



NEWS RELEASE

FOR RELEASE: 10:00 A.M. ET DECEMBER 10, 2013
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ECONOMIC GROWTH CONTINUES IN 2014

Manufacturing Growth Expected in 2014
Revenue to Increase 4.4%
Capital Expenditures to Increase 8.0%
Capacity Utilization Currently at 80.3%

Non-Manufacturing Growth Projected in 2014
Revenue to Increase 3.6%
Capital Expenditures to Increase 4.6%
Capacity Utilization Currently at 86.3%

(Tempe, Arizona) — Economic growth in the United States will continue in 2014, say the nation's purchasing and supply management executives in their December 2013 Semiannual Economic Forecast. Expectations are for a continuation of the economic recovery that began in mid-2009, as indicated in the monthly *ISM Report On Business*®. The manufacturing sector is optimistic about growth in 2014, with revenues expected to increase in 16 manufacturing industries, and the non-manufacturing sector predicts that 14 of its industries will see higher revenues. Capital expenditures, a major driver in the U.S. economy, are expected to increase by 8 percent in the manufacturing sector and by 4.6 percent in the non-manufacturing sector. Manufacturing expects that its employment base will grow by 2.4 percent, while non-manufacturing expects employment growth of 2.1 percent.

These projections are part of the forecast issued by the Business Survey Committee of the Institute for Supply Management™ (ISM). The forecast was released today by Bradley J. Holcomb, CPSM, CPSD, chair of the ISM Manufacturing Business Survey Committee; and by Anthony S. Nieves, CPSM, C.P.M., CFPM, chair of the ISM Non-Manufacturing Business Survey Committee.

Manufacturing Summary

Expectations for 2014 are positive as 69 percent of survey respondents expect revenues to be greater in 2014 than in 2013. The panel of purchasing and supply executives expects a 4.4 percent net increase in overall revenues for 2014, compared to a 4.6 percent increase reported for 2013 over 2012 revenues. The 16 manufacturing industries expecting revenue improvement over 2014 — listed in order — are: Textile Mills; Plastics & Rubber Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Furniture & Related Products; Wood Products; Electrical Equipment, Appliances & Components; Primary Metals; Nonmetallic Mineral Products; Chemical Products; Transportation Equipment; Paper Products; Computer & Electronic Products; Printing & Related Support Activities; Apparel, Leather & Allied Products; and Fabricated Metal Products.

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"Manufacturing purchasing and supply executives expect to see continued growth in 2014. They are optimistic about their overall business prospects for the first half of 2014, and are even more optimistic about the second half of 2014," said Holcomb. "Manufacturing experienced six consecutive months of growth from June through November 2013, while experiencing only one month of contraction during the entire first 11 months of 2013, which occurred in May 2013 when the PMI[™] registered 49 percent (as measured by and reported in the monthly Manufacturing ISM *Report On Business*[®]). Our forecast calls for a continuation of growth in 2014, building on the momentum from the second half of 2013. Respondents expect raw materials pricing pressures in 2014 to be low, similar to levels experienced in 2013, and expect their margins will improve."

In the manufacturing sector, respondents report operating at 80.3 percent of their normal capacity, up very slightly from 80.2 percent reported in April 2013. Purchasing and supply executives predict that capital expenditures will increase by 8 percent in 2014 over 2013, compared to a 12.3 percent increase reported for 2013 over 2012. Survey respondents also forecast that they will increase inventories by 0.9 percent to support their planned level of sales in 2014. Manufacturers have an expectation that employment in the sector will increase by 2.4 percent in 2014, while labor and benefit costs are expected to increase an average of 2.3 percent. Manufacturing purchasers are predicting growth in exports and imports in 2014. Respondents also expect the U.S. dollar to strengthen on average against the currencies of major trading partners.

The panel also predicts the prices they pay for raw materials will increase 1.2 percent during the first four months of 2014, and will increase an additional 0.4 percent during the balance of the year, with an overall increase of 1.6 percent for 2014. This compares to a reported 0.9 percent increase in raw materials prices for 2013 compared with 2012.

Survey respondents report that the most challenging problems facing their businesses as they plan for 2013 are: domestic sales growth (32 percent); international sales growth (18 percent); healthcare reform uncertainty (14.6 percent); ongoing government shutdown and debt ceiling concerns (13.5 percent); government regulations (9.6 percent); healthcare costs (8.4 percent); inflation (3.4 percent); and taxes (0.6 percent).

The panel also indicated that supply chain management practices will be improved in 2014 using the following strategies, listed in order: strategic sourcing/supply base rationalization; process and information systems improvements; supplier relationship management; inventory management and control; and improved cross-functional planning and scheduling.

Non-Manufacturing Summary

Fifty-eight percent of non-manufacturing supply management executives expect their 2014 revenues to be greater than in 2013. They currently expect a 3.6 percent net increase in overall revenues for 2014 compared to a 4 percent increase reported for 2013 over 2012 revenues. The 14 non-manufacturing industries expecting revenue improvement in 2014 over 2013 — listed in order — are: Professional, Scientific & Technical Services; Management of Companies & Support Services; Other Services; Wholesale Trade; Finance & Insurance; Educational Services; Retail Trade; Real Estate, Rental & Leasing; Construction; Arts, Entertainment & Recreation; Information; Public Administration; Transportation & Warehousing; and Utilities.

"Non-manufacturing supply managers report operating at 86.3 percent of their normal capacity, higher than the 84.7 percent reported in April 2013. They are optimistic about continued growth in the first half of 2014 compared to the second half of 2013, and they have a higher level of optimism about the next 12 months than they had last December for 2013," said Nieves. "They forecast that their capacity to produce products and provide services will rise by 1.9 percent during 2014, and capital expenditures will increase by 4.6 percent from the 2013 levels. Non-manufacturers also predict their employment will increase by 2.1 percent during 2014."

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Respondents in non-manufacturing industries expect the prices they pay for materials and services will increase by 1.9 percent during 2014. They also forecast their overall labor and benefit costs will increase 2.6 percent in 2014. Profit margins are reported to have decreased in the second and third quarters of 2013, and respondents expect them to increase between now and April 2014.

Survey respondents report that the most challenging problems facing their businesses as they plan for 2013 are: domestic sales growth (31.8%); government regulations (18.9%); healthcare cost (14.9%); healthcare reform uncertainty (14.9%); ongoing government shutdown and debt ceiling concerns (8.1%); inflation (6.1%); international sales growth (4.1%); and taxes (1.4%).

Survey respondents indicate that technology and process improvement is the most frequently cited means of improving supply chains in 2014. Other improvement approaches include: strategic cost and contract management; strategic sourcing; supplier relationship management; and professional development.

OPERATING RATE

Manufacturing

Manufacturing purchasing and supply executives report their companies are currently operating at 80.3 percent of normal capacity. This is a slight increase when compared to April 2013 (80.2 percent), and a significant increase when compared to December 2012 (77.5 percent). The November data from the Manufacturing ISM *Report On Business*® indicates the manufacturing sector is expanding for the sixth consecutive month. The following nine industries — listed in order — are operating above the average rate of 80.3 percent: Apparel, Leather & Allied Products; Paper Products; Wood Products; Plastics & Rubber Products; Furniture & Related Products; Nonmetallic Mineral Products; Machinery; Food, Beverage & Tobacco Products; and Chemical Products.

Non-Manufacturing

Non-manufacturing supply executives report their organizations are currently operating at 86.3 percent of normal capacity. This is higher than the 84.7 percent reported in April 2013 and the 85.4 percent reported in December 2012. Considering production capacity increases reported in the following section of this forecast, this indicates that non-manufacturing industries are continuing to add capacity, but also find it necessary to maintain their utilization of capacity at a relatively high level. The 10 industries — listed in order — are operating at or above the average capacity level of 86.3 percent: Information; Transportation & Warehousing; Educational Services; Public Administration; Utilities; Agriculture, Forestry, Fishing & Hunting; Other Services; Finance & Insurance; Real Estate, Rental & Leasing; and Retail Trade.

	Operating Rate					
	Manufacturing			Non-Manufacturing		
	Dec 2012	April 2013	Dec 2013	Dec 2012	April 2013	Dec 2013
90%+	31%	32%	34%	51%	49%	53%
50%-89%	63%	63%	63%	48%	48%	47%
Below 50%	6%	5%	3%	1%	3%	0%
Est. Overall Average	77.5%	80.2%	80.3%	85.4%	84.7%	86.3%

PRODUCTION CAPACITY

Manufacturing

Production capacity in manufacturing increased 5.2 percent in 2013 as 42 percent of purchasing and supply executives reported an average capacity increase of 15.9 percent, 14 percent reported decreases averaging 11.1 percent, and 44 percent reported no change. This compares to a predicted increase of 6.7 percent for 2013 made in April 2013. Expectations for 2014 are for an increase of 6.3 percent. The 13 industries reporting achieving an increase in production capacity in 2013 — listed in order — are: Petroleum & Coal Products; Textile Mills; Food, Beverage & Tobacco Products; Fabricated Metal

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Products; Plastics & Rubber Products; Wood Products; Chemical Products; Machinery; Primary Metals; Transportation Equipment; Electrical Equipment, Appliances & Components; Furniture & Related Products; and Paper Products.

Manufacturing Production Capacity						
	For 2013		For 2013		For 2014	
	Predicted April 2013	Magnitude of Change	Reported Dec 2013	Magnitude of Change	Predicted Dec 2013	Magnitude of Change
Higher	41%	+18.8%	42%	+15.9%	46%	+15.6%
Same	53%	NA	44%	NA	46%	NA
Lower	6%	-18.7%	14%	-11.1%	8%	-9.2%
Net Average		+6.7%		+5.2%		+6.3%

The principal means of achieving increases in production capacity in 2013 were (in order of importance):

1. Additional personnel (permanent, temporary or contract)
2. More hours worked with existing personnel
3. Replaced equipment with technically advanced equipment
4. Additional plant and/or equipment.

Non-Manufacturing

The capacity to produce products or provide services in the non-manufacturing sector increased 2.3 percent during 2013. This compares to the 3.2 percent increase reported in December 2012 for the year 2012, and is the same as what was predicted in April 2013 of a 2.3 percent increase for 2013. For 2014, an increase of 1.9 percent is predicted. For 2013, 32 percent of non-manufacturing supply managers indicate increases averaging 8.8 percent, and 6 percent of respondents indicate decreases averaging 8 percent. Sixty-two percent see no change in their capacity. The 15 industries reporting increases in capacity in 2013 — listed in order — are: Professional, Scientific & Technical Services; Retail Trade; Management of Companies & Support Services; Other Services; Finance & Insurance; Real Estate, Rental & Leasing; Wholesale Trade; Health Care & Social Assistance; Transportation & Warehousing; Public Administration; Arts, Entertainment & Recreation; Accommodation & Food Services; Construction; Information; and Educational Services.

Non-Manufacturing Production or Provision Capacity						
	For 2013		For 2013		For 2014	
	Predicted April 2013	Magnitude of Change	Reported Dec 2013	Magnitude of Change	Predicted Dec 2013	Magnitude of Change
Higher	25%	+9.6%	32%	+8.8%	33%	+7.8%
Same	74%	NA	62%	NA	62%	NA
Lower	1%	-7%	6%	-8%	5%	-14.8%
Net Average		+2.3%		+2.3%		+1.9%

The principal means of achieving increases in production capacity in 2013 were (in order of importance):

1. Additional personnel (permanent, temporary or contract)
2. More hours worked with existing personnel
3. Additional plant and/or equipment
4. More shifts worked with existing personnel.

CAPITAL EXPENDITURES — 2013 vs. 2012

Manufacturing

Purchasing and supply managers report 2013 capital expenditures increased 12.3 percent on average when compared to 2012 levels. The actual expenditures for 2013 were well above survey respondents' previous expectations, as they predicted an increase of 9.1 percent for 2013 in April 2013. The 40 percent

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of purchasers who reported increased capital expenditures in 2013 indicated an average increase of 40.3 percent, while the 16 percent who said their capital spending was reduced reported an average decrease of 24.5 percent. Forty-four percent of respondents said they spent the same in 2013 as in 2012. The 15 industries showing increases in capital expenditures for 2013 — in order of percentage increase — are: Furniture & Related Products; Textile Mills; Machinery; Printing & Related Support Activities; Food, Beverage & Tobacco Products; Fabricated Metal Products; Paper Products; Plastics & Rubber Products; Wood Products; Electrical Equipment, Appliances & Components; Chemical Products; Computer & Electronic Products; Miscellaneous Manufacturing; Primary Metals; and Transportation Equipment.

Non-Manufacturing

Non-manufacturing supply management executives report their level of capital expenditures in 2013 compared to 2012 increased 4.2 percent. This is significantly less than the 9.4 percent increase reported for 2012 one year ago, but slightly greater than the 3.6 percent increase predicted by respondents in April 2013. Thirty-eight percent of respondents report increases averaging 19.8 percent. An additional 17 percent report decreases averaging 19.5 percent. Forty-five percent indicate they spent the same on capital expenditures in 2013 as in 2012. The 14 industries experiencing increases in capital expenditures in 2013 — listed in order — are: Professional, Scientific & Technical Services; Wholesale Trade; Transportation & Warehousing; Information; Educational Services; Real Estate, Rental & Leasing; Retail Trade; Other Services; Public Administration; Management of Companies & Support Services; Finance & Insurance; Utilities; Health Care & Social Assistance; and Accommodation & Food Services.

Capital Expenditures 2013 vs. 2012						
	Manufacturing			Non-Manufacturing		
	Predicted April 2013	Reported Dec 2013	Magnitude of Change	Predicted April 2013	Reported Dec 2013	Magnitude of Change
Higher	32%	40%	+40.3%	28%	38%	+19.8%
Same	52%	44%	NA	54%	45%	NA
Lower	16%	16%	-24.5%	18%	17%	-19.5%
Net Average	+9.1%		+12.3%	+3.6%		+4.2%

PREDICTED CAPITAL EXPENDITURES — 2014 vs. 2013

Manufacturing

Purchasing and supply executives expect capital expenditures to increase 8 percent in 2014. The 42 percent of respondents who predict increased capital expenditures in 2014 indicate an average increase of 26.2 percent, while the 16 percent who said their capital spending would be reduced predict an average decrease of 19.5 percent. Forty-two percent said they expect to spend the same in 2014 as in 2013. The 13 industries predicting increases in capital expenditures for 2014 — in order of percentage increase — are: Electrical Equipment, Appliances & Components; Chemical Products; Paper Products; Fabricated Metal Products; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Transportation Equipment; Machinery; Food, Beverage & Tobacco Products; Furniture & Related Products; Plastics & Rubber Products; Primary Metals; and Miscellaneous Manufacturing.

Non-Manufacturing

Non-manufacturing purchasing and supply executives are expecting an increase of 4.6 percent in capital expenditures in 2014, more than the increase of 4.2 percent they are reporting for 2013. The 37 percent of respondents expecting to spend more on capital expenditures predict an average increase of 20.9 percent. An additional 18 percent anticipate a decrease averaging 18.3 percent. Forty-five percent expect to spend the same on capital expenditures in 2014 as in 2013. The 11 industries expecting increases in capital expenditures in 2014 — in order of percentage increase — are: Arts, Entertainment & Recreation; Real Estate, Rental & Leasing; Educational Services; Retail Trade; Professional, Scientific & Technical Services; Management of Companies & Support Services; Public Administration; Information; Wholesale Trade; Other Services; and Finance & Insurance.

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Predicted Capital Expenditures 2014 vs. 2013				
	Manufacturing		Non-Manufacturing	
	Predicted Dec 2013	Magnitude of Change	Predicted Dec 2013	Magnitude of Change
Higher	42%	+26.2%	37%	+20.9%
Same	42%	NA	45%	NA
Lower	16%	-19.5%	18%	-18.3%
Net Average		+8.0%		+4.6%

PRICES — Changes Between End of 2012 and End of 2013

Manufacturing

After an earlier forecast in April 2013 of a 2.3 percent increase in prices paid for 2013, survey respondents now report realized price increases averaging 0.9 percent for the year. The 45 percent who say their prices are higher now than at the end of 2012 report an average increase of 4.9 percent, while the 31 percent who report lower prices averaged a 4.5 percent decrease. The remaining 24 percent indicate no change between the end of 2012 and the end of 2013. The 12 industries experiencing price increases — listed in order — are: Wood Products; Textile Mills; Plastics & Rubber Products; Food, Beverage & Tobacco Products; Paper Products; Furniture & Related Products; Transportation Equipment; Primary Metals; Miscellaneous Manufacturing; Machinery; Nonmetallic Mineral Products; and Chemical Products.

Manufacturing Price Changes Between End of 2012 and End of 2013						
	Predicted Dec 2012	Magnitude of Change	Predicted April 2013	Magnitude of Change	Reported Dec 2013	Magnitude of Change
Higher	63%	+5.4%	55%	+5.6%	45%	+4.9%
Same	22%	NA	28%	NA	24%	NA
Lower	15%	-3.9%	17%	-4.6%	31%	-4.5%
Net Average		+2.8%		+2.3%		+0.9%

Non-Manufacturing

As 2013 draws to a close, non-manufacturing supply managers report prices they pay have increased by 1.3 percent over the entire year. This is less than the 2.4 percent increase they predicted in April 2013, and the 2.7 percent increase reported one year ago for 2012. Fifty-two percent of purchasers report price increases averaging 3.8 percent. Fourteen percent of purchasers indicate decreased prices with an average reduction of 4.3 percent, and 34 percent of respondents have not experienced overall price changes this year. The 15 industries reporting price increases in 2013 — listed in order — are: Educational Services; Wholesale Trade; Utilities; Professional, Scientific & Technical Services; Real Estate, Rental & Leasing; Construction; Public Administration; Health Care & Social Assistance; Transportation & Warehousing; Accommodation & Food Services; Management of Companies & Support Services; Other Services; Retail Trade; Arts, Entertainment & Recreation; and Finance & Insurance.

Non-Manufacturing Price Changes Between End of 2012 and End of 2013						
	Predicted Dec 2012	Magnitude of Change	Predicted April 2013	Magnitude of Change	Reported Dec 2013	Magnitude of Change
Higher	71%	+4.5%	60%	+4.7%	52%	+3.8%
Same	18%	NA	33%	NA	34%	NA
Lower	11%	-4.7%	7%	-6%	14%	-4.3%
Net Average		+2.7%		+2.4%		+1.3%

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PRICES – Predicted Changes Between End of 2013 and April 2014

Manufacturing

Forty-nine percent of purchasing and supply managers expect the prices they pay to increase in early 2014 by an average of 4.2 percent. At the same time, 21 percent anticipate decreases averaging 4.3 percent. Including the 30 percent who expect no change in prices in the first four months of 2014, purchasers expect the net average overall price change to increase 1.2 percent for the first four months of 2014. The nine industries predicting increases in prices paid in the first part of 2014 higher than the 1.2 percent average — listed in order — are: Petroleum & Coal Products; Plastics & Rubber Products; Textile Mills; Miscellaneous Manufacturing; Paper Products; Furniture & Related Products; Transportation Equipment; Chemical Products; and Food, Beverage & Tobacco Products.

Non-Manufacturing

Non-manufacturing survey respondents predict their purchases in the first four months of 2014 will cost an average of 1.8 percent more than at the end of 2013. This is more than the 1.3 percent increase reported in the preceding section for all of 2013. Considering the prediction of a price change for all of 2014 (1.9 percent), purchasing and supply executives expect most of next year's price increases to occur in the first part of next year. Fifty-nine percent of non-manufacturing respondents predict the prices they pay will increase an average of 3.8 percent in the first part of 2014. Twelve percent of respondents expect price decreases averaging 4.1 percent. The remaining 29 percent predict no change in prices in the first four months of 2014. The eight industries predicting greater than or equal to the 1.8 percent average increase in prices they expect to pay in the first part of 2014 — in order of percentage increase — are: Transportation & Warehousing; Educational Services; Construction; Wholesale Trade; Accommodation & Food Services; Professional, Scientific & Technical Services; Retail Trade; and Public Administration.

Prices – Predicted Changes Between End of 2013 and April 2014				
	Manufacturing		Non-Manufacturing	
	Predicted Dec 2013	Magnitude of Change	Predicted Dec 2013	Magnitude of Change
Higher	49%	+4.2%	59%	+3.8%
Same	30%	NA	29%	NA
Lower	21%	-4.3%	12%	-4.1%
Net Average		+1.2%		+1.8%

PRICES — Predicted Changes Between End of 2013 and End of 2014

Manufacturing

Respondents predict a net average increase in prices paid of 1.6 percent between December 2013 and December 2014, indicating they expect prices to increase an additional 0.4 percent during the period of May 2014 through December 2014. Fifty-eight percent of respondents expect an average price increase of 4.6 percent for the full year of 2014, while 22 percent expect an average reduction of 4.7 percent. The remaining 20 percent expect no change in their average prices paid for the year 2014. The 13 industries expecting to receive increases above the predicted average of 1.6 percent by the end of 2014 — listed in order — are: Petroleum & Coal Products; Plastics & Rubber Products; Textile Mills; Miscellaneous Manufacturing; Primary Metals; Printing & Related Support Activities; Wood Products; Furniture & Related Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Chemical Products; Transportation Equipment; and Paper Products.

Non-Manufacturing

For all of 2014, non-manufacturing supply management executives expect their prices to increase an average of 1.9 percent. Sixty-three percent of respondents expect increases averaging 4.2 percent, 13 percent anticipate prices to drop an average of 5.9 percent, and 24 percent foresee no change in prices during the next year. The nine industries expecting greater than the 1.9 percent average price increase by the end of 2014 — in order of percentage increase — are: Transportation & Warehousing; Educational Services; Construction; Professional, Scientific & Technical Services; Wholesale Trade; Accommodation

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& Food Services; Arts, Entertainment & Recreation; Retail Trade; and Management of Companies & Support Services.

Predicted Price Changes Between End of 2013 and End of 2014				
	Manufacturing		Non-Manufacturing	
	Predicted Dec 2013	Magnitude of Change	Predicted Dec 2013	Magnitude of Change
Higher	58%	+4.6%	63%	+4.2%
Same	20%	NA	24%	NA
Lower	22%	-4.7%	13%	-5.9%
Net Average		+1.6%		+1.9%

LABOR AND BENEFIT COSTS — Predicted Rate Change End of 2013 vs. End of 2014

Manufacturing

Purchasing and supply executives expect higher overall labor and benefit costs for 2014. Sixty-eight percent of respondents expect increased labor and benefit costs and expect them to grow by an average of 4.1 percent for all of 2014, while the 5 percent forecasting lower costs see them decreasing by an average of 10.5 percent. Including the 27 percent of respondents who believe costs will remain the same, the overall net rate of increase is expected to be 2.3 percent between the end of 2013 and the end of 2014. The 11 industries expecting to pay an increase of 2.3 percent or higher — in order of percentage increase — are: Furniture & Related Products; Machinery; Miscellaneous Manufacturing; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Primary Metals; Plastics & Rubber Products; Printing & Related Support Activities; Wood Products; Chemical Products; and Electrical Equipment, Appliances & Components.

Non-Manufacturing

Purchasing and supply executives expect a 2.6 percent increase in labor and benefit costs for non-manufacturing industries in 2014. Sixty-two percent of respondents expect such costs to increase by an average of 4.4 percent. Another 4 percent of respondents expect labor and benefit costs to shrink by an average of 5.6 percent, and 34 percent believe costs will remain stable during 2014. The seven industries expecting to pay an increase of 2.6 percent or higher — in order of percentage increase — are: Utilities; Professional, Scientific & Technical Services; Information; Finance & Insurance; Retail Trade; Transportation & Warehousing; and Arts, Entertainment & Recreation.

Labor and Benefit Costs — Predicted Rate Change End of 2014 vs. End of 2013						
	Manufacturing			Non-Manufacturing		
	Predicted for 2013 Dec 2012	Predicted for 2014 Dec 2013	Magnitude of Change	Predicted for 2013 Dec 2012	Predicted for 2014 Dec 2013	Magnitude of Change
Higher	65%	68%	+4.1%	60%	62%	+4.4%
Same	30%	27%	NA	34%	34%	NA
Lower	5%	5%	-10.5%	6%	4%	-5.6%
Net Average	+1.7%		+2.3%	+1.9%		+2.6%

EMPLOYMENT

Change in Overall Employment

Manufacturing

ISM's Manufacturing Business Survey Committee members report that manufacturing employment increased 1.7 percent since April 2013, and forecast that employment will increase, on average, 2.4 percent for the full year of 2014. Thirty-eight percent of respondents expect employment to be 9.9 percent higher in 2014, while 14 percent predict employment to be lower by 9.8 percent. The remaining 48

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percent of respondents expect their employment levels to be unchanged in 2014. The 14 industries predicting increases in employment in 2014 — listed in order — are: Textile Mills; Wood Products; Furniture & Related Products; Plastics & Rubber Products; Food, Beverage & Tobacco Products; Fabricated Metal Products; Chemical Products; Primary Metals; Printing & Related Support Activities; Machinery; Electrical Equipment, Appliances & Components; Transportation Equipment; Computer & Electronic Products; and Paper Products.

Non-Manufacturing

ISM's Non-Manufacturing Business Survey Committee members report that non-manufacturing employment has increased slightly (0.4 percent) since April 2013. Looking ahead to 2014, they forecast that employment will increase 2.1 percent by the end of 2014. For 2014, 39 percent of respondents expect higher levels of employment, 13 percent anticipate lower levels, and 48 percent expect their employment levels to be unchanged. The 11 industries anticipating increases in their employment in 2014 — listed in order — are: Arts, Entertainment & Recreation; Professional, Scientific & Technical Services; Management of Companies & Support Services; Retail Trade; Finance & Insurance; Other Services; Wholesale Trade; Public Administration; Accommodation & Food Services; Transportation & Warehousing; and Real Estate, Rental & Leasing.

Change in Overall Employment						
	Manufacturing			Non-Manufacturing		
	Reported for 2013 (since April) Dec 2013	Predicted for 2014 Dec 2013	Magnitude of Change	Reported for 2013 (since April) Dec 2013	Predicted for 2014 Dec 2013	Magnitude of Change
Higher	35%	38%	+9.9%	32%	39%	+7.7%
Same	39%	48%	NA	42%	48%	NA
Lower	26%	14%	-9.8%	26%	13%	-6.8%
Net Average	+1.7%		+2.4%	+0.4%		+2.1%
Diffusion Index	54.5%	62%		53%	63%	

Note: A diffusion index above 50 percent would generally indicate an expectation of higher employment; below 50 percent, an expectation of lower employment.

EXPORT BUSINESS — Predicted Change for Next Half Year (First Half of 2014)

Manufacturing

The responses for this semiannual report indicate purchasers see increases in new export orders for the first half of 2014. This continues the trend reported in the most recent ISM New Export Orders Index data in the monthly Manufacturing ISM *Report On Business*[®], which has shown export orders expanding for the last 12 months, from December 2012 through November 2013. Of the 82 percent of respondents who export, 50 percent predict an increase (49 percent moderate and 1.4 percent substantial) over the next half year. Seven percent of respondents (6.9 percent moderate and 0 percent substantial) predict a decrease in their exports, and 43 percent anticipate no change in exports over the next half year. The 16 industries expecting growth in exports during the first half of 2014 — listed in order — are: Furniture & Related Products; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Printing & Related Support Activities; Miscellaneous Manufacturing; Transportation Equipment; Computer & Electronic Products; Electrical Equipment, Appliances & Components; Primary Metals; Petroleum & Coal Products; Textile Mills; Machinery; Food, Beverage & Tobacco Products; Chemical Products; Fabricated Metal Products; and Paper Products.

Non-Manufacturing

For the first half of 2014, non-manufacturing supply managers who report that their organizations engage in exporting feel more optimistic than they did one year ago concerning their export business. Of the 26 percent of non-manufacturing business survey respondents who report that they export, 36 percent

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predict an increase (23 percent moderate and 13 percent substantial) over the next half year. Ten percent of the respondents expect a decrease in their exports (10 percent moderate and 0 percent substantial), and 54 percent anticipate no change in exports over the next half year. Of the industries that report they export, the following seven industries expect growth in export business in the first half of 2014: Mining; Wholesale Trade; Finance & Insurance; Transportation & Warehousing; Professional, Scientific & Technical Services; Accommodation & Food Services; and Other Services.

Predicted Change in Export Business — Next Half Year				
	Manufacturing		Non-Manufacturing	
	For 2013	For 2014	For 2013	For 2014
	First Half of 2013 Predicted Dec 2012	First Half of 2014 Predicted Dec 2013	First Half of 2013 Predicted Dec 2012	First Half of 2014 Predicted Dec 2013
Substantial Increase	5%	1%	3%	13%
Moderate Increase	44%	49%	26%	23%
No Change	35%	43%	61%	54%
Moderate Decrease	14%	7%	10%	10%
Substantial Decrease	2%	0%	0%	0%
Diffusion Index	66.2%	71.7%	59.7%	62.8%

IMPORT BUSINESS — Predicted Change for Next Half Year (First Half of 2014)

Manufacturing

Purchasers expect increases in imports in the first half of 2014. Of the 87 percent of purchasers who reported they import, 41 percent predict an increase in their imports over the next half year (32.3 percent moderate and 9 percent substantial), while 14 percent predict a decrease in imports of materials (12.3 percent moderate and 1.9 percent substantial). Forty-five percent of survey respondents expect no change in imports in the first half of 2014. The 13 industries expecting growth in imports — listed in order — are: Apparel, Leather & Allied Products; Wood Products; Primary Metals; Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Chemical Products; Fabricated Metal Products; Furniture & Related Products; Plastics & Rubber Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Transportation Equipment; and Computer & Electronic Products.

Non-Manufacturing

Non-manufacturers have lower expectations for the use of imports for the first half of 2014 than they did in December 2012 for the first half of 2013. Of the 49 percent of non-manufacturing organizations who reported they import, 26 percent (25 percent moderate and 1 percent substantial) predict an increase in their imports during the first half of 2014. Eight percent of the respondents (7 percent moderate and 1 percent substantial) predict a decrease in imports of materials and services. The remaining 66 percent of purchasers expect no change in imports over the next half year. The 10 industries expecting growth in imports — listed in order — are: Management of Companies & Support Services; Utilities; Wholesale Trade; Information; Transportation & Warehousing; Construction; Finance & Insurance; Other Services; Professional, Scientific & Technical Services; and Retail Trade.

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Predicted Change in Import Business — Next Half Year				
	Manufacturing		Non-Manufacturing	
	For 2013	For 2014	For 2013	For 2014
	First Half of 2013 Predicted Dec 2012	First Half of 2014 Predicted Dec 2013	First Half of 2013 Predicted Dec 2012	First Half of 2014 Predicted Dec 2013
Substantial Increase	3%	9%	2%	1%
Moderate Increase	29%	32%	33%	25%
No Change	51%	45%	58%	66%
Moderate Decrease	16%	12%	6%	7%
Substantial Decrease	1%	2%	1%	1%
Diffusion Index	58.1%	63.5%	63.3%	59.2%

BUSINESS REVENUES

Business Revenues Comparison — 2013 vs. 2012

Manufacturing

Summarizing revenues for 2013, 59 percent of respondents say revenue was better than 2012, and that nominal (before adjusting for inflation) revenues increased an average of 9 percent over 2012. Conversely, 22 percent say their nominal revenues decreased in 2013 by an average of 8.7 percent, and the remaining 19 percent indicate no change. Overall, purchasing and supply executives indicate a net nominal increase of 3.4 percent in business revenues for 2013 over 2012. This is less than the 4.8 percent increase that was forecast in April 2013 for all of 2013, and also less than the 4.6 percent increase predicted in December 2012 for all of 2013. The 15 industries reporting increases (highest to lowest) in revenues in 2013 — listed in order — are: Textile Mills; Furniture & Related Products; Plastics & Rubber Products; Food, Beverage & Tobacco Products; Printing & Related Support Activities; Paper Products; Wood Products; Machinery; Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Primary Metals; Transportation Equipment; Fabricated Metal Products; Chemical Products; and Computer & Electronic Products.

Manufacturing Business Revenues — 2013 vs. 2012						
	Predicted Dec 2012	Nominal % Change	Predicted April 2013	Nominal % Change	Reported Dec 2013	Nominal % Change
Higher	62%	+9.7%	66%	+9.9%	59%	+9.0%
Same	26%	NA	22%	NA	19%	NA
Lower	12%	-11.3%	12%	-14.6%	22%	-8.7%
Net Average		+4.6%		+4.8%		+3.4%

Non-Manufacturing

Non-manufacturing supply management executives report that business revenues for 2013 have increased over 2012 by 4 percent. This is more than the 3.5 percent increase predicted in April 2013 for all of 2013. The 57 percent of respondents reporting better business in 2013 than in 2012 estimate an average nominal (before adjusting for inflation) revenue increase of 9.3 percent. This is in contrast to an average nominal decrease of 7.7 percent reported by the 18 percent of respondents who indicate worse business in 2013. The remaining 25 percent have experienced no change in 2013 from 2012. The 14 industries reporting increases in revenues in 2013 — listed in order — are: Professional, Scientific & Technical Services; Arts, Entertainment & Recreation; Real Estate, Rental & Leasing; Retail Trade; Other Services; Wholesale Trade; Construction; Management of Companies & Support Services; Transportation & Warehousing; Finance & Insurance; Public Administration; Educational Services; Health Care & Social Assistance; and Utilities.

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Non-Manufacturing Business Revenues — 2013 vs. 2012						
	Predicted Dec 2012	Nominal % Change	Predicted April 2013	Nominal % Change	Reported Dec 2013	Nominal % Change
Higher	59%	+8.4%	56%	+7.9%	57%	+9.3%
Same	31%	NA	32%	NA	25%	NA
Lower	10%	-7.1%	12%	-7.5%	18%	-7.7%
Net Average		+4.3%		+3.5%		+4.0%

Business Revenues Prediction for 2014

Manufacturing

Manufacturing survey respondents forecast that business revenues for 2014 will be stronger than in 2013. The 69 percent of respondents forecasting better business revenues in 2014 than in 2013 estimate an average nominal (before adjusting for inflation) increase of 8.3 percent in their organizations' revenues. This is in contrast to an average nominal decrease of 15.7 percent forecast by the 8 percent who predict worse business revenues in 2014. Including the 23 percent who see no change in 2014, the forecast for overall net nominal increase in business revenues for 2014 over 2013 is 4.4 percent. The 16 manufacturing industries expecting revenue improvement over 2013 — listed in order — are: Textile Mills; Plastics & Rubber Products; Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; Furniture & Related Products; Wood Products; Electrical Equipment, Appliances & Components; Primary Metals; Nonmetallic Mineral Products; Chemical Products; Transportation Equipment; Paper Products; Computer & Electronic Products; Printing & Related Support Activities; Apparel, Leather & Allied Products; and Fabricated Metal Products.

Non-Manufacturing

Non-manufacturing survey respondents forecast that business revenues for 2014 will be improved over 2013 by an average of 3.6 percent. This is less than the 4 percent increase reported for 2013, and also less than the 4.3 percent increase reported one year ago for 2012 revenues over 2011 revenues. The 58 percent of respondents forecasting better business in 2014 than in 2013 estimate an average nominal (before adjusting for inflation) revenue increase of 8.7 percent. This is in contrast to an average nominal decrease of 13.9 percent forecast by the 10 percent who predict worse business in 2014. The remaining 32 percent see no change in 2014. The 14 industries expecting increases in revenues in 2014 — in order of percentage increase — are: Professional, Scientific & Technical Services; Management of Companies & Support Services; Other Services; Wholesale Trade; Finance & Insurance; Educational Services; Retail Trade; Real Estate, Rental & Leasing; Construction; Arts, Entertainment & Recreation; Information; Public Administration; Transportation & Warehousing; and Utilities.

Business Revenues — 2014 vs. 2013				
	Manufacturing		Non-Manufacturing	
	Predicted Dec 2013	Nominal % Change	Predicted Dec 2013	Nominal % Change
Higher	69%	+8.3%	58%	+8.7%
Same	23%	NA	32%	NA
Lower	8%	-15.7%	10%	-13.9%
Net Average		+4.4%		+3.6%

PROFIT MARGINS

Manufacturing

Survey respondents report that profit margins increased on average during the second and third quarters of 2013, as 31 percent experienced an increase in profit margins, 26 percent had lower margins, and 43 percent reported no change. Overall, expectations are significantly higher between now and April 2014 as 41 percent of respondents forecast better profit margins, 17 percent predict lower profit margins, and 42 percent predict no change.

Non-Manufacturing

Non-manufacturing supply management executives were asked about changes in profit margins their organizations recently experienced and are expecting in the near future. Their responses indicate that 27 percent experienced an increase in profit margins during the second and third quarters of 2013, while 30 percent found smaller profit margins, and 43 percent had no change in margins during the same period. Looking ahead from now through April 2014, 39 percent of supply managers expect improved profit margins, 16 percent expect lower profit margins, and the remaining 45 percent of respondents anticipate no change in their profit margins.

Profit Margins				
	Manufacturing		Non-Manufacturing	
	Apr 2013 through Nov 2013 Reported Dec 2013	Nov 2013 through Apr 2014 Predicted Dec 2013	Apr 2013 through Nov 2013 Reported Dec 2013	Nov 2013 through Apr 2014 Predicted Dec 2013
Better	31%	41%	27%	39%
Same	43%	42%	43%	45%
Worse	26%	17%	30%	16%
Diffusion Index	52.5%	62%	48.5%	61.5%

BUSINESS COMPARISON**The First Half of 2014 with Last Half of 2013****Manufacturing**

Looking ahead to the first half of 2014, survey respondents are optimistic about the next half year as reflected in a diffusion index of 63 percent. Comparing their outlook for the first half of 2014 to the last half of 2013, 41 percent predict it will be better, 15 percent predict it will be worse, and 44 percent expect no change. The 14 industries expecting improvement in the first half of 2014 — listed in order — are: Plastics & Rubber Products; Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Furniture & Related Products; Paper Products; Printing & Related Support Activities; Textile Mills; Chemical Products; Food, Beverage & Tobacco Products; Primary Metals; Nonmetallic Mineral Products; Transportation Equipment; Miscellaneous Manufacturing; and Fabricated Metal Products.

Non-Manufacturing

The first half of 2014 is predicted to be stronger than the last half of 2013, according to non-manufacturing purchasing and supply managers. The diffusion index indicating current expectations is 64 percent. Forty-three percent of respondents expect the first half of next year to be better than the last half of this year, 15 percent anticipate it will be worse, and 42 percent predict no change. The 13 industries expecting improvement in the first half of 2014 — listed in order — are: Real Estate, Rental & Leasing; Transportation & Warehousing; Management of Companies & Support Services; Wholesale Trade; Educational Services; Public Administration; Other Services; Information; Accommodation & Food Services; Finance & Insurance; Construction; Retail Trade; and Health Care & Social Assistance.

Business — First Half 2014 vs. Last Half 2013		
	Manufacturing	Non-Manufacturing
	Predicted Dec 2013	Predicted Dec 2013
Better	41%	43%
Same	44%	42%
Worse	15%	15%
Diffusion Index	63%	64%

Note: A diffusion index above 50 percent would generally indicate an expectation of the first half of the coming year being better than the second half of the current year.

The Second Half of 2014 with the First Half of 2014

Manufacturing

Purchasing and supply executives are even more optimistic about the second half of 2014 compared to the first half of 2014. The percentage of survey respondents who forecast the second half of 2014 to be better than the first half is 43 percent, while 8 percent expect it to be worse, and 49 percent expect no change. The diffusion index for the second half of 2014 is 67.5 percent, compared to 63 percent for the first half of 2014. The 17 industries predicting improvement in the second half of 2014 — listed in order — are: Apparel, Leather & Allied Products; Food, Beverage & Tobacco Products; Nonmetallic Mineral Products; Fabricated Metal Products; Printing & Related Support Activities; Textile Mills; Wood Products; Computer & Electronic Products; Chemical Products; Furniture & Related Products; Plastics & Rubber Products; Paper Products; Transportation Equipment; Electrical Equipment, Appliances & Components; Primary Metals; Machinery; and Miscellaneous Manufacturing.

Non-Manufacturing

Comparing the second half of 2014 to the first half, non-manufacturing purchasing and supply executives feel more optimistic than they do for the first half of the year compared to the last half of 2013 (diffusion index of 68 percent for the second half compared to 64 percent for the first half). The percentage of respondents who currently forecast the second half of 2014 to be better than the first half is 45 percent, while 9 percent expect it to be worse. An additional 46 percent of purchasers expect no change. The 14 industries expecting improvement in the second half of the year — listed in order — are: Information; Transportation & Warehousing; Arts, Entertainment & Recreation; Real Estate, Rental & Leasing; Construction; Retail Trade; Professional, Scientific & Technical Services; Management of Companies & Support Services; Wholesale Trade; Public Administration; Utilities; Finance & Insurance; Other Services; and Accommodation & Food Services.

Business — Second Half 2014 vs. First Half 2014		
	Manufacturing	Non-Manufacturing
	Predicted Dec 2013	Predicted Dec 2013
Better	43%	45%
Same	49%	46%
Worse	8%	9%
Diffusion Index	67.5%	68%

Note: A diffusion index above 50 percent would generally indicate an expectation of the second half of the coming year being better than the first half.

SPECIAL QUESTION: MOST IMPORTANT PROBLEMS FACING BUSINESS IN 2014

Manufacturing

In response to a special question regarding the single most important problem their businesses face in planning for 2014, manufacturing respondents indicated the following:

- Domestic Sales Growth (32%)
- International Sales Growth (18%)
- Healthcare Reform Uncertainty (14.6%)
- Ongoing Government Shutdown and Debt Ceiling Concerns (13.5%)
- Government Regulations (9.6%)
- Healthcare Costs (8.4%)
- Inflation (3.4%)
- Taxes (0.6%).

Non-Manufacturing

In response to a special question regarding the single most important problem their businesses face in planning for 2014, non-manufacturing respondents indicated the following:

- Domestic Sales Growth (31.8%)
- Government Regulations (18.9%)
- Healthcare Cost (14.9%)
- Healthcare Reform Uncertainty (14.9%)
- Ongoing Government Shutdown and Debt Ceiling Concerns (8.1%)
- Inflation (6.1%)
- International Sales Growth (4.1%)
- Taxes (1.4%).

SPECIAL QUESTION: SUPPLY CHAIN IMPROVEMENTS IN 2014

Manufacturing

We asked a second special question about what supply chain improvements respondents plan to make in 2014. Sixty-nine percent stated they plan to take steps during the coming year to improve their supply chain management practices. The five most frequently cited approaches are listed below:

- Strategic sourcing/supply base rationalization
- Process and information systems improvements
- Supplier relationship management
- Inventory management and control
- Improved cross-functional planning and scheduling.

Non-Manufacturing

Responding to the special question regarding supply chain improvements in 2014, 70 percent of non-manufacturing respondents stated that they plan to take steps during the coming year to improve their supply chain management practices. The five most frequently cited approaches are listed below:

- Technology and process improvement
- Strategic cost and contract management
- Strategic sourcing
- Supplier relationship management
- Professional development.

INVENTORY-TO-SALES RATIO

Manufacturing

Purchasers will be increasing inventory on hand, by an average of 0.9 percent, to support their planned level of sales during 2014. In this forecast, 22 percent expect to increase their purchased inventory-to-sales ratio during 2014. This is in contrast to 16 percent who expect the ratio to decrease, and 62 percent who predict no change. The diffusion index of 53 percent for 2014 indicates the inventory-to-sales ratio will be higher than the level predicted for 2013.

Non-Manufacturing

Of the 78 percent of non-manufacturing purchasers who answered this question, 14 percent anticipate increasing their purchased inventory-to-sales ratio during 2014. An additional 8 percent expect their ratio to drop, and 78 percent see no change. The diffusion index of 53 percent suggests the inventory-to-sales ratio will grow in 2014.

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Predicted Change in Purchased Inventory-to-Sales Ratio				
	Manufacturing		Non-Manufacturing	
	For 2013 Predicted Dec 2012	For 2014 Predicted Dec 2013	For 2013 Predicted Dec 2012	For 2014 Predicted Dec 2013
Greater	19%	22%	12%	14%
Same	60%	62%	79%	78%
Smaller	21%	16%	9%	8%
Diffusion Index	49%	53%	51.5%	53%

Note: A diffusion index above 50 percent would indicate an increase in the inventory-to-sales ratio; below 50 percent, a decrease in the ratio.

OUTLOOK FOR THE NEXT 12 MONTHS

Manufacturing

Survey respondents are more optimistic about the outlook for 2014, when compared to the outlook for 2013 they predicted in December 2012. The 44 percent who report a better outlook is more than the 42 percent response received in December 2012. The resulting diffusion index for the outlook for 2014 is 65.5 percent, compared with 61 percent from one year ago when looking forward to 2013.

Non-Manufacturing

Non-manufacturing survey respondents are more optimistic on their outlook now compared to when they looked ahead in December 2012. The 56 percent who currently report a better outlook is more than the 47 percent who had that outlook in December 2012. Twenty-eight percent expect no change, and 16 percent feel the outlook will be worse over the next 12 months.

Outlook — Next 12 Months				
	Manufacturing		Non-Manufacturing	
	Predicted for 2013 Dec 2012	Predicted for 2014 Dec 2013	Predicted for 2013 Dec 2012	Predicted for 2014 Dec 2013
Better	42%	44%	47%	56%
Same	38%	43%	31%	28%
Worse	20%	13%	22%	16%
Diffusion Index	61%	65.5%	62.5%	70%

U.S. DOLLAR — Predicted Strength vs. Major Trading Currencies — in 2014 — Manufacturing Only

Manufacturing

Purchasing and supply executives are expecting the U.S. dollar will strengthen against the average of foreign currencies listed below in 2014. The average diffusion index for this forecast is 52.1 percent, a decrease of 1.2 percent from the December 2012 forecast average of 53.3 percent for 2013. The U.S. dollar is expected to strengthen against four of the major currencies, weaken against two and remain even with one of the major currencies listed.

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U.S. Dollar Will Be:	Euro	Canada \$	British Pound	Japanese Yen	Mexican Peso	Korean Won	Taiwan \$
Stronger than	39%	24%	21%	36%	52%	30%	27%
Same as	32%	56%	41%	30%	35%	33%	46%
Weaker than	29%	20%	38%	34%	13%	37%	27%
Diffusion Index	55.3%	52%	41.1%	51%	69%	46.1%	50%

Note: A diffusion index above 50 percent would predict a generally stronger U.S. dollar; below 50 percent, a generally weaker U.S. dollar, with the distance from 50 percent indicative of the predicted strength or weakness.

SUMMARY

Manufacturing

The manufacturing sector is currently expanding, and the forecast indicates that it will continue to expand in the first half of 2014, and at a faster rate in the second half of 2014.

- Operating rate is currently at 80.3 percent.
- Production capacity increased by 5.2 percent in 2013.
- Production capacity is expected to increase by 6.3 percent in 2014.
- Capital expenditures increased 12.3 percent in 2013.
- Capital expenditures are expected to increase 8 percent in 2014.
- Prices paid increased 0.9 percent in 2013.
- Overall 2014 prices paid are expected to increase 1.6 percent.
- Labor and benefit costs are expected to increase 2.3 percent in 2014.
- Manufacturing employment is expected to increase 2.4 percent in 2014.
- Expect growth in U.S. exports in 2014.
- Expect growth in U.S. imports in 2014.
- Manufacturing revenues (nominal) are up 3.4 percent in 2013.
- Manufacturing revenues (nominal) are expected to increase 4.4 percent in 2014.
- The U.S. dollar is expected to strengthen on average versus major trading partner currencies in 2014.
- Overall attitude of manufacturing supply managers: optimistic outlook, with 87 percent of respondents predicting 2014 will be the same as or better than 2013.

Non-Manufacturing

The non-manufacturing sector continues to expand, and the forecast indicates an increased rate of expansion in 2014.

- Operating rate is currently at 86.3 percent.
- Production capacity increased 2.3 percent in 2013.
- Production and provision capacity is expected to increase 1.9 percent in 2014.
- Capital expenditures increased 4.2 percent in 2013.
- Capital expenditures are expected to increase 4.6 percent in 2014.
- Prices paid increased 1.3 percent in 2013.
- Prices paid are expected to increase 1.9 percent in 2014.
- Labor and benefit costs are expected to increase 2.6 percent in 2014.
- Non-manufacturing employment is expected to increase 2.1 percent in 2014.
- Expect export levels to increase in 2014.
- Expect import growth in 2014.
- Non-manufacturing revenues (nominal) are up 4 percent in 2013.
- Non-manufacturing revenues (nominal) are expected to rise 3.6 percent in 2014.

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- Overall attitude of non-manufacturing supply managers: mostly positive outlook, with 84 percent of respondents predicting 2014 will be the same as or better than 2013.

***Miscellaneous Manufacturing** includes items such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies.

****Other Services** include services such as equipment and machinery repairing; promoting or administering religious activities; grant making; advocacy; and providing dry-cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.

In addition to the forecast, the **Manufacturing ISM Report On Business®** is issued monthly and is considered by many economists to be the most reliable near-term economic barometer available. It is reviewed regularly by government agencies and economic business leaders. The report, compiled from responses to questions asked of purchasing and supply executives across the country, tracks industrial production, new orders, inventories, supplier deliveries, imports, exports, backlog of orders, employment, customers' inventories, buying policies and prices. The report has been issued by the association since 1931, except during World War II.

Covering the non-manufacturing sector, ISM debuted the **Non-Manufacturing ISM Report On Business®** in June 1998. The Non-Manufacturing ISM Report On Business® is released on the third business day of each month, and is based on data received from purchasing and supply executives across the country. The report covers business activity, new orders, backlog of orders, new export orders, inventory change, inventory sentiment, imports, prices, employment, and supplier deliveries.

The industries reporting growth, as indicated in the **Manufacturing and Non-Manufacturing ISM Report On Business®** monthly reports, and in this semiannual forecast, 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.

The **Manufacturing and Non-Manufacturing ISM Report On Business®** is published monthly by the Institute for Supply Management™, the first supply institute in the world. Founded in 1915, ISM exists to lead and serve the supply management profession and is a highly influential and respected association in the global marketplace. ISM's mission is to lead the supply management profession through its standards of excellence, research, promotional activities and education.

The full text version of each report is posted on ISM's Home Page at www.ism.ws on the first and third business day of every month after 10:10 a.m. (ET).

The next **Manufacturing ISM Report On Business®** featuring the December 2013 data will be released at 10:00 a.m. (ET) on Thursday, January 2, 2014.

The next **Non-Manufacturing ISM Report On Business®** featuring the December 2013 data will be released at 10:00 a.m. (ET) on Monday, January 6, 2014.