## Data Watch

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## FEBRUARY IS M Non-Manufacturing Index

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- The ISM non-manufacturing business barometer (a measure of production growth in the services sector) declined to 54.3 in February from 59.0 in January. The consensus expected a drop to 57.1.
- The new orders index dropped to 54.8 in February from 55.4. The backlog of orders index dropped to 47.0 from 49.0.
- The employment component increased to 52.2 from 51.7. The index of inventory change rose to 50.5 from 47.0.
- The prices paid component fell to 53.8 in February from 55.2 in January.

**Implications:** While weaker than expected, the ISM nonmanufacturing index continues to signal expansion in the largest sector in the economy. Also, unlike other indexes (such as the ISM manufacturing index) the sub-parts of the ISM non-manufacturing index are calculated separately from the overall number and can tell a different story from the business barometer. That is the case this month, with the sub-parts painting a more vigorous picture than the decline in the overall index suggests. Employment, imports, and export orders all increased in February and no sub-component declined as much as the overall number. These facts suggest a rebound in the ISM non-manufacturing index next month.





Non-Manufacturing ISM Index Seasonally Adjusted Unless Noted	Feb-07	Jan-07	Dec-06	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	54.3	59.0	56.7	56.7	56.7	60.5
New Orders	54.8	55.4	55.6	55.3	55.9	56.8
Employment	52.2	51.7	53.2	52.4	52.4	57.5
Prices	53.8	55.2	59.7	56.2	56.1	67.0
Supplier Deliveries (NSA)	52.5	53.5	51.0	52.3	52.6	52.5
Inventory Change (NSA)	50.5	47.0	53.5	50.3	51.0	53.0
Orders Backlog (NSA)	47.0	49.0	48.0	48.0	50.5	54.0
Imports (NSA)	54.0	52.0	62.0	56.0	56.7	55.0

Source: Institute for Supply Management

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