
Sep 2017	22	68	10	56.0

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 December for the 11th consecutive month at a slower rate. The New Export Orders Index registered 56.5 percent, which is 0.5 percentage point lower than the 57 percent reported in November. Of the total respondents in December, 64 percent indicated they either do not perform, or do not separately measure, orders for work outside of the U.S.

The 10 industries reporting an increase in new export orders in December — listed in order — are: Construction; Mining; Retail Trade; Finance & Insurance; Other Services; Real Estate, Rental & Leasing; Transportation & Warehousing; Professional, Scientific & Technical Services; Information; and

Accommodation & Food Services. No industry reported a decrease in exports. Six industries reported no change in December compared to November.

New Export Orders	% Higher	% Same	% Lower	Index
Dec 2017	18	77	5	56.5
Nov 2017	20	74	6	57.0
Oct 2017	28	64	8	60.0
Sep 2017	18	76	6	56.0

Imports

The Imports Index reading of 52.5 percent is the same as what was reported in November. Fifty-one 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 December are: Construction; Retail Trade; Transportation & Warehousing; Accommodation & Food Services; and Wholesale Trade. The two industries reporting a decrease in imports in the month of December are: Information; and Professional, Scientific & Technical Services. Nine industries reported no change in December compared to November.

Imports	% Higher	% Same	% Lower	Index
Dec 2017	14	77	9	52.5
Nov 2017	10	85	5	52.5
Oct 2017	13	78	9	52.0
Sep 2017	9	86	5	52.0

Inventory Sentiment

The ISM[®] Non-Manufacturing Inventory Sentiment Index in December registered 62.5 percent, which is 6.5 percentage points higher than the reading of 56 percent reported in November. This indicates that respondents believe their inventories are still too high at this time. In December, 29 percent of respondents said their inventories were too high, 4 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 were too high in December — listed in order — are: Mining; Information; Utilities; Real Estate, Rental & Leasing; Finance & Insurance; Wholesale Trade; Construction; Retail Trade; Other Services; Public Administration; and Professional, Scientific & Technical Services. The only industry reporting a feeling that its inventories were too low in December compared with November is Health Care & Social Assistance.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
Dec 2017	29	67	4	62.5
Nov 2017	22	68	10	56.0
Oct 2017	27	68	5	61.0
Sep 2017	24	69	7	58.5

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 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 December 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.

ISM ROB Content

The Institute for Supply Management[®] ("ISM") *Report On Business*[®] (both Manufacturing and Non-Manufacturing) ("ISM ROB") contains information, text, files, images, video, sounds, musical works, works of authorship, applications, and any other materials or content (collectively, "Content") of ISM ("ISM ROB Content"). ISM ROB Content is protected by copyright, trademark, trade secret, and other laws, and as between you and ISM, ISM owns and retains all rights in the ISM ROB Content. ISM hereby grants you a limited, revocable, nonsublicensable license to access and display on your individual device the ISM ROB Content (excluding any software code) solely for your personal, non-commercial use. The ISM ROB Content shall also contain Content of users and other ISM licensors. Except as provided herein or as explicitly allowed in writing by ISM, you shall not copy, download, stream, capture, reproduce, duplicate, archive, upload, modify, translate, publish, broadcast, transmit, retransmit, distribute, perform, display, sell, or otherwise use any ISM ROB Content.

Except as explicitly and expressly permitted by ISM, you are strictly prohibited from creating works or materials (including but not limited to tables, charts, datastreams, timeseries variables, fonts, icons, link buttons, wallpaper, desktop themes, on-line postcards, montages, mash-ups and similar videos, greeting cards, and unlicensed merchandise) that derive from or are based on the ISM ROB Content. This prohibition applies regardless of whether the derivative works or materials are sold, bartered, or given away. You shall not either directly or through the use of any device, software, internet site, web-based service, or other means remove, alter, bypass, avoid, interfere with, or circumvent any copyright, trademark, or other proprietary notices marked on the Content or any digital rights management mechanism, device, or other content protection or access control measure associated with the Content including geo-filtering mechanisms. Without prior written authorization from ISM, you shall not build a business utilizing the Content, whether or not for profit.

You shall not create, recreate, distribute, incorporate in other work, or advertise an index of any portion of the Content unless you receive prior written authorization from ISM. Requests for permission to reproduce or distribute ISM ROB Content can be made by contacting in writing at: ISM Research, Institute for Supply Management, 309 W. Elliot Road, Suite 113, Tempe, AZ 85284-1556, or by emailing kcahill@instituteforsupplymanagement.org; subject: Content Request.

ISM shall not have any liability, duty, or obligation for or relating to the ISM ROB Content or other information contained herein, any errors, inaccuracies, omissions or delays in providing any ISM ROB Content, or for any actions taken in reliance thereon. In no event shall ISM be liable for any special, incidental, or consequential damages, arising out of the use of the ISM ROB. *Report On Business*[®], PMI[®], and NMI[®] are registered trademarks of Institute for Supply Management[®]. Institute for Supply Management[®] and ISM[®] are registered trademarks of Institute for Supply Management, Inc.

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 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 January 2018 data will be released at 10:00 a.m. ET on Monday, February 5, 2018.

*Unless the NYSE is closed.