

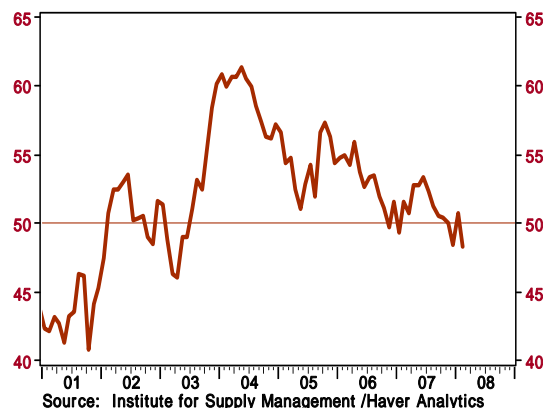
FEBRUARY ISM MANUFACTURING INDEX

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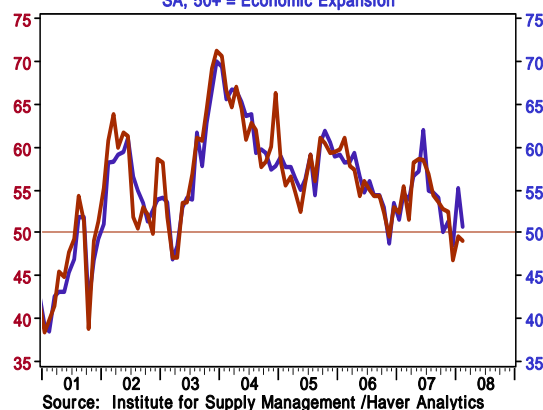
- The ISM Manufacturing index declined to 48.3 in February versus 50.7 in January. The consensus had expected a decline to 48.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The output-related components of the index were generally down. The production index fell to 50.7 from 55.2 and the new orders index declined to 49.1 from 49.5. The employment index declined to 46.0, the lowest since June 2003, from 47.1 last month. The new export orders index was down but still at a high level of 56.0, while the import orders index fell to 47.5.
- The prices paid index remains very high at 75.5, a slight decline from 76.0 in January.

Implications: The ISM manufacturing index fell back into negative territory in February, suggesting a slowdown in manufacturing activity in February. However, the Institute of Supply Management, which publishes the report, says an index level of 48.3 corresponds to a real GDP growth rate of 2.3% and the average index in January/February corresponds with a growth rate of 2.6%. These figures are both higher than our forecast of a 2% real GDP growth rate in Q1. Meanwhile, the prices paid index signals price pressure is still increasing. In other economic news this morning, construction fell 1.7% in January, versus a consensus expected decline of 0.7%. Private home building fell 3%, business construction fell 1.2% – the first decline in 16 months – and government construction slipped 0.2%. The drop in business construction was led by utilities, communication facilities, and hotels.

ISM Manufacturing Index
SA, 50+ = Econ Expand



ISM Mfg: New Orders Index
SA, 50+ = Economic Expansion
ISM Mfg: Production Index
SA, 50+ = Economic Expansion



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Feb-08	Jan-08	Dec-07	3-month moving avg	6-month moving avg	Year-ago level
Business Barometer	48.3	50.7	48.4	49.1	49.7	51.5
New Orders	49.1	49.5	46.9	48.5	50.7	55.4
Production	50.7	55.2	48.6	51.5	51.7	54.6
Inventories	45.4	49.1	45.4	46.6	45.8	45.3
Employment	46.0	47.1	48.7	47.3	48.9	50.9
Supplier Deliveries	50.1	52.8	52.6	51.8	51.6	51.1
Order Backlog (NSA)	45.0	44.0	43.0	44.0	45.1	51.5
Prices Paid (NSA)	75.5	76.0	68.0	73.2	68.2	59.0
New Export Orders	56.0	58.5	52.5	55.7	56.2	54.0

Source: National Association of Purchasing Management