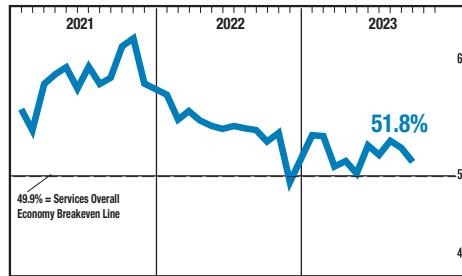


SERVICES PMI® at 51.8%

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.



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, Photofinishing Services, Temporary Parking Services and Dating Services).

Services at a Glance

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

*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

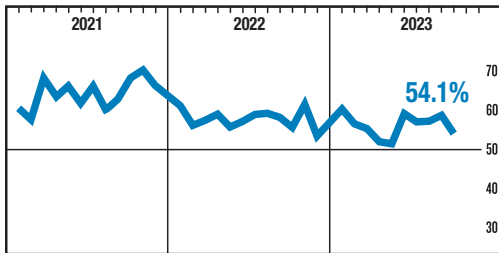
Commodities Up in Price: Beef; Computers and Related Items; Dairy Products; Diesel Fuel (4); Electric Transformers; Food and Beverages; Food and Catering; Fuel* (3); Gasoline (9); Insulation; Labor (35); Labor — Contract (2); Maintenance Contracts; Oil and Related Products (2); Petroleum Based Products;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

Commodities Down in Price: Caustic 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).

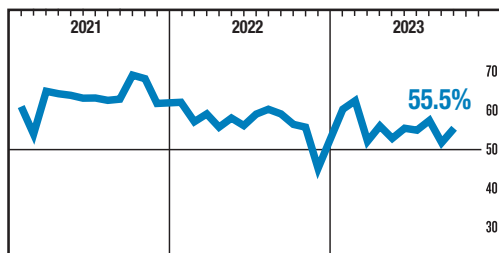
Note: To view the full report, visit the ISM® Report On Business® website at ismrob.org

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



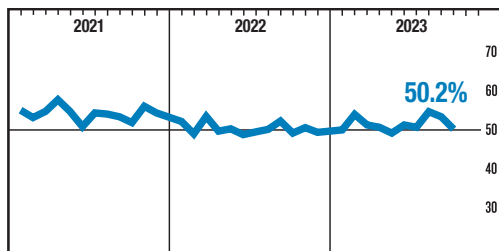
Business Activity

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.



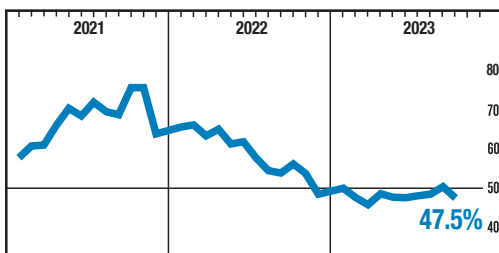
New Orders

ISM's New Orders Index registered 55.5 percent. The 12 industries reporting an increase in new orders for the month of October — listed in order — are: Retail Trade; Finance & Insurance; Arts, Entertainment & Recreation; Educational Services; Other Services^{**}; Public Administration; Transportation & Warehousing; Accommodation & Food Services; Utilities; Health Care & Social Assistance; Wholesale Trade; and Information.



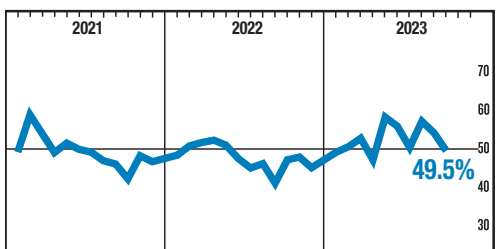
Employment

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

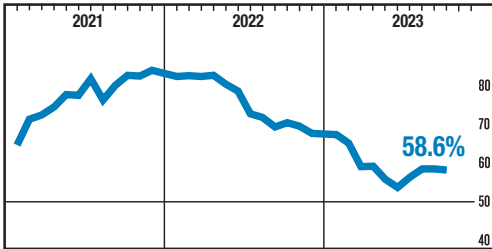
The Supplier Deliveries Index indicated faster performance as the index registered 47.5 percent. The three industries reporting slower deliveries in October are: Other Services^{**}; Construction; and Health Care & Social Assistance.



Inventories

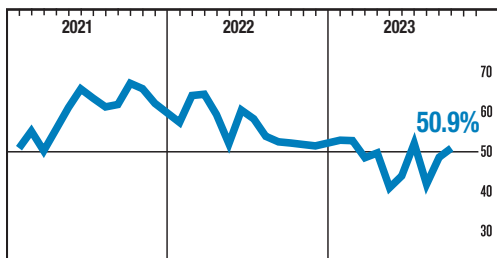
The Inventories Index registered 49.5 percent. The six industries reporting an increase in inventories in October — listed in order — are: Accommodation & Food Services; Transportation & Warehousing; Retail Trade; Utilities; Construction; and Public Administration.

^{**}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).



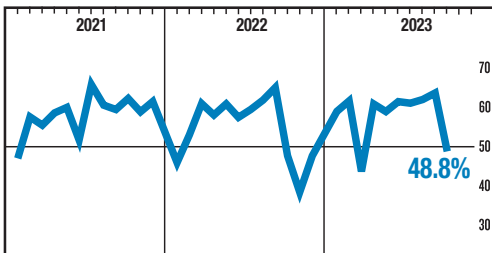
Prices

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.



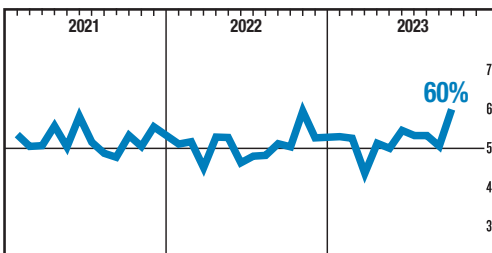
Backlog of Orders

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.



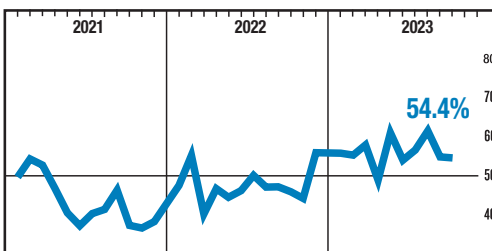
New Export Orders

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.



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.

[†]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).

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 seasonal adjustments (for Manufacturing: New Orders, Production, Employment, and Inventories) (for Services: Business Activity, New Orders, Employment and 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 ISM® 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 report on information for the current month for U.S. operations only. 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 to give the most accurate picture of current business activity.

The industries reporting growth, as indicated in the monthly reports, 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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