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

NMI® at 55.7%

Business Activity Index at 56.5%

New Orders Index at 57.0%

Employment Index at 56.1%

(Tempe, Arizona) — Economic activity in the **non-manufacturing sector** grew in July for the 102nd 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 55.7 percent, which is 3.4 percentage points lower than the June reading of 59.1 percent. This represents continued growth in the non-manufacturing sector at a slower rate. There was a notable decrease in the Business Activity Index, which fell to 56.5 percent, 7.4 percentage points lower than the June reading of 63.9 percent. The July figure still reflects growth for the 108th consecutive month, at a slower rate. The New Orders Index registered 57 percent, 6.2 percentage points lower than the reading of 63.2 percent in June. The Employment Index increased 2.5 percentage points in July to 56.1 percent from the June reading of 53.6 percent. The Prices Index increased by 2.7 percentage points from the June reading of 60.7 percent to 63.4 percent, indicating that prices increased in July for the 29th consecutive month. According to the NMI®, 16 non-manufacturing industries reported growth. There has been a 'cooling off' in growth for the non-manufacturing sector. Tariffs and deliveries are an ongoing concern. The majority of respondents remain positive about business conditions and the economy."

INDUSTRY PERFORMANCE

The 16 non-manufacturing industries reporting growth in July — listed in order — are: Mining; Public Administration; Agriculture, Forestry, Fishing & Hunting; Accommodation & Food Services; Other Services; Construction; Real Estate, Rental & Leasing;

Transportation & Warehousing; Finance & Insurance; Retail Trade; Wholesale Trade; Arts, Entertainment & Recreation; Information; Utilities; Health Care & Social Assistance; and Management of Companies & Support Services. The two industries reporting a decrease are: Educational Services; and Professional, Scientific & Technical Services.

WHAT RESPONDENTS ARE SAYING

- “Business is strong in both our commercial-construction and residential-service areas.” (Construction)
- “Current local and national conditions are good. On track to meet goals and projections for 2018.” (Finance & Insurance)
- “There has been little change in business activity, despite all of the political turmoil. Patients get sick regardless of what is going on in the economy.” (Health Care & Social Assistance)
- “Vendors continue to report that they are seeing significant increases in order volume this year. They report having to hire more staff to keep up with the increase in orders.” (Management of Companies & Support Services)
- “Tariffs continue to make steel pricing volatile. Crude oil has trended over (US)\$70 a barrel, which provides a bullish outlook for the duration of 2018.” (Mining)
- “The improving U.S. economy is having a positive impact on our sales growth in all business sectors, with oil and gas taking the lead.” (Other Services)
- “Generally optimistic. High labor-participation rates, but a GDP (gross domestic product) forecast of about 4 percent is tempered by tariff issues with China and the European Union.” (Professional, Scientific & Technical Services)
- “Expanding concerns with price increases due to tariff and global trade policy changes and uncertainty. Receiving more requests from suppliers for price increases due to changes in the costs of steel, aluminum and the like.” (Public Administration)
- “Business is up overall, but a lot of questions loom over the rest of the year. These include concerns about international markets and the increasing tariffs that impact the landed costs of goods.” (Retail Trade)
- “Import tariffs on wood and steel. Shortages of rail cars, truck drivers and skilled labor. High-priced construction materials.” (Wholesale Trade)

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

| | Non-Manufacturing | | | | | | Manufacturing | | |
|-------------------------------------|-------------------|------------------|----------------------|------------|----------------|-----------------|------------------|------------------|----------------------|
| Index | Series Index Jul | Series Index Jun | Percent Point Change | Direction | Rate of Change | Trend* (Months) | Series Index Jul | Series Index Jun | Percent Point Change |
| NMI®/PMI® | 55.7 | 59.1 | -3.4 | Growing | Slower | 102 | 58.1 | 60.2 | -2.1 |
| Business Activity/Production | 56.5 | 63.9 | -7.4 | Growing | Slower | 108 | 58.5 | 62.3 | -3.8 |
| New Orders | 57.0 | 63.2 | -6.2 | Growing | Slower | 90 | 60.2 | 63.5 | -3.3 |
| Employment | 56.1 | 53.6 | +2.5 | Growing | Faster | 53 | 56.5 | 56.0 | +0.5 |
| Supplier Deliveries | 53.0 | 55.5 | -2.5 | Slowing | Slower | 31 | 62.1 | 68.2 | -6.1 |
| Inventories | 53.5 | 53.5 | 0.0 | Growing | Same | 6 | 53.3 | 50.8 | +2.5 |
| Prices | 63.4 | 60.7 | +2.7 | Increasing | Faster | 29 | 73.2 | 76.8 | -3.6 |
| Backlog of Orders | 51.5 | 56.5 | -5.0 | Growing | Slower | 7 | 54.7 | 60.1 | -5.4 |
| New Export Orders | 58.0 | 60.5 | -2.5 | Growing | Slower | 18 | 55.3 | 56.3 | -1.0 |
| Imports | 52.5 | 51.5 | +1.0 | Growing | Faster | 5 | 54.7 | 59.0 | -4.3 |
| Inventory Sentiment | 58.0 | 57.5 | +0.5 | Too High | Faster | 254 | N/A | N/A | N/A |
| Customers' Inventories | N/A | N/A | N/A | N/A | N/A | N/A | 39.4 | 39.7 | -0.3 |
| Overall Economy | | | | Growing | Slower | 107 | | | |
| Non-Manufacturing Sector | | | | Growing | Slower | 102 | | | |

***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

Aluminum (4); Aluminum Products; Diesel (4); Electronic Components; Fuel (4); Gasoline; Metal Products (2); Oil (2); Pharmaceuticals; Plastic Products; Steel (4); Steel Products (10); and Transportation and Trucking Services.

Commodities Down in Price

None.

Commodities in Short Supply

Construction Subcontractors (7); Labor — Construction (28); and Labor — Temporary (2); and Truck Drivers.

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

JULY 2018 NON-MANUFACTURING INDEX SUMMARIES

NMI®

In July, the NMI® registered 55.7 percent, 3.4 percentage points lower than the 59.1 percent registered in June, indicating growth in the non-manufacturing sector for the 102nd 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 July NMI® indicates growth for the 107th

consecutive month in the overall economy and expansion in the non-manufacturing sector for the 102nd consecutive month. Nieves says, “The past relationship between the NMI® and the overall economy indicates that the NMI® for July (55.7 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> |
| Jul 2018 | 55.7 | Jan 2018 | 59.9 |
| Jun 2018 | 59.1 | Dec 2017 | 56.0 |
| 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 |
| Average for 12 months – 58.0 High – 59.9 Low – 55.2 | | | |

Business Activity

ISM®’s Business Activity Index registered 56.5 percent in July, a decrease of 7.4 percentage points from the June reading of 63.9 percent. This represents growth in business activity for the 108th consecutive month. Twelve industries reported increased business activity, and three industries reported decreased activity for the month of July. Comments from respondents include: “Increased business from existing and new customers” and “New initiatives and general optimism.”

The 12 industries reporting growth of business activity in July — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Mining; Public Administration; Accommodation & Food Services; Finance & Insurance; Arts, Entertainment & Recreation; Real Estate, Rental & Leasing; Wholesale Trade; Transportation & Warehousing; Retail Trade; Other Services; and Information. The three industries reporting a decrease in business activity in July are: Educational Services; Health Care & Social Assistance; and Professional, Scientific & Technical Services.

| Business Activity | % Higher | % Same | % Lower | Index |
|--------------------------|-----------------|---------------|----------------|--------------|
| Jul 2018 | 32 | 52 | 16 | 56.5 |
| Jun 2018 | 40 | 49 | 11 | 63.9 |
| May 2018 | 35 | 55 | 10 | 61.3 |
| Apr 2018 | 37 | 54 | 9 | 59.1 |

New Orders

ISM®'s Non-Manufacturing New Orders Index registered 57 percent, a decrease of 6.2 percentage points from the June reading of 63.2 percent. July represents growth in new orders for the 90th consecutive month, at a notably slower rate compared with June. Comments from respondents include: “New client accounts/recent acquisitions” and “New revenue stream.”

The 12 industries reporting growth of new orders in July — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Public Administration; Mining; Accommodation & Food Services; Other Services; Construction; Transportation & Warehousing; Finance & Insurance; Retail Trade; Professional, Scientific & Technical Services; Information; and Real Estate, Rental & Leasing. The two industries reporting a decrease in new orders for the month of July are: Educational Services; and Health Care & Social Assistance.

| New Orders | % Higher | % Same | % Lower | Index |
|-------------------|-----------------|---------------|----------------|--------------|
| Jul 2018 | 32 | 53 | 15 | 57.0 |
| Jun 2018 | 40 | 51 | 9 | 63.2 |
| May 2018 | 33 | 57 | 10 | 60.5 |
| Apr 2018 | 36 | 57 | 7 | 60.0 |

Employment

Employment activity in the non-manufacturing sector grew in July for the 53rd consecutive month. ISM®'s Non-Manufacturing Employment Index registered 56.1 percent, which reflects an increase of 2.5 percentage points when compared to the June reading of 53.6 percent. Twelve industries reported increased employment, and four industries reported decreased employment. Comments from respondents include: “Lower unemployment makes higher-paid positions elsewhere more attractive” and

“Continuing to add new employees to handle the growth we are seeing in customer business.”

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

| Employment | % Higher | % Same | % Lower | Index |
|-------------------|-----------------|---------------|----------------|--------------|
| Jul 2018 | 28 | 60 | 12 | 56.1 |
| Jun 2018 | 29 | 58 | 13 | 53.6 |
| May 2018 | 26 | 60 | 14 | 54.1 |
| Apr 2018 | 24 | 63 | 13 | 53.6 |

Supplier Deliveries

Supplier deliveries were slower in July for the 31st consecutive month. The index registered 53 percent, which is 2.5 percentage points lower than the 55.5 percent registered in June. This indicates that deliveries are slowing at a slower rate in July. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries. Comments from respondents include: “Shortage of drivers has delayed scheduled deliveries to the point where operations are impacted” and “Constricted supply chains.”

The 10 industries reporting slower deliveries in July — listed in order — are: Construction; Information; Mining; Transportation & Warehousing; Wholesale Trade; Accommodation & Food Services; Public Administration; Professional, Scientific & Technical Services; Health Care & Social Assistance; and Real Estate, Rental & Leasing. The three industries reporting faster deliveries in July are: Other Services; Management of Companies & Support Services; and Retail Trade.

| Supplier Deliveries | % Slower | % Same | % Faster | Index |
|----------------------------|-----------------|---------------|-----------------|--------------|
| Jul 2018 | 10 | 86 | 4 | 53.0 |
| Jun 2018 | 14 | 83 | 3 | 55.5 |
| May 2018 | 18 | 81 | 1 | 58.5 |
| Apr 2018 | 11 | 87 | 2 | 54.5 |

Inventories

ISM®'s Non-Manufacturing Inventories Index grew in July for the sixth consecutive month, registering 53.5 percent, which is the same percent reported in June. Of the total respondents in July, 27 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Taking strategic position to insulate price risk" and "Business increase."

The eight industries reporting an increase in inventories in July — listed in order — are: Accommodation & Food Services; Transportation & Warehousing; Wholesale Trade; Finance & Insurance; Mining; Other Services; Information; and Health Care & Social Assistance. The five industries reporting a decrease inventories are: Real Estate, Rental & Leasing; Professional, Scientific & Technical Services; Construction; Public Administration; and Management of Companies & Support Services.

| Inventories | % Higher | % Same | % Lower | Index |
|--------------------|-----------------|---------------|----------------|--------------|
| Jul 2018 | 22 | 63 | 15 | 53.5 |
| Jun 2018 | 23 | 61 | 16 | 53.5 |
| May 2018 | 29 | 57 | 14 | 57.5 |
| Apr 2018 | 26 | 62 | 12 | 57.0 |

Prices

Prices paid by non-manufacturing organizations for purchased materials and services increased in July for the 29th consecutive month. ISM®'s Non-Manufacturing Prices Index registered 63.4 percent, 2.7 percentage points higher than the 60.7 percent reported in June. Thirty-two percent of respondents reported higher prices, 65 percent indicated no change in prices paid and 3 percent of respondents reported lower prices.

The 15 non-manufacturing industries reporting an increase in prices paid during the month of July — listed in order — are: Mining; Management of Companies & Support Services; Public Administration; Other Services; Wholesale Trade; Information; Educational Services; Construction; Transportation & Warehousing; Retail Trade; Professional, Scientific & Technical Services; Real Estate, Rental & Leasing; Health Care & Social Assistance; Accommodation & Food Services; and Finance & Insurance. The only industry reporting lower prices in July compared to June is Agriculture, Forestry, Fishing & Hunting.

| Prices | % Higher | % Same | % Lower | Index |
|---------------|-----------------|---------------|----------------|--------------|
| Jul 2018 | 32 | 65 | 3 | 63.4 |
| Jun 2018 | 29 | 67 | 4 | 60.7 |
| May 2018 | 41 | 54 | 5 | 64.3 |
| Apr 2018 | 33 | 63 | 4 | 61.8 |

NOTE: Commodities reported as up in price and down in price are listed in the commodities section of this report.

Backlog of Orders

ISM[®]'s Non-Manufacturing Backlog of Orders Index grew in July registering 51.5 percent, 5 percentage points lower than the 56.5 percent reported in June. Of the total respondents in July, 37 percent indicated they do not measure backlog of orders.

The seven industries reporting an increase in order backlogs in July — listed in order — are: Accommodation & Food Services; Mining; Other Services; Finance & Insurance; Professional, Scientific & Technical Services; Construction; and Wholesale Trade. The four industries reporting a decrease in order backlogs in July are: Utilities; Real Estate, Rental & Leasing; Health Care & Social Assistance; and Information. Six industries reported no change in July compared to June.

| Backlog of Orders | % Higher | % Same | % Lower | Index |
|--------------------------|-----------------|---------------|----------------|--------------|
| Jul 2018 | 14 | 75 | 11 | 51.5 |
| Jun 2018 | 19 | 75 | 6 | 56.5 |
| May 2018 | 28 | 65 | 7 | 60.5 |
| Apr 2018 | 13 | 78 | 9 | 52.0 |

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 18th consecutive month, at a slower rate in July. The New Export Orders Index registered 58 percent, which is 2.5 percentage points lower than the 60.5 percent reported in June. Of the total respondents in July, 63 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 July — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Mining; Real Estate, Rental & Leasing; Retail Trade; Information; Wholesale Trade; Other Services; Accommodation & Food Services; Transportation & Warehousing; and Professional, Scientific & Technical Services. The two industries reporting a decrease in exports for the month of July are: Public Administration; and Health Care & Social Assistance.

| New Export Orders | % Higher | % Same | % Lower | Index |
|--------------------------|-----------------|---------------|----------------|--------------|
| Jul 2018 | 23 | 70 | 7 | 58.0 |
| Jun 2018 | 24 | 73 | 3 | 60.5 |
| May 2018 | 18 | 79 | 3 | 57.5 |
| Apr 2018 | 25 | 73 | 2 | 61.5 |

Imports

The Imports Index reading of 52.5 percent is 1 percentage point higher than the 51.5 percent reported in June. Fifty-seven 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 July — listed in order — are: Utilities; Mining; Other Services; Transportation & Warehousing; Wholesale Trade; and Health Care & Social Assistance. The only industry reporting a decrease in imports in the month of July is Retail Trade. Nine industries reported no change in imports in July compared to June.

| Imports | % Higher | % Same | % Lower | Index |
|----------------|-----------------|---------------|----------------|--------------|
| Jul 2018 | 14 | 77 | 9 | 52.5 |
| Jun 2018 | 12 | 79 | 9 | 51.5 |
| May 2018 | 13 | 82 | 5 | 54.0 |
| Apr 2018 | 15 | 79 | 6 | 54.5 |

Inventory Sentiment

The ISM® Non-Manufacturing Inventory Sentiment Index in July registered 58 percent, which is 0.5 percentage point higher than the 57.5 percent reported in June. This indicates that respondents believe their inventories are still too high at this time. In July, 22 percent of respondents said their inventories were too high, 6 percent of the respondents said their inventories were too low, and 72 percent said their inventories were about right.

The six industries reporting a feeling that their inventories were too high in July — listed in order — are: Mining; Wholesale Trade; Utilities; Management of Companies & Support Services; Health Care & Social Assistance; and Information. The two industries reporting a feeling that their inventories were too low in July are: Other Services; and Public Administration. Eight industries reported no change in inventory sentiment in July compared to June.

| Inventory Sentiment | %Too High | %About Right | %Too Low | Index |
|----------------------------|------------------|---------------------|-----------------|--------------|
| Jul 2018 | 22 | 72 | 6 | 58.0 |
| Jun 2018 | 20 | 75 | 5 | 57.5 |
| May 2018 | 25 | 72 | 3 | 61.0 |
| Apr 2018 | 22 | 76 | 2 | 60.0 |

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 July 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.

ISM ROB Content

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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 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 August 2018 data will be released at 10:00 a.m. ET on Thursday, September 6, 2018.