

PMI at 61.4%

Economic activity in the manufacturing sector expanded in February for the 19th consecutive month, and the overall economy grew for the 21st consecutive month, say the nation's supply executives in the latest **Manufacturing ISM Report On Business®**.

February's report from the manufacturing sector indicates continuing strong performance as the PMI registered 61.4 percent, a level last achieved in May 2004. New orders and production, driven by strength in exports in particular, continue to drive the composite index (PMI). New orders are growing significantly faster than inventories, and the Customers' Inventories Index indicates supply chain inventories will require continuing replenishment. The Employment Index is above 60 percent for only the third time in the last decade. While there are many positive indicators, there is also concern as industries related to housing continue to struggle and the Prices Index indicates significant inflation of raw material costs across many commodities.

Of the 18 manufacturing industries, 14 are reporting growth in February: Apparel, Leather & Allied Products; Petroleum & Coal Products; Transportation Equipment; Electrical Equipment, Appliances & Components; Machinery; Chemical Products; Fabricated Metal Products; Computer & Electronic Products; Textile Mills; Food, Beverage & Tobacco Products; Printing & Related Support Activities; Paper Products; Wood Products; and Miscellaneous Manufacturing[‡]. **ISM**

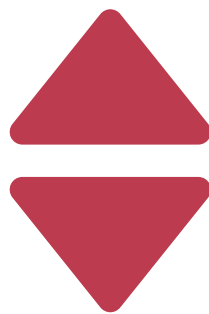
Analysis by **Norbert J. Ore, CPSM, C.P.M.**, chair of the Institute for Supply Management™ Manufacturing Business Survey Committee.

New Orders, Production and Employment Growing; Supplier Deliveries Slower; Inventories Contracting

MANUFACTURING AT A GLANCE

INDEX	FEB. INDEX	JAN. INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
PMI	61.4	60.8	+0.6	Growing	Faster	19
New Orders	68.0	67.8	+0.2	Growing	Faster	20
Production	66.3	63.5	+2.8	Growing	Faster	21
Employment	64.5	61.7	+2.8	Growing	Faster	17
Supplier Deliveries	59.4	58.6	+0.8	Slowing	Faster	21
Inventories	48.8	52.4	-3.6	Contracting	From Growing	1
Customers' Inventories	40.0	45.5	-5.5	Too Low	Faster	23
Prices	82.0	81.5	+0.5	Increasing	Faster	20
Backlog of Orders	59.0	58.0	+1.0	Growing	Faster	2
Exports	62.5	62.0	+0.5	Growing	Faster	20
Imports	55.0	55.0	0.0	Growing	Unchanged	18
OVERALL ECONOMY				Growing	Faster	21
MANUFACTURING SECTOR				Growing	Faster	19

*Number of months moving in current direction.
Manufacturing ISM Report On Business® data is seasonally adjusted except for Backlog of Orders, Prices, Customers' Inventories, Imports and New Export Orders.



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

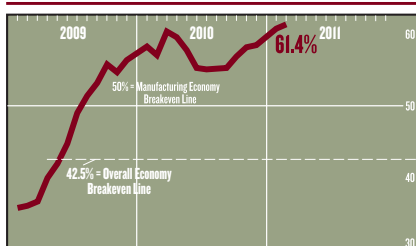
COMMODITIES REPORTED

Commodities Up in Price: Aluminum (6); Aluminum Products (2); Brass (3); Brass Products (2); Cocoa; Copper (7); Copper Based Products (4); Corn (6); Diesel (3); Fuel Oils (2); Gasoline; Nickel; Plastics (2); Plastic Products (2); Plastic Resins (4); Polyethylene; Polyethylene Resin (2); Polypropylene (2); Rubber Products; Soybean Oil (4); Stainless Steel (4); Stainless Steel Products (2); Steel (6); Steel — Hot Rolled; Steel Products (3); Steel Surcharges (2); Sugar (2); Sulfuric Acid; and Wheat.

Commodities Down in Price: No commodities are reported down in price.

Commodities in Short Supply: Capacitors; Cocoa Powder; and Electric Components (2).

‡Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies).



PMI

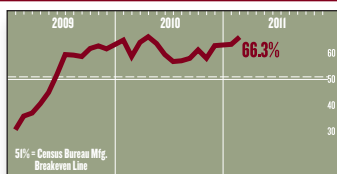
A PMI in excess of 42.5 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the PMI indicates growth for the 21st consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 19th consecutive month. The past relationship between the PMI and the overall economy indicates that the average PMI for January and February (61.1 percent) corresponds to a 6.5 percent increase in real gross domestic product (GDP). In addition, if the PMI for February (61.4 percent) is annualized, it corresponds to a 6.6 percent increase in real GDP annually.

‡Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies).

PRODUCTION

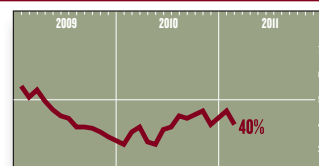
ISM's Production Index registered 66.3 percent in February. The 12 industries reporting growth in production during the month of February — listed in order — are:

Apparel, Leather & Allied Products; Petroleum & Coal Products; Machinery; Transportation Equipment; Paper Products; Electrical Equipment, Appliances & Components; Chemical Products; Fabricated Metal Products; Miscellaneous Manufacturing‡; Food, Beverage & Tobacco Products; Printing & Related Support Activities; and Computer & Electronic Products.



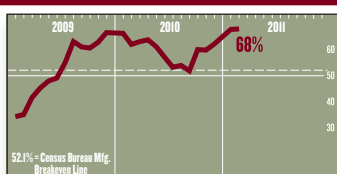
CUSTOMERS' INVENTORIES

ISM's Customers' Inventories Index registered 40 percent in February, 5.5 percentage points lower than in January when the index registered 45.5 percent. This is the 23rd consecutive month the Customers' Inventories Index has been below 50 percent, indicating that respondents believe their customers' inventories are too low at this time. Two manufacturing industries reported customers' inventories as being too high during February: Primary Metals; and Food, Beverage & Tobacco Products.



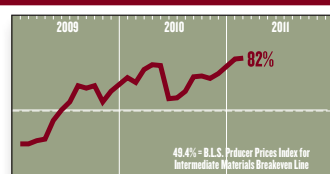
NEW ORDERS

ISM's New Orders Index registered 68 percent in February. The 13 industries reporting growth in new orders in February — listed in order — are: Apparel, Leather & Allied Products; Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Wood Products; Printing & Related Support Activities; Machinery; Transportation Equipment; Chemical Products; Paper Products; Fabricated Metal Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; and Miscellaneous Manufacturing‡.



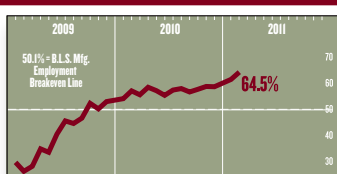
PRICES

The ISM Prices Index registered 82 percent in February. The 13 industries reporting paying increased prices during the month of February — listed in order — are: Fabricated Metal Products; Food, Beverage & Tobacco Products; Machinery; Chemical Products; Electrical Equipment, Appliances & Components; Plastics & Rubber Products; Paper Products; Transportation Equipment; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Primary Metals; Computer & Electronic Products; and Miscellaneous Manufacturing‡.



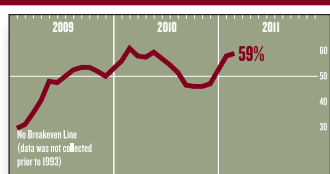
EMPLOYMENT

ISM's Employment Index registered 64.5 percent in February. Fourteen manufacturing industries reported growth in employment in February in the following order: Textile Mills; Petroleum & Coal Products; Transportation Equipment; Apparel, Leather & Allied Products; Computer & Electronic Products; Machinery; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Printing & Related Support Activities; Nonmetallic Mineral Products; Paper Products; Fabricated Metal Products; Chemical Products; and Miscellaneous Manufacturing‡.



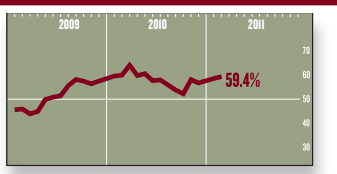
BACKLOG OF ORDERS

ISM's Backlog of Orders Index registered 59 percent in February. The 10 industries reporting increased order backlogs in February — listed in order — are: Electrical Equipment, Appliances & Components; Apparel, Leather & Allied Products; Paper Products; Printing & Related Support Activities; Fabricated Metal Products; Machinery; Miscellaneous Manufacturing‡; Transportation Equipment; Chemical Products; and Computer & Electronic Products.



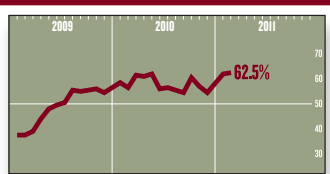
SUPPLIER DELIVERIES

The delivery performance of suppliers to manufacturing organizations was slower in February as the Supplier Deliveries Index registered 59.4 percent. The seven industries reporting slower supplier deliveries in February — listed in order — are: Machinery; Chemical Products; Transportation Equipment; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; and Computer & Electronic Products.



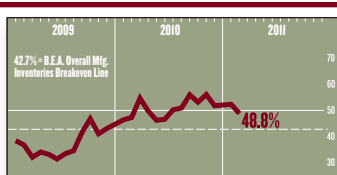
NEW EXPORT ORDERS

ISM's New Export Orders Index registered 62.5 percent in February. The 12 industries reporting growth in new export orders in February — listed in order — are: Petroleum & Coal Products; Furniture & Related Products; Apparel, Leather & Allied Products; Printing & Related Support Activities; Machinery; Chemical Products; Transportation Equipment; Fabricated Metal Products; Electrical Equipment, Appliances & Components; Paper Products; Computer & Electronic Products; and Food, Beverage & Tobacco Products.



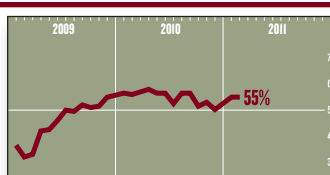
INVENTORIES

Manufacturers' inventories declined in February following seven consecutive months of growth. The Inventories Index registered 48.8 percent, 3.6 percentage points less than the 52.4 percent recorded for January. The four industries reporting higher inventories in February are: Apparel, Leather & Allied Products; Chemical Products; Electrical Equipment, Appliances & Components; and Computer & Electronic Products.



IMPORTS

Imports of materials by manufacturers continued to expand in February as the Imports Index registered 55 percent, the same as reported in January. The nine industries reporting growth in imports during the month of February — listed in order — are: Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Primary Metals; Miscellaneous Manufacturing‡; Printing & Related Support Activities; Transportation Equipment; Machinery; Chemical Products; and Electrical Equipment, Appliances & Components.



NMI at 59.7%

**Business Activity Index at 66.9%; New Orders Index at 64.4%;
Employment Index at 55.6%**

Economic activity in the non-manufacturing sector grew in February for the 15th consecutive month, say the nation's purchasing and supply executives in the latest Non-Manufacturing ISM Report On Business®.

The NMI registered 59.7 percent in February, 0.3 percentage point higher than the 59.4 percent registered in January, and indicating continued growth in the non-manufacturing sector. The Non-Manufacturing Business Activity Index increased 2.3 percentage points to 66.9 percent, reflecting growth for the 19th consecutive month and at a faster rate than in January. The New Orders Index decreased 0.5 percentage point to 64.4 percent, and the Employment Index increased 1.1 percentage points to 55.6. The Prices Index increased 1.2 percentage points to 73.3 percent, indicating that prices increased at a faster rate in February. Respondents' comments overall are mostly positive about business conditions and the direction of the economy.

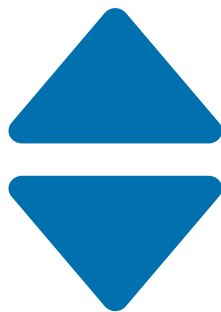
The 13 industries reporting growth in February based on the NMI composite index — listed in order — are: Real Estate, Rental & Leasing; Accommodation & Food Services; Mining; Utilities; Professional, Scientific & Technical Services; Educational Services; Transportation & Warehousing; Finance & Insurance; Other Services*; Public Administration; Wholesale Trade; Management of Companies & Support Services; and Retail Trade. **ISM**

Analysis by **Anthony Nieves, C.P.M., CFPM**, chair of the Institute for Supply Management™ Non-Manufacturing Business Survey Committee.

NON-MANUFACTURING AT A GLANCE

INDEX	FEB. INDEX	JAN. INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
NMI	59.7	59.4	+0.3	Growing	Faster	15
Business Activity	66.9	64.6	+2.3	Growing	Faster	19
New Orders	64.4	64.9	-0.5	Growing	Slower	19
Employment	55.6	54.5	+1.1	Growing	Faster	6
Supplier Deliveries	52.0	53.5	-1.5	Slowing	Slower	11
Inventories	55.5	49.0	+6.5	Growing	From Contracting	1
Prices	73.3	72.1	+1.2	Increasing	Faster	19
Backlog of Orders	52.0	50.5	+1.5	Growing	Faster	2
New Export Orders	56.5	53.5	+3.0	Growing	Faster	6
Imports	53.5	53.5	0.0	Growing	Unchanged	7
Inventory Sentiment	57.5	60.0	-2.5	Too High	Slower	165

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



COMMODITIES REPORTED

Commodities Up in Price: Airfares (3); Beef; Cable Products; Capital Equipment; Carbon Pipe (2); Coffee; Consulting Services; Contract Labor; Copper; Copper Products (3); Cotton (4); Cotton Products (6); Dairy; #1 Diesel Fuel (5); #2 Diesel Fuel (8); Electrical Supplies; Energy; Fiber Optic Cables; Flour; Food and Beverage (2); Fuel (14); Fuel Surcharges (2); Gasoline (5); Janitorial Supplies (2); Large Bore Bearings; Latex Gloves (2); Lettuce; Paper (4); Paper Bags; Petroleum Products (2); Plastic Film (2); Plywood; Polyester; Polyethylene Bags (3); Polyethylene; Polypropylene; Professional Services; Services Labor; Steel (3); Steel Products (3); and Trucks.

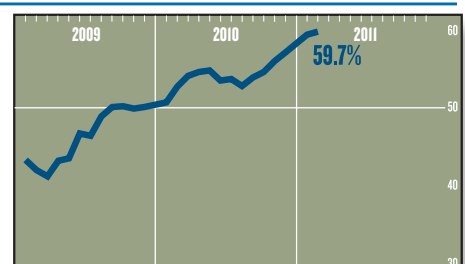
Commodities Down in Price: Computer Supplies; and Janitorial Services.

Commodities in Short Supply: Cotton (2); Cotton Products (2); and Electrical Components.

*+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).

NMI

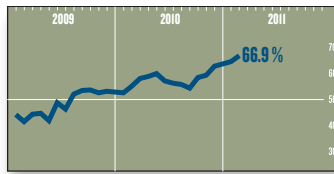
In February, the NMI registered 59.7 percent, indicating continued growth in the non-manufacturing sector for the 15th consecutive month. A reading above 50 percent indicates the non-manufacturing sector economy is generally expanding; below 50 percent indicates the non-manufacturing sector is generally contracting.



±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).

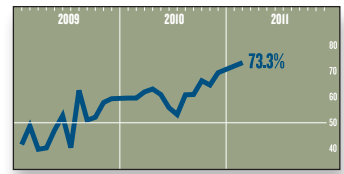
BUSINESS ACTIVITY

ISM's Non-Manufacturing Business Activity Index in February registered 66.9 percent. The 13 industries reporting growth of business activity in February — listed in order — are: Real Estate, Rental & Leasing; Accommodation & Food Services; Utilities; Educational Services; Professional, Scientific & Technical Services; Public Administration; Mining; Finance & Insurance; Wholesale Trade; Transportation & Warehousing; Management of Companies & Support Services; Other Services[±]; and Information.



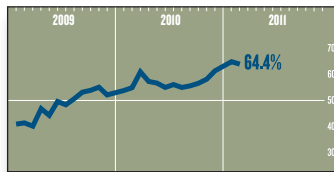
PRICES

ISM's Non-Manufacturing Prices Index for February registered 73.3 percent. Seventeen industries reported an increase in prices paid: Construction; Real Estate, Rental & Leasing; Management of Companies & Support Services; Accommodation & Food Services; Arts, Entertainment & Recreation; Educational Services; Retail Trade; Wholesale Trade; Information; Mining; Other Services[±]; Transportation & Warehousing; Professional, Scientific & Technical Services; Utilities; Health Care & Social Assistance; Finance & Insurance; and Public Administration.



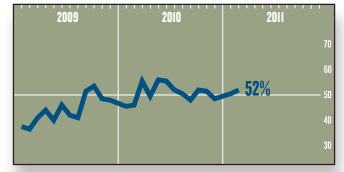
NEW ORDERS

ISM's Non-Manufacturing New Orders Index registered 64.4 percent. The 11 industries reporting growth of new orders in February — listed in order — are: Real Estate, Rental & Leasing; Accommodation & Food Services; Utilities; Educational Services; Mining; Professional, Scientific & Technical Services; Other Services[±]; Transportation & Warehousing; Public Administration; Finance & Insurance; and Wholesale Trade.



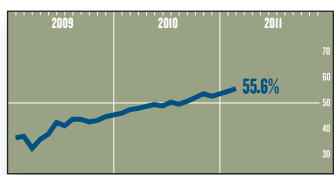
BACKLOG OF ORDERS

ISM's Non-Manufacturing Backlog of Orders Index grew in February for the second consecutive month. The index registered 52 percent, 1.5 percentage points higher than the 50.5 percent reported in January. The seven industries reporting an increase in order backlogs in February — listed in order — are: Educational Services; Management of Companies & Support Services; Information; Construction; Finance & Insurance; Professional, Scientific & Technical Services; and Transportation & Warehousing.



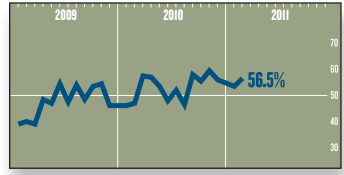
EMPLOYMENT

ISM's Non-Manufacturing Employment Index registered 55.6 percent in February. This reflects an increase of 1.1 percentage points when compared to the 54.5 percent registered in January. The nine industries reporting an increase in employment in February — listed in order — are: Mining; Accommodation & Food Services; Transportation & Warehousing; Management of Companies & Support Services; Other Services[±]; Retail Trade; Finance & Insurance; Professional, Scientific & Technical Services; and Wholesale Trade.



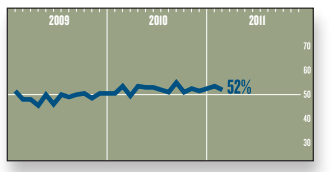
NEW EXPORT ORDERS

The New Export Orders Index for February registered 56.5 percent, which is 3 percentage points higher than the 53.5 percent registered in January. The six industries reporting an increase in new export orders in February — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Information; Accommodation & Food Services; Retail Trade; Transportation & Warehousing; and Professional, Scientific & Technical Services.



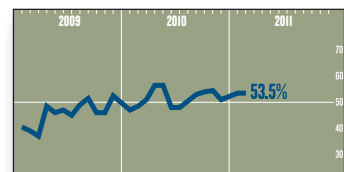
SUPPLIER DELIVERIES

The Supplier Deliveries Index registered 52 percent in February, 1.5 percentage points lower than the 53.5 percent registered in January. A reading above 50 percent indicates slower deliveries. The eight industries reporting slower deliveries in February — listed in order — are: Real Estate, Rental & Leasing; Mining; Arts, Entertainment & Recreation; Retail Trade; Wholesale Trade; Health Care & Social Assistance; Professional, Scientific & Technical Services; and Finance & Insurance.



IMPORTS

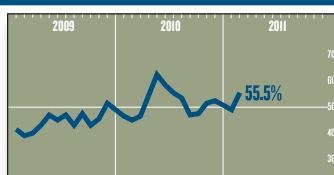
The ISM Non-Manufacturing Imports Index grew in February for the seventh consecutive month. The index registered 53.5 percent, which is the same as reported in January. The five industries reporting an increase in the use of imports in February are: Educational Services; Information; Accommodation & Food Services; Professional, Scientific & Technical Services; and Retail Trade.



INVENTORIES

ISM's Non-Manufacturing Inventories Index registered 55.5 percent in February, indicating that inventory levels grew in February after one month of contraction.

The eight industries reporting an increase in inventories in February — listed in order — are: Utilities; Wholesale Trade; Real Estate, Rental & Leasing; Other Services[±]; Management of Companies & Support Services; Accommodation & Food Services; Transportation & Warehousing; and Professional, Scientific & Technical Services.



INVENTORY SENTIMENT

ISM's Non-Manufacturing Inventory Sentiment Index in February registered 57.5 percent. This indicates that respondents

believe their inventories are too high at this time. The five industries reporting a feeling that their inventories are too high in February are: Management of Companies & Support Services; Wholesale Trade; Other Services[±]; Finance & Insurance; and Health Care & Social Assistance.

