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May 2018 Non-Manufacturing ISM® *Report On Business*®

NMI® at 58.6%

Business Activity Index at 61.3%

New Orders Index at 60.5%

Employment Index at 54.1%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in May for the 100th 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 58.6 percent, which is 1.8 percentage points higher than the April reading of 56.8 percent. This represents continued growth in the non-manufacturing sector at a faster rate. The Non-Manufacturing Business Activity Index increased to 61.3 percent, 2.2 percentage points higher than the April reading of 59.1 percent, reflecting growth for the 106th consecutive month, at a faster rate in May. The New Orders Index registered 60.5 percent, 0.5 percentage point higher than the reading of 60 percent in April. The Employment Index increased 0.5 percentage point in May to 54.1 percent from the April reading of 53.6 percent. The Prices Index increased by 2.5 percentage points from the April reading of 61.8 percent to 64.3 percent, indicating that prices increased in May for the 27th consecutive month. According to the NMI®, 14 non-manufacturing industries reported growth. The majority of respondents are optimistic about business conditions and the overall economy. There continue to be concerns about the uncertainty surrounding tariffs, trade agreements and the impact on cost of goods sold."

INDUSTRY PERFORMANCE

The 14 non-manufacturing industries reported growth in May — listed in order — are: Wholesale Trade; Mining; Real Estate, Rental & Leasing; Construction; Retail Trade; Management of Companies & Support Services; Professional, Scientific & Technical

Services; Transportation & Warehousing; Public Administration; Agriculture, Forestry, Fishing & Hunting; Accommodation & Food Services; Finance & Insurance; Utilities; and Other Services. The only industry reporting a decrease is Information.

WHAT RESPONDENTS ARE SAYING

- “Since the last report, our foil lid supplier stated that the tariff on aluminum has caused supply interruptions and higher costs. A price increase was instituted by the supplier.” (Agriculture, Forestry, Fishing & Hunting)
- “Material prices have been difficult to predict this year, and suppliers have struggled to hold prices for any extended period on quotes, specifically on lumber and lumber-related products. The instability has proven frustrating, but a larger problem is that we are starting to see longer lead times in many of the same areas that could start impacting timelines if they continue to get worse as we get into the main building season.” (Construction)
- “After a challenging 2017 that ended strong, 2018 is off to a good start. Volume from existing clients as well as new sales are up, although the growth is marginal. May is showing a continuation of the monthly growth when measured over [the] previous year, leading to optimism for the rest of 2018.” (Management of Companies & Support Services)
- “The trade discussions with NAFTA, Korea and the European Union will have critical impacts on our spend relating to steel products. Also, the potential of the U.S. pulling out of the Iran nuclear deal could push crude prices higher.” (Mining)
- “Business is starting to increase. We have spent two years reducing our inventories to a level to support the current business climate. Now the uptick is faster than anticipated and supply is out of alignment with demand, which is causing many stockouts and shortages, and the need to expedite inventory. In shipping, we still [are] experiencing a shortage of domestic trucking resources (especially flat beds) and international shortage of flat racks. We [are] working to minimize the impact of the tariff on steel and aluminum.” (Other Services)
- “Oil price stabilization in the (US) \$60 to \$70 per barrel [is] having a positive impact on hiring, both contract labor and direct employees, in the oil and gas industry and supporting industries.” (Professional, Scientific & Technical Services)
- “Shortage of qualified labor and services personnel.” (Public Administration)
- “Sales over the last month have been very strong. We are still struggling with the fluctuation in commodity costs and the weakening U.S. dollar.” (Retail Trade)
- “The supply chain is shuttering because of a lack of drivers and equipment causing delays in multiple modes of transportation. The activity to adjust to this is not causing stockouts yet, and we are increasing inventory levels in anticipation of worsening conditions.” (Wholesale Trade)

**ISM® NON-MANUFACTURING SURVEY RESULTS AT A GLANCE
COMPARISON OF ISM® NON-MANUFACTURING AND ISM® MANUFACTURING
SURVEYS*
MAY 2018**

	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®	58.6	56.8	+1.8	Growing	Faster	100	58.7	57.3	+1.4
Business Activity/Production	61.3	59.1	+2.2	Growing	Faster	106	61.5	57.2	+4.3
New Orders	60.5	60.0	+0.5	Growing	Faster	88	63.7	61.2	+2.5
Employment	54.1	53.6	+0.5	Growing	Faster	51	56.3	54.2	+2.1
Supplier Deliveries	58.5	54.5	+4.0	Slowing	Faster	29	62.0	61.1	+0.9
Inventories	57.5	57.0	+0.5	Growing	Faster	4	50.2	52.9	-2.7
Prices	64.3	61.8	+2.5	Increasing	Faster	27	79.5	79.3	-0.2
Backlog of Orders	60.5	52.0	+8.5	Growing	Faster	5	63.5	62.0	+1.5
New Export Orders	57.5	61.5	-4.0	Growing	Slower	16	55.6	57.7	-2.1
Imports	54.0	54.5	-0.5	Growing	Slower	3	54.1	57.8	-3.7
Inventory Sentiment	61.0	60.0	+1.0	Too High	Faster	252	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	39.6	44.3	-4.7
Overall Economy				Growing	Faster	105			
Non-Manufacturing Sector				Growing	Faster	100			

*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

Air Freight; Aluminum (2); Corrugated Boxes (2); Diesel (2); Freight Charges (4); Fuel (2); Gasoline (2); Labor — Construction; Paper; Paper Products; Plastic Products; Poly Products; Steel (2); Steel Products (8); and Transportation Costs (2).

Commodities Down in Price

Beef (2).

Commodities in Short Supply

Construction Subcontractors (5); and Labor — Construction (26).

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

MAY 2018 NON-MANUFACTURING INDEX SUMMARIES

NMI[®]

In May, the NMI[®] registered 58.6 percent, 1.8 percentage points higher than the 56.8 percent registered in April, indicating continued growth in the non-manufacturing sector for the 100th 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 49 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the May NMI[®] indicates growth for the 105th consecutive month in the overall economy and expansion in the non-manufacturing sector for the 100th consecutive month. Nieves says, “The past relationship between the NMI[®] and the overall economy indicates that the NMI[®] for May (58.6 percent)

corresponds to a 3.5-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>
May 2018	58.6	Nov 2017	57.3
Apr 2018	56.8	Oct 2017	59.8
Mar 2018	58.8	Sep 2017	59.4
Feb 2018	59.5	Aug 2017	55.2
Jan 2018	59.9	Jul 2017	54.3
Dec 2017	56.0	Jun 2017	57.2
Average for 12 months – 57.7 High – 59.9 Low – 54.3			

Business Activity

ISM®’s Business Activity Index registered 61.3 percent in May, an increase of 2.2 percentage points from the April reading of 59.1 percent. This represents growth in business activity for the 106th consecutive month. Thirteen industries reported increased business activity, and two industries reported decreased activity for the month of May. Comments from respondents include: “Actively growing accounts and cross-selling” and “Demand for supplies and labor is up.”

The 13 industries reporting growth of business activity in May — listed in order — are: Wholesale Trade; Mining; Retail Trade; Real Estate, Rental & Leasing; Transportation & Warehousing; Utilities; Construction; Accommodation & Food Services; Professional, Scientific & Technical Services; Management of Companies & Support Services; Finance & Insurance; Public Administration; and Other Services. The two industries reporting a decrease in business activity in May are: Information; and Agriculture, Forestry, Fishing & Hunting.

Business Activity	% Higher	% Same	% Lower	Index
May 2018	35	55	10	61.3
Apr 2018	37	54	9	59.1
Mar 2018	35	55	10	60.6
Feb 2018	36	51	13	62.8

New Orders

ISM®'s Non-Manufacturing New Orders Index registered 60.5 percent, an increase of 0.5 percentage point from the April reading of 60 percent. May represents growth in new orders for the 88th consecutive month, at a faster rate compared with April. Comments from respondents include: “New sales from contracts signed in 2017 are being implemented and are increasing new order volume over April. Many, but not all, existing clients are also increasing the number of orders placed in May over April” and “Existing customers are providing greater business each month as the economy continues to improve.”

The 11 industries reporting growth of new orders in May — listed in order — are: Construction; Mining; Wholesale Trade; Real Estate, Rental & Leasing; Retail Trade; Finance & Insurance; Transportation & Warehousing; Public Administration; Professional, Scientific & Technical Services; Accommodation & Food Services; and Management of Companies & Support Services. The four industries reporting a decrease in new orders for the month of May are: Educational Services; Other Services; Information; and Agriculture, Forestry, Fishing & Hunting.

New Orders	% Higher	% Same	% Lower	Index
May 2018	33	57	10	60.5
Apr 2018	36	57	7	60.0
Mar 2018	31	58	11	59.5
Feb 2018	36	53	11	64.8

Employment

Employment activity in the non-manufacturing sector grew in May for the 51st consecutive month. ISM®'s Non-Manufacturing Employment Index registered 54.1 percent, which reflects an increase of 0.5 percentage point when compared to the April

reading of 53.6 percent. Eleven industries reported increased employment, and three industries reported decreased employment. Comments from respondents include: “Adding employees to meet the greater customer demand” and “Increased business has caused an increase in employment, which overloaded our HR staff. We had to hire contract HR service providers to meet the new personnel demands.”

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

Employment	% Higher	% Same	% Lower	Index
May 2018	26	60	14	54.1
Apr 2018	24	63	13	53.6
Mar 2018	26	61	13	56.6
Feb 2018	22	64	14	55.0

Supplier Deliveries

Supplier deliveries were slower in May for the 29th consecutive month. The index registered 58.5 percent, which is 4 percentage points higher than the 54.5 percent registered in April. This indicates that deliveries are slowing at a faster rate in May. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries. Comments from respondents include: “Driver shortage delays scheduled deliveries to the point where it impacts operations” and “Continued trucking issues.”

The 13 industries reporting slower deliveries in May — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Wholesale Trade; Information; Real Estate, Rental & Leasing; Management of Companies & Support Services; Accommodation & Food Services; Professional, Scientific & Technical Services; Mining; Public Administration; Construction; Other Services; Retail Trade; and Finance & Insurance. The only industry reporting faster deliveries in May is Transportation & Warehousing.

Supplier Deliveries	% Slower	% Same	% Faster	Index
May 2018	18	81	1	58.5
Apr 2018	11	87	2	54.5
Mar 2018	18	81	1	58.5
Feb 2018	14	83	3	55.5

Inventories

ISM®'s Non-Manufacturing Inventories Index grew in May for the fourth consecutive month, registering 57.5 percent, which is 0.5 percentage point greater than the 57 percent reported in April. Of the total respondents in May, 31 percent indicated they do not have inventories or do not measure them. Comments from respondents include: “Stocking up on items with longer lead times” and “Lack of available inbound logistics has resulted in higher safety stocking levels.”

The 10 industries reporting an increase in inventories in May — listed in order — are: Utilities; Real Estate, Rental & Leasing; Wholesale Trade; Management of Companies & Support Services; Agriculture, Forestry, Fishing & Hunting; Retail Trade; Construction; Accommodation & Food Services; Transportation & Warehousing; and Finance & Insurance. The four industries reporting a decrease in inventories in May are: Professional, Scientific & Technical Services; Other Services; Public Administration; and Information.

Inventories	% Higher	% Same	% Lower	Index
May 2018	29	57	14	57.5
Apr 2018	26	62	12	57.0
Mar 2018	26	55	19	53.5
Feb 2018	26	55	19	53.5

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in May for the 27th consecutive month. ISM®'s Non-Manufacturing Prices Index registered 64.3 percent, 2.5 percentage points higher than the 61.8 percent reported in April. Forty-one percent of respondents reported higher prices, 54 percent indicated no change in prices paid and 5 percent of respondents reported lower prices.

The 15 non-manufacturing industries reporting an increase in prices paid during the month of May — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Construction; Mining; Wholesale Trade; Management of Companies & Support Services; Arts, Entertainment & Recreation; Utilities; Public Administration; Information; Transportation & Warehousing; Retail Trade; Accommodation & Food Services; Other Services; Professional, Scientific & Technical Services; and Finance & Insurance. No industries reported a decrease in prices in May compared to April.

Prices	% Higher	% Same	% Lower	Index
May 2018	41	54	5	64.3
Apr 2018	33	63	4	61.8
Mar 2018	30	66	4	61.5
Feb 2018	30	64	6	61.0

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 grew substantially in May. The index registered 60.5 percent, which is 8.5 percentage points greater than the 52 percent reported in April. Of the total respondents in May, 38 percent indicated they do not measure backlog of orders.

The 11 industries reporting an increase in order backlogs in May — listed in order — are: Educational Services; Accommodation & Food Services; Construction; Transportation & Warehousing; Finance & Insurance; Management of Companies & Support Services; Wholesale Trade; Public Administration; Mining; Information; and Professional, Scientific & Technical Services. The two industries reporting a decrease in order backlogs in May are: Utilities; and Other Services.

Backlog of Orders	% Higher	% Same	% Lower	Index
May 2018	28	65	7	60.5
Apr 2018	13	78	9	52.0
Mar 2018	23	67	10	56.5
Feb 2018	19	74	7	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 for the 16th consecutive month, at a slower rate in May. The New Export Orders Index registered 57.5 percent, which is 4 percentage points lower than the 61.5 percent reported in April. Of the total respondents in May, 62 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 May — listed in order — are: Public Administration; Mining; Construction; Other Services; Real Estate, Rental & Leasing; Retail Trade; Accommodation & Food Services; Wholesale Trade; Transportation & Warehousing; and Professional, Scientific & Technical Services. The only industry reporting a decrease in exports for the month of May is Management of Companies & Support Services.

New Export Orders	% Higher	% Same	% Lower	Index
May 2018	18	79	3	57.5
Apr 2018	25	73	2	61.5
Mar 2018	19	78	3	58.0
Feb 2018	23	73	4	59.5

Imports

The Imports Index reading of 54 percent is 0.5 percentage point lower than the 54.5 percent reported in April. Fifty-two 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 May — listed in order — are: Construction; Mining; Transportation & Warehousing; Wholesale Trade; Professional, Scientific & Technical Services; and Retail Trade. The only industry reporting a decrease in imports in the month of May is Management of Companies & Support Services. Nine industries reported no change in imports in May compared to April.

Imports	% Higher	% Same	% Lower	Index
May 2018	13	82	5	54.0
Apr 2018	15	79	6	54.5
Mar 2018	15	80	5	55.0
Feb 2018	12	76	12	50.0

Inventory Sentiment

The ISM® Non-Manufacturing Inventory Sentiment Index in May registered 61 percent, which is 1 percentage point higher than the 60 percent that was reported in April. This indicates that respondents believe their inventories are still too high at this time. In May, 25 percent of respondents said their inventories were too high, 3 percent of the respondents said their inventories were too low, and 72 percent said their inventories were about right.

The nine industries reporting a feeling that their inventories were too high in May — listed in order — are: Wholesale Trade; Agriculture, Forestry, Fishing & Hunting; Information; Management of Companies & Support Services; Professional, Scientific & Technical Services; Utilities; Retail Trade; Accommodation & Food Services; and Construction. The only industry reporting a feeling that their inventories were too low in May compared with April is Public Administration.

Inventory Sentiment	%Too High	%About Right	%Too Low	Index
May 2018	25	72	3	61.0
Apr 2018	22	76	2	60.0
Mar 2018	20	77	3	58.5
Feb 2018	24	74	2	61.0

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 May 2018.

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 49 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 49 percent, it is generally declining. The distance from 50 percent or 49 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 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 2018 data will be released at 10:00 a.m. ET on Thursday, July 5, 2018.

*Unless the New York Stock Exchange is closed.