

FOR RELEASE: February 5, 2019

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

This report reflects the recently completed annual adjustments to the seasonal factors used to calculate the indexes.

January 2019 Non-Manufacturing ISM® Report On Business®

Choose a Section

NMI® at 56.7%

Business Activity Index at 59.7%

New Orders Index at 57.7%

Employment Index at 57.8%

(Tempe, Arizona) – Economic activity in the non-manufacturing sector grew in January for the 108th consecutive month, say the nation’s purchasing and supply executives in the latest Non-Manufacturing ISM® Report On Business®.

The report was issued today by Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee: “The NMI® registered 56.7 percent, which is 1.3 percentage points lower than the December reading of 58 percent. This represents continued growth in the non-manufacturing sector, at a slower rate. The Non-Manufacturing Business Activity Index decreased to 59.7 percent, 1.5 percentage points lower than the December reading of 61.2 percent, reflecting growth for the 114th consecutive month, at a slower rate in January. The New Orders Index registered 57.7 percent, 5 percentage points lower than the reading of 62.7 percent in December. The Employment Index increased 1.2 percentage points in January to 57.8 percent from the December reading of 56.6 percent. The Prices Index increased 1.4 percentage points from the December reading of 58 percent to 59.4 percent, indicating that prices increased in January for the 20th consecutive month. According to the NMI®, 11 non-manufacturing industries reported growth. The non-

manufacturing sector's growth rate cooled off in January. Respondents are concerned about the impacts of the government shutdown but remain mostly optimistic about overall business conditions."

The 11 non-manufacturing industries reporting growth in January — listed in order — are: Transportation & Warehousing; Health Care & Social Assistance; Mining; Accommodation & Food Services; Wholesale Trade; Finance & Insurance; Utilities; Real Estate, Rental & Leasing; Construction; Professional, Scientific & Technical Services; and Public Administration. Seven non-manufacturing industries reported contraction in January in the following order: Retail Trade; Educational Services; Information; Agriculture, Forestry, Fishing & Hunting; Arts, Entertainment & Recreation; Management of Companies & Support Services; and Other Services.

What respondents are saying

"Business has slowed well below expectations as our customers deal with the effects of economic situations exacerbated by the government shutdown." (Construction)

"The government shutdown is not affecting our business at this time." (Finance & Insurance)

"Prices are volatile due to tariff restrictions." (Management of Companies & Support Services)

"We are trying to hold out through the government shutdown. Currently, our work is continuing with already obligated prior-year funds. We have not had to suspend any activities. The shutdown is affecting the United States Agency for International Development's [USAID] and the Department of State's ability to process actions, share information or plan for the future. That is the shutdown's effect on us. The longer it lasts, the greater the disruption." (Professional, Scientific & Technical Services)

"Apprehension regarding overall economic conditions due to uncertainty of the partial government shutdown, its effect on business climate and lack of national strategic direction. Economic activity remains strong locally; however, there is concern that this may change quickly due to uncertainty and reports of slowing economic indicators." (Public Administration)

"Order input stable, and supplier deliveries growing. The industry is struggling with capacity constraints." (Real Estate, Rental & Leasing)

"Things are steady. We're trying to mitigate any impact of the tariffs." (Retail Trade)

"The shutdown and potential delay in tax refunds will hurt our business." (Wholesale Trade)

"Central processing unit (CPU) shortages continue to impact fulfillment of orders." (Transportation & Warehousing)

ISM® NON-MANUFACTURING SURVEY RESULTS AT A GLANCE COMPARISON OF ISM® NON-MANUFACTURING AND ISM® MANUFACTURING SURVEYS*
 JANUARY 2019

Index	Non-Manufacturing						Manufacturing		
	Series Index Jan	Series Index Dec	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Jan	Series Index Dec	Percent Point Change
NMI®/ PMI®	56.7	58.0	-1.3	Growing	Slower	108	56.6	54.3	+2.3
Business Activity/ Production	59.7	61.2	-1.5	Growing	Slower	114	60.5	54.1	+6.4
New Orders	57.7	62.7	-5.0	Growing	Slower	114	58.2	51.3	+6.9
Employment	57.8	56.6	+1.2	Growing	Faster	59	55.5	56.0	-0.5
Supplier Deliveries	51.5	51.5	0.0	Slowing	Unchanged	37	56.2	59.0	-2.8
Inventories	49.0	51.5	-2.5	Contracting	From Growing	1	52.8	51.2	+1.6
Prices	59.4	58.0	+1.4	Increasing	Faster	20	49.6	54.9	-5.3
Backlog of Orders	52.5	50.5	+2.0	Growing	Faster	13	50.3	50.0	+0.3
New Export Orders	50.5	59.5	-9.0	Growing	Slower	24	51.8	52.8	-1.0
Imports	52.0	53.5	-1.5	Growing	Slower	11	53.8	52.7	+1.1
Inventory Sentiment	60.5	59.0	+1.5	Too High	Faster	259	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	42.8	41.7	+1.1
Overall Economy				Growing	Slower	114			
Non-Manufacturing Sector				Growing	Slower	108			

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 Indexes.

**Number of months moving in current direction.

Indexes reflect newly released seasonal adjustment factors.

Commodities reported up/down in price and in short supply

Commodities Up in Price

Beef; Electrical Components (2); Labor (4); Steel Products (16); and Vinyl Products.

Commodities Down in Price

Dairy Products; Diesel (2); Fuel (3); Gasoline (3); Laboratory Supplies; and Unleaded Fuel.

Commodities in Short Supply

Central Processing Units; Construction Subcontractors (13); Labor (4); Labor — Construction (34); Labor — Skilled; Labor — Temporary (5); Medical Supplies (3); Syringes; and Titanium Products.

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

JANUARY 2019 Non-Manufacturing Index Summaries

NMI®

In January, the NMI® registered 56.7 percent, 1.3 percentage points lower than the 58 percent registered in December, indicating continued growth in the non-manufacturing sector for the 108th 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 48.6 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the January NMI® indicates growth for the 114th consecutive month in the overall economy and expansion in the non-manufacturing sector for the 108th consecutive month. Nieves says, “The past relationship between the NMI® and the overall economy indicates that the NMI® for January (56.7 percent) corresponds to a 2.8-percent increase in real gross domestic product (GDP) on an annualized basis.”

NMI® History

Month	NMI®
Jan 2019	56.7
Dec 2018	58.0
Nov 2018	60.4
Oct 2018	60.0
Sep 2018	60.8
Aug 2018	58.8
Month	NMI®
Jul 2018	56.7
Jun 2018	58.7
May 2018	58.9
Apr 2018	57.2
Mar 2018	58.7
Feb 2018	59.1
Average for 12 months - 58.7	
High - 60.8	
Low - 56.7	

Business Activity

ISM®'s Business Activity Index registered 59.7 percent in January, a decrease of 1.5 percentage points from the December reading of 61.2 percent. This represents growth in business activity for the 114th consecutive month. Nine industries reported increased business activity. Comments from respondents include: "Holiday volume is over" and "Flu season."

The nine industries reporting growth of business activity in January — listed in order — are: Transportation & Warehousing; Health Care & Social Assistance; Mining; Accommodation & Food Services; Utilities; Construction; Wholesale Trade; Finance & Insurance; and Real Estate, Rental & Leasing. The eight industries reporting a decrease in January in the following order are: Agriculture,

Forestry, Fishing & Hunting; Other Services; Educational Services; Information; Management of Companies & Support Services; Retail Trade; Professional, Scientific & Technical Services; and Public Administration.

Business Activity	% Higher	% Same	% Lower	Index
Jan 2019	33	43	24	59.7
Dec 2018	32	50	18	61.2
Nov 2018	40	49	11	64.3
Oct 2018	38	47	15	62.6

New Orders

ISM®'s Non-Manufacturing New Orders Index registered 57.7 percent, a decrease of 5 percentage points from the December reading of 62.7 percent. New orders grew in January for the 114th consecutive month, at a slower rate compared with December. Comments from respondents include: "Feed demand weaker due to dairy farms going out of business" and "Keeping pace with demand for services."

The 10 industries reporting growth of new orders in January — listed in order — are: Transportation & Warehousing; Mining; Finance & Insurance; Health Care & Social Assistance; Utilities; Accommodation & Food Services; Real Estate, Rental & Leasing; Professional, Scientific & Technical Services; Management of Companies & Support Services; and Public Administration. The five industries reporting a reduction in new orders in January are: Retail Trade; Educational Services; Agriculture, Forestry, Fishing & Hunting; Information; and Other Services.

New Orders	% Higher	% Same	% Lower	Index
Jan 2019	28	51	21	57.7
Dec 2018	35	50	15	62.7
Nov 2018	36	52	12	62.7
Oct 2018	35	50	15	61.7

Employment

Employment activity in the non-manufacturing sector grew in January for the 59th consecutive month. ISM®'s Non-Manufacturing Employment Index registered 57.8 percent, an increase of 1.2 percentage points from the December reading of 56.6 percent. Ten industries reported increased employment, and

four industries reported decreased employment. Comments from respondents include: “Increased staff due to increased business activity” and “Staffing to meet business demands.”

The 10 industries reporting an increase in employment in January — listed in order — are: Real Estate, Rental & Leasing; Other Services; Construction; Accommodation & Food Services; Health Care & Social Assistance; Mining; Wholesale Trade; Finance & Insurance; Transportation & Warehousing; and Professional, Scientific & Technical Services. The four industries reporting a reduction in employment in January are: Arts, Entertainment & Recreation; Retail Trade; Information; and Management of Companies & Support Services.

Employment	% Higher	% Same	% Lower	Index
Jan 2019	22	65	13	57.8
Dec 2018	26	60	14	56.6
Nov 2018	22	69	9	58.0
Oct 2018	31	56	13	58.3

Supplier Deliveries

Supplier deliveries were slower in January for the 37th consecutive month. The index registered 51.5 percent, which is unchanged from the 51.5 percent registered in December. This indicates that deliveries are slowing at the same rate in January as compared with December. A reading above 50 percent indicates slower deliveries, while a reading below 50 percent indicates faster deliveries. Comments from respondents include: “Government shutdown” and “Some capacity challenges.”

The seven industries reporting slower deliveries in January — listed in order — are: Transportation & Warehousing; Wholesale Trade; Professional, Scientific & Technical Services; Public Administration; Health Care & Social Assistance; Information; and Management of Companies & Support Services. The four industries reporting faster deliveries in January are: Real Estate, Rental & Leasing; Retail Trade; Finance & Insurance; and Construction. Seven industries reported no change in supplier deliveries in January as compared to December.

Supplier Deliveries	% Slower	% Same	% Faster	Index
Jan 2019	10	83	7	51.5
Dec 2018	13	77	10	51.5
Nov 2018	15	83	2	56.5
Oct 2018	17	81	2	57.5

Inventories*

ISM®'s Non-Manufacturing Inventories Index contracted in January for the first time in 11 months, registering 49 percent, which is 2.5 percentage points lower than the 51.5 that was reported in December. Of the total respondents in January, 29 percent indicated they do not have inventories or do not measure them. Comments from respondents include: "Holiday volume caused increase last month" and "Sales lower than forecast."

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

Inventories	% Higher	% Same	% Lower	Index
Jan 2019	22	54	24	49.0
Dec 2018	20	63	17	51.5
Nov 2018	26	63	11	57.5
Oct 2018	26	60	14	56.0

Prices*

Prices paid by non-manufacturing organizations for materials and services increased in January for the 20th consecutive month. ISM®'s Non-Manufacturing Prices Index registered 59.4 percent, 1.4 percentage points higher than the 58 percent reported in December. Twenty-five percent of respondents reported higher prices, 67 percent indicated no change in prices paid, and 8 percent of respondents reported lower prices.

Fourteen non-manufacturing industries reporting an increase in prices paid during the month of January, listed in the following order: Arts, Entertainment & Recreation; Real Estate, Rental & Leasing; Construction; Transportation & Warehousing; Other Services; Educational Services; Professional, Scientific & Technical Services; Wholesale Trade; Accommodation & Food Services; Health Care & Social Assistance; Information; Public Administration; Retail Trade; and Finance & Insurance. The two non-manufacturing industries reporting a decrease in prices paid during the month of January are: Mining; and Management of Companies & Support Services.

Prices	% Higher	% Same	% Lower	Index
Jan 2019	25	67	8	59.4
Dec 2018	18	74	8	58.0
Nov 2018	28	67	5	64.3
Oct 2018	29	63	8	61.3

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 grew in January. The index registered 52.5 percent, which is 2 percentage points higher than the 50.5 percent reported in December. Of the total respondents in January, 37 percent indicated they do not measure backlog of orders.

The nine industries reporting an increase in order backlogs in January — listed in order — are: Mining; Real Estate, Rental & Leasing; Construction; Professional, Scientific & Technical Services; Accommodation & Food Services; Finance & Insurance; Transportation & Warehousing; Health Care & Social Assistance; and Public Administration. The five industries that reported a decrease in backlogs in January are: Other Services; Retail Trade; Information; Utilities; and Wholesale Trade.

Backlog of Orders	% Higher	% Same	% Lower	Index
Jan 2019	20	65	15	52.5
Dec 2018	20	61	19	50.5
Nov 2018	22	67	11	55.5
Oct 2018	19	69	12	53.5

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 24th consecutive month. The New Export Orders Index registered 50.5 percent in January which is 9 percentage points lower than the 59.5 percent that was reported in December. Of the total respondents in January, 64 percent indicated they either do not perform, or do not separately measure, orders for work outside of the U.S.

The six industries reporting an increase in new export orders in January — listed in order — are: Real Estate, Rental & Leasing; Other Services; Construction; Accommodation & Food Services; Wholesale Trade; and Professional, Scientific & Technical Services. The five industries reporting a decrease in exports for the month of January are: Retail Trade; Agriculture, Forestry, Fishing & Hunting; Management of Companies & Support Services; Information; and Transportation & Warehousing.

New Export Orders	% Higher	% Same	% Lower	Index
Jan 2019	15	71	14	50.5
Dec 2018	22	75	3	59.5
Nov 2018	19	77	4	57.5
Oct 2018	29	64	7	61.0

Imports

The Imports Index reading of 52 percent is 1.5 percentage points lower than the 53.5 percent reported in December. Fifty percent of respondents reported that they do not use, or do not track the use of, imported materials.

The seven industries reporting an increase in imports for the month of January — listed in order — are: Real Estate, Rental & Leasing; Finance & Insurance; Management of Companies & Support Services; Accommodation & Food Services; Information; Professional, Scientific & Technical Services; and Construction. The two industries reporting a decrease in imports in the month of January are: Retail Trade; and Wholesale Trade. Eight industries reported no change in imports in January as compared to December.

Imports	% Higher	% Same	% Lower	Index
Jan 2019	12	80	8	52.0
Dec 2018	15	77	8	53.5
Nov 2018	16	77	7	54.5
Oct 2018	13	76	11	51.0

Inventory Sentiment

The ISM® Non-Manufacturing Inventory Sentiment Index in January registered 60.5 percent, which is 1.5 percentage points higher than the 59 percent that was reported in December. This indicates that respondents believe their inventories are still too high. In January, 26 percent of respondents said their inventories were too high, 5 percent of the respondents said their inventories were too low, and 69 percent said their inventories were about right.

The 11 industries reporting a feeling that their inventories were too high in January — listed in order — are: Educational Services; Wholesale Trade; Information; Utilities; Agriculture, Forestry, Fishing & Hunting; Mining; Management of Companies & Support Services; Construction; Retail Trade; Health Care & Social Assistance; and Public Administration. The four industries reporting a feeling that their inventories were too low in January are: Real Estate, Rental & Leasing; Other Services; Transportation & Warehousing; and Professional, Scientific & Technical Services.

Inventory Sentiment	% Too High	% About Right	% Too Low	Index
Jan 2019	26	69	5	60.5
Dec 2018	22	74	4	59.0
Nov 2018	24	72	4	60.0
Oct 2018	26	72	2	62.0

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 January 2019.

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 48.6 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 48.6 percent, it is generally declining. The distance from 50 percent or 48.6 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, data streams, time series variables, fonts, icons, link buttons, wallpaper, desktop themes, online postcards, montages, mashups 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.

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 February 2019 data will be released at 10:00 a.m. ET on Tuesday, March 5, 2019.

*Unless the New York Stock Exchange is closed.