SERVICES

PMI® at 51.8%

In October, the Services PMI® registered 51.8 percent, a 1.8-percentage point decrease compared to the September reading of 53.6 percent. A reading above 50 percent indicates the services sector economy is generally expanding; below 50 percent indicates it is generally contracting. A Services PMI® above 49.9 percent, over time, generally indicates an expansion of the overall economy. Therefore, the October Services PMI® indicates the overall economy is growing for the 10th consecutive month after one month of contraction in December 2022.

Services at a Glance

<table>
<thead>
<tr>
<th>INDEX</th>
<th>Oct Index</th>
<th>Sep Index</th>
<th>% Point Change</th>
<th>Direction</th>
<th>Rate of Change</th>
<th>Trend* (months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services PMI®</td>
<td>51.8</td>
<td>53.6</td>
<td>-1.8</td>
<td>Growing</td>
<td>Slower</td>
<td>10</td>
</tr>
<tr>
<td>Business Activity</td>
<td>54.1</td>
<td>58.8</td>
<td>-4.7</td>
<td>Growing</td>
<td>Slower</td>
<td>41</td>
</tr>
<tr>
<td>New Orders</td>
<td>55.5</td>
<td>51.8</td>
<td>+3.7</td>
<td>Growing</td>
<td>Faster</td>
<td>10</td>
</tr>
<tr>
<td>Employment</td>
<td>50.2</td>
<td>53.4</td>
<td>-3.2</td>
<td>Growing</td>
<td>Slower</td>
<td>5</td>
</tr>
<tr>
<td>Supplier Deliveries</td>
<td>47.5</td>
<td>50.4</td>
<td>-2.9</td>
<td>Faster</td>
<td>From Slowing</td>
<td>1</td>
</tr>
<tr>
<td>Inventories</td>
<td>49.5</td>
<td>54.2</td>
<td>-4.7</td>
<td>Contracting</td>
<td>From Growing</td>
<td>1</td>
</tr>
<tr>
<td>Prices</td>
<td>58.6</td>
<td>58.9</td>
<td>-0.3</td>
<td>Increasing</td>
<td>Slower</td>
<td>77</td>
</tr>
<tr>
<td>Backlog of Orders</td>
<td>50.9</td>
<td>48.6</td>
<td>+2.3</td>
<td>Growing</td>
<td>From Contracting</td>
<td>1</td>
</tr>
<tr>
<td>New Export Orders</td>
<td>48.8</td>
<td>63.7</td>
<td>-14.9</td>
<td>Contracting</td>
<td>From Growing</td>
<td>1</td>
</tr>
<tr>
<td>Imports</td>
<td>60.0</td>
<td>50.6</td>
<td>+9.4</td>
<td>Growing</td>
<td>Faster</td>
<td>5</td>
</tr>
<tr>
<td>Inventory Sentiment</td>
<td>54.4</td>
<td>54.8</td>
<td>-0.4</td>
<td>Too High</td>
<td>Slower</td>
<td>6</td>
</tr>
<tr>
<td>Overall Economy</td>
<td></td>
<td></td>
<td></td>
<td>Growing</td>
<td>Slower</td>
<td>10</td>
</tr>
</tbody>
</table>

*Number of months moving in current direction. Services ISM® Report On Business® data has been seasonally adjusted for the Business Activity, New Orders, Employment and Prices indexes.

Commodities Reported

Commodities Up in Price: Beef; Computers and Related Items; Dairy Products; Diesel Fuel (4); Electric Transformers; Food and Beverages; Food and Catering; Fuel* (3); Gasoline (9); Insulation; Labor (35); Labor — Contract (2); Maintenance Contracts; Oil and Related Products (2); Petroleum Based Products; Software Licensing; and Software Maintenance and Support.

Commodities Down in Price: Cautistic Soda; Copper Based Products; Fuel*; Lumber; and Oriented Strand Board (OSB) Panels.

Commodities in Short Supply: Catheters; Electrical Components (7); Labor (12); Labor — Construction (2); Transformers (14); and Vehicles (2).

Note: To view the full report, visit the ISM® Report On Business® website at ismrob.org. The number of consecutive months the commodity has been listed is indicated after each item. *Indicates both up and down in price.

Economic activity in the services sector expanded in October for the 10th consecutive month as the Services PMI® registered 51.8 percent, say the nation’s purchasing and supply executives in the latest Services ISM® Report On Business®.

The Business Activity Index registered 54.1 percent, a 4.7-percentage point decrease compared to the reading of 58.8 percent in September. The New Orders Index expanded in October for the 10th consecutive month after contracting in December for the first time since May 2020; the figure of 55.5 percent is 3.7 percentage points higher than the September reading of 51.8 percent. The Supplier Deliveries Index registered 47.5 percent, 2.9 percentage points lower than the 50.4 percent recorded in September. The index returned to contraction territory, indicating that supplier delivery performance was “faster” in contrast to the “slowing” status from the previous month. In the last eight months, the average reading of 48 percent (with a low of 45.8 percent in March) reflects the fastest supplier delivery performance since June 2009, when the index registered 46 percent.

The 12 services industries reporting growth in October — listed in order — are: Arts, Entertainment & Recreation; Retail Trade; Other Services*; Construction; Finance & Insurance; Public Administration; Transportation & Warehousing; Utilities; Educational Services; Health Care & Social Assistance; Management of Companies & Support Services; and Information. ISM®

© 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, Professional Services, Temporary Parking Services and Dating Services).
Business Activity
ISM’s Business Activity Index registered 54.1 percent. The 13 industries reporting an increase in business activity for the month of October — listed in order — are: Arts, Entertainment & Recreation; Finance & Insurance; Other Services; Transportation & Warehousing; Construction; Public Administration; Information; Wholesale Trade; Management of Companies & Support Services; Educational Services; Health Care & Social Assistance; Utilities; and Retail Trade.

Employment
The Employment Index registered 50.2 percent. The nine industries reporting an increase in employment in October — listed in order — are: Construction; Retail Trade; Accommodation & Food Services; Arts, Entertainment & Recreation; Utilities; Professional, Scientific & Technical Services; Public Administration; Transportation & Warehousing; and Information.

Supplier Deliveries
The Supplier Deliveries Index indicated faster performance as the index registered 47.5 percent. The three industries reporting slower deliveries in October are: Other Services; Construction; and Health Care & Social Assistance.

Inventories
The Inventories Index registered 49.5 percent. The six industries reporting an increase in inventories in October — listed in order — are: Accommodation & Food Services; Transportation & Warehousing; Retail Trade; Utilities; Construction; and Public Administration.

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
Prices paid by services organizations for materials and services increased in October for the 77th consecutive month, registering 58.6 percent. Ten services industries reported an increase in prices paid during the month of October, in the following order: Public Administration; Accommodation & Food Services; Real Estate, Rental & Leasing; Educational Services; Utilities; Management of Companies & Support Services; Health Care & Social Assistance; Professional, Scientific & Technical Services; Wholesale Trade; and Finance & Insurance.

New Export Orders
The New Export Orders Index registered 48.8 percent. The seven industries reporting an increase in new export orders in October — listed in order — are: Retail Trade; Construction; Mining; Transportation & Warehousing; Finance & Insurance; Information; and Professional, Scientific & Technical Services.

Backlog of Orders
The ISM Services Backlog of Orders Index registered 50.9 percent. The eight industries reporting an increase in order backlogs in October — listed in order — are: Educational Services; Finance & Insurance; Mining; Construction; Utilities; Transportation & Warehousing; Public Administration; and Wholesale Trade.

Imports
The Imports Index registered 60 percent in October, 9.4 percentage points higher than September’s reading of 50.6 percent. The seven industries reporting an increase in imports for the month of October — listed in order — are: Real Estate, Rental & Leasing; Educational Services; Retail Trade; Construction; Professional, Scientific & Technical Services; Transportation & Warehousing; and Health Care & Social Assistance.

Inventory Sentiment
The Inventory Sentiment Index registered 54.4 percent. The eight industries reporting sentiment that their inventories were too high in October — listed in order — are: Arts, Entertainment & Recreation; Other Services; Utilities; Mining; Wholesale Trade; Construction; Information; and Health Care & Social Assistance.
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 data presented herein is obtained from a survey of manufacturing and services 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 Manufacturing ISM® Report On Business® is based on data compiled from purchasing and supply executives nationwide. The composition of the Manufacturing Business Survey Committee is stratified according to the North American Industry Classification System (NAICS) and each of the following NAICS-based industry’s contribution to gross domestic product (GDP): Food; Beverage & Tobacco Products; Textile Mills; Apparel, Leather & Allied Products; Wood Products; Paper Products; Printing & Related Support Activities; Petroleum & Coal Products; Chemical Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Transportation Equipment; Furniture & Related Products; and Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies). The data are weighted based on each industry’s contribution to GDP. According to the BEA estimates for 2021 GDP (released December 22, 2022), the six largest manufacturing subsectors are: Computer & Electronic Products; Chemical Products; Transportation Equipment; Food; Beverage & Tobacco Products; Machinery; and Petroleum & Coal Products.

The Services ISM® Report On Business® (formerly the Non-Manufacturing ISM® Report On Business®) is based on data compiled from purchasing and supply executives nationwide. Membership of the Services Business Survey Committee (formerly Non-Manufacturing Business Survey Committee) is diversified by NAICS, based on each industry’s contribution to gross domestic product (GDP). The Services 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). The data are weighted based on each industry’s contribution to GDP. According to the BEA estimates for 2021 GDP (released December 22, 2022), the six largest services sectors are: Real Estate, Rental & Leasing; Government; Professional, Scientific, & Technical Services; Health Care & Social Assistance; Information; and Finance & Insurance.

Survey responses reflect the change, if any, in the current month compared to the previous month. Responses are raw data and are never changed. The diffusion index includes the percent of positive responses plus one-half of those responding the same (considered positive).

The resulting single index number for those meeting the criteria for seasonality adjustments (for Manufacturing: New Orders, Production, Employment, and Inventories) for Services: Business Activity, New Orders, Employment & Prices) is then seasonally adjusted to allow for the effects of repetitive intra-year variations resulting primarily from normal differences in weather conditions, various institutional arrangements, and differences attributable to non-moveable holidays. The remaining indexes have not indicated significant seasonality. All seasonal adjustment factors are subject annually to relatively minor changes when conditions warrant them.

The Manufacturing PMI® is a composite index based on the diffusion indexes of five of the indexes with equal weights: New Orders (seasonally adjusted), Production (seasonally adjusted), Employment (seasonally adjusted), Supplier Deliveries, and Inventories (seasonally adjusted). The Services PMI® 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.

A Manufacturing PMI® reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining. A Manufacturing PMI® above 48.7 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 48.7 percent, it is generally declining.

The distance from 50 percent or 48.7 percent is indicative of the extent of the expansion or decline. A Services PMI® reading above 50 percent indicates that the services economy is generally expanding; below 50 percent indicates that it is generally declining. A Services PMI® above 49.9 percent, over time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 49.9 percent, it is generally declining. The distance from 50 percent or 49.9 percent is indicative of the strength of the expansion or decline. With some of the indicators within the Manufacturing PMI® Report On Business®, ISM® has indicated the departure point between expansion and decline of comparable government series, as determined by regression analysis.

The Report On Business® surveys are sent out to Manufacturing and Services Business Survey Committee respondents the first part of each month. Respondents are asked to return data for the current month for U.S. operations only. ISM® receives survey responses through the survey process, and those are used for the ISM ROB Report. ISM ROB contains information that is published, tradable, competitive advantage for its members, contributing to growth and sustainability. ISM ROB 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, nonexclusive 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, up-load, 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 augment, alter, bypass, avoid, interfere with, or circumvent any copyright, trademark, or other proprietary notices marked on the ISM ROB 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 ISM at: ISM Research, Institute for Supply Management, 309 West Elliot Road, Suite 113, Tempe, Arizona 85284-1556, or by emailing legal@ismworld.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, 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®, Manufacturing PMI®, Services PMI®, and Hospital PMI® 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® (ISM®)

Institute for Supply Management® (ISM®) is the first and leading not-for-profit professional supply management organization worldwide. Its community of more than 50,000 in more than 100 countries manage about US$1 trillion in corporate and government supply chain procurement annually. Founded in 1915 by practitioners, 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 empowers and leads the profession through ISM® Report On Business®, its highly-regarded certification and training programs, corporate services, events, and assessments. The ISM® Report On Business®, Manufacturing, Services and Hospital, are three of the most reliable economic indicators available, providing guidance to supply management professionals, economists, analysts, and government and business leaders. For more information, please visit: www.ismworld.org