

ISM® REPORT ON BUSINESS® NON-MANUFACTURING

DECEMBER 2018

Analysis by **Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM**,
Chair of the Institute for Supply Management® Non-Manufacturing
Business Survey Committee

Economic activity in the non-manufacturing sector grew in December for the 107th consecutive month, say the nation's purchasing and supply executives in the latest Non-Manufacturing ISM® Report On Business®.

The NMI® registered 57.6 percent.

The New Orders Index registered 62.7 percent, 0.2 percentage point higher than the reading of 62.5 percent in November. The Employment Index

decreased 2.1 percentage points in December to 56.3 percent from the November reading of 58.4 percent. The Prices Index decreased 6.7 percentage points from the November reading of 64.3 percent to 57.6 percent, indicating that prices increased in December for the 34th consecutive month. Respondents indicate that there

still is concern about tariffs despite the hold on increases by the U.S. and China. Also, comments reflect that capacity constraints have lessened; however, employment-resource challenges remain. Respondents are mostly optimistic about overall business conditions. The 16 non-manufacturing industries reporting growth

in December — listed in order — are:

Arts, Entertainment & Recreation; Transportation & Warehousing; Health Care & Social Assistance; Retail Trade; Information; Utilities; Accommodation &

Food Services; Professional, Scientific & Technical Services; Public Administration; Other Services*; Finance & Insurance; Wholesale Trade; Agriculture, Forestry, Fishing & Hunting; Educational Services; Construction; and Management of Companies & Support Services.

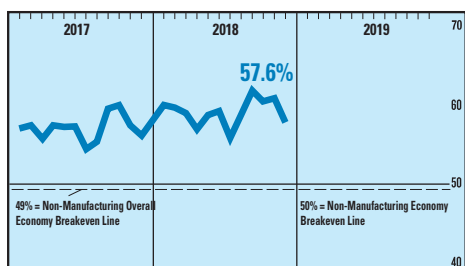
NMI® @ 57.6%

*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).

NON-MANUFACTURING AT A GLANCE

Index	Dec Index	Nov Index	% Point Change	Direction	Rate of Change	Trend* (months)
NMI®	57.6	60.7	-3.1	Growing	Slower	107
Business Activity	59.9	65.2	-5.3	Growing	Slower	113
New Orders	62.7	62.5	+0.2	Growing	Faster	95
Employment	56.3	58.4	-2.1	Growing	Slower	58
Supplier Deliveries	51.5	56.5	-5.0	Slowing	Slower	36
Inventories	51.5	57.5	-6.0	Growing	Slower	11
Prices	57.6	64.3	-6.7	Increasing	Slower	34
Backlog of Orders	50.5	55.5	-5.0	Growing	Slower	12
New Export Orders	59.5	57.5	+2.0	Growing	Faster	23
Imports	53.5	54.5	-1.0	Growing	Slower	10
Inventory Sentiment	59.0	60.0	-1.0	Too High	Slower	259
OVERALL ECONOMY				Growing	Slower	112
Non-Manufacturing Sector				Growing	Slower	107

*Number of months moving in current direction. Non-Manufacturing ISM® Report On Business® data is seasonally adjusted for the Business Activity, New Orders, Prices and Employment Indexes.



NMI®

In December, the NMI® registered 57.6 percent, 3.1 percentage points lower than the 60.7 percent registered in November, indicating continued growth in the non-manufacturing sector for the 107th 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.

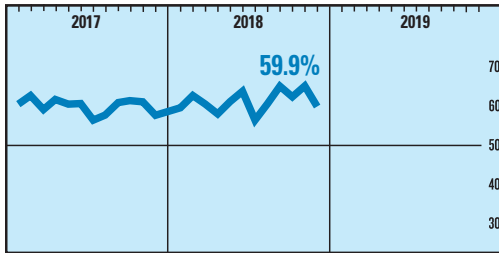
COMMODITIES REPORTED

Commodities Up in Price: Construction Sub Contractors; Copper Based Products; Electrical Components; Freight (4); Fuel (2)*; Labor (3); Labor — Construction (2); Lettuces; Oil Based Products; Romaine Lettuce; and Steel Products* (15).

Commodities Down in Price: Cheese (2); Computers and Peripherals; Diesel; Fuel* (2); Gasoline (2); Lumber Products (2); and Steel Products*.

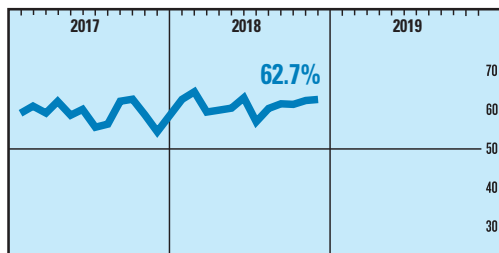
Commodities in Short Supply: Construction Subcontractors (12); Labor (3); Labor — Construction (33); Labor — Temporary (4); Medical Supplies (2).

*Indicates both up and down in price. Note: The number of consecutive months the commodity is listed is indicated after each item.



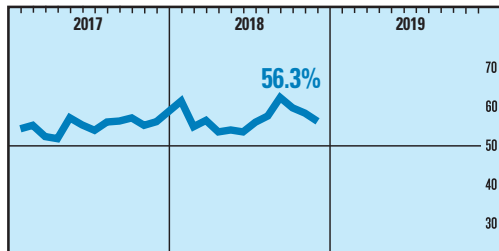
Business Activity

ISM's Business Activity Index registered 59.9 percent. The 11 industries reporting growth of business activity in December — listed in order — are: Arts, Entertainment & Recreation; Retail Trade; Transportation & Warehousing; Finance & Insurance; Utilities; Health Care & Social Assistance; Information; Public Administration; Accommodation & Food Services; Other Services[†]; and Professional, Scientific & Technical Services.



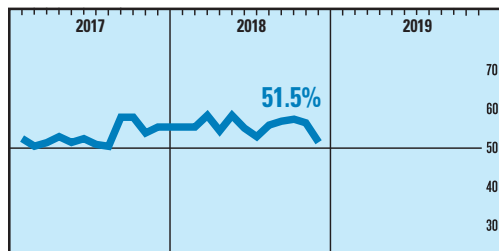
New Orders

ISM's Non-Manufacturing New Orders Index registered 62.7 percent. The 13 industries reporting growth of new orders in December — listed in order — are: Arts, Entertainment & Recreation; Utilities; Transportation & Warehousing; Information; Health Care & Social Assistance; Professional, Scientific & Technical Services; Wholesale Trade; Retail Trade; Finance & Insurance; Other Services[†]; Public Administration; Accommodation & Food Services; and Management of Companies & Support Services.



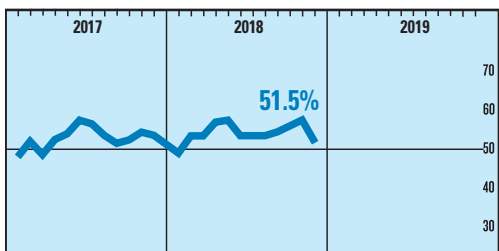
Employment

ISM's Non-Manufacturing Employment Index registered 56.3 percent. The 13 industries reporting an increase in employment in December — listed in order — are: Real Estate, Rental & Leasing; Transportation & Warehousing; Retail Trade; Educational Services; Management of Companies & Support Services; Health Care & Social Assistance; Accommodation & Food Services; Other Services[†]; Public Administration; Wholesale Trade; Professional, Scientific & Technical Services; Information; and Finance & Insurance.



Supplier Deliveries

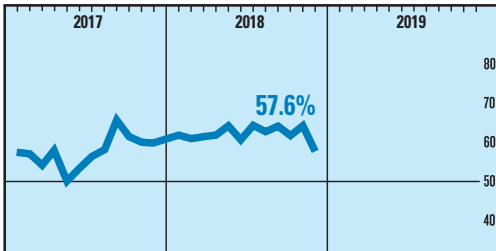
The index registered 51.5 percent. The eight industries reporting slower deliveries in December — listed in order — are: Arts, Entertainment & Recreation; Agriculture, Forestry, Fishing & Hunting; Construction; Health Care & Social Assistance; Accommodation & Food Services; Professional, Scientific & Technical Services; Public Administration; and Management of Companies & Support Services.



Inventories

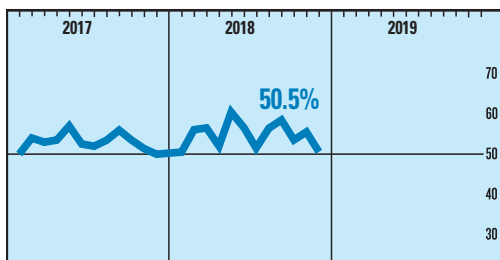
ISM's Non-Manufacturing Inventories Index grew in December for the 11th consecutive month, registering 51.5 percent. The eight industries reporting an increase in inventories in December — listed in order — are: Real Estate, Rental & Leasing; Retail Trade; Agriculture, Forestry, Fishing & Hunting; Accommodation & Food Services; Other Services[†]; Public Administration; Utilities; and Finance & Insurance.

[†]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).



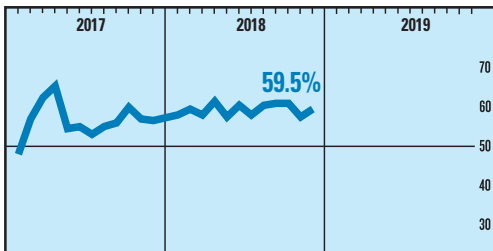
Prices

ISM's Non-Manufacturing Prices Index registered 57.6 percent. Ten non-manufacturing industries reporting an increase in prices paid during the month of December, listed in the following order are: Transportation & Warehousing; Information; Construction; Accommodation & Food Services; Real Estate, Rental & Leasing; Wholesale Trade; Public Administration; Mining; Management of Companies & Support Services; and Health Care & Social Assistance.



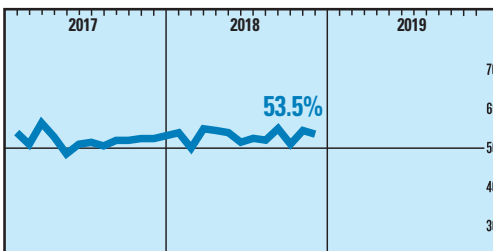
Backlog of Orders

ISM's Non-Manufacturing Backlog of Orders registered 50.5 percent. The seven industries reporting an increase in order backlogs in December — listed in order — are: Retail Trade; Transportation & Warehousing; Health Care & Social Assistance; Accommodation & Food Services; Construction; Professional, Scientific & Technical Services; and Public Administration.



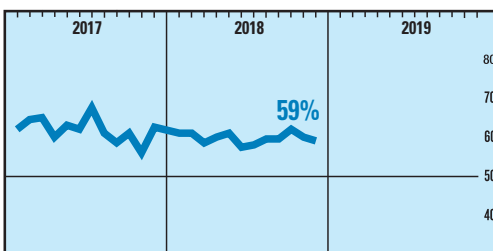
New Export Orders

The New Export Orders Index registered 59.5 percent. The eight industries reporting an increase in new export orders in December — listed in order — are: Accommodation & Food Services; Agriculture, Forestry, Fishing & Hunting; Real Estate, Rental & Leasing; Information; Retail Trade; Professional, Scientific & Technical Services; Wholesale Trade; and Construction.



Imports

The Imports Index reading of 53.5 percent. The eight industries reporting an increase in imports for the month of December — listed in order — are: Real Estate, Rental & Leasing; Management of Companies & Support Services; Information; Finance & Insurance; Accommodation & Food Services; Transportation & Warehousing; Health Care & Social Assistance; and Wholesale Trade.



Inventory Sentiment

The ISM Non-Manufacturing Inventory Sentiment Index registered 59 percent. The 12 industries reporting a feeling that their inventories were too high in December — listed in order — are: Wholesale Trade; Management of Companies & Support Services; Mining; Real Estate, Rental & Leasing; Agriculture, Forestry, Fishing & Hunting; Utilities; Information; Construction; Retail Trade; Public Administration; Health Care & Social Assistance; and Other Services[†].

[†]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).