

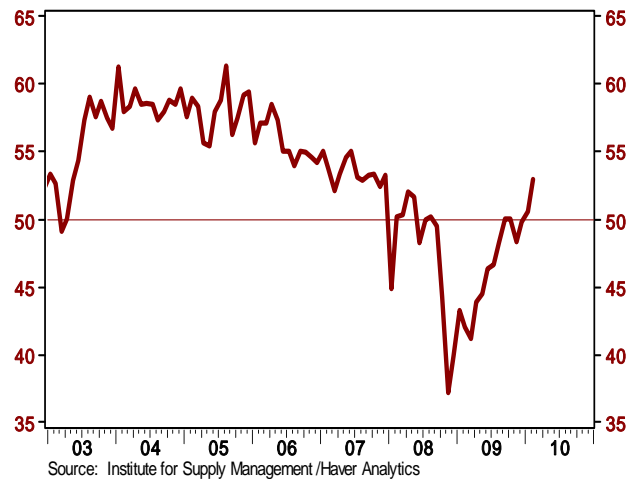
FEBRUARY ISM NON-MANUFACTURING INDEX

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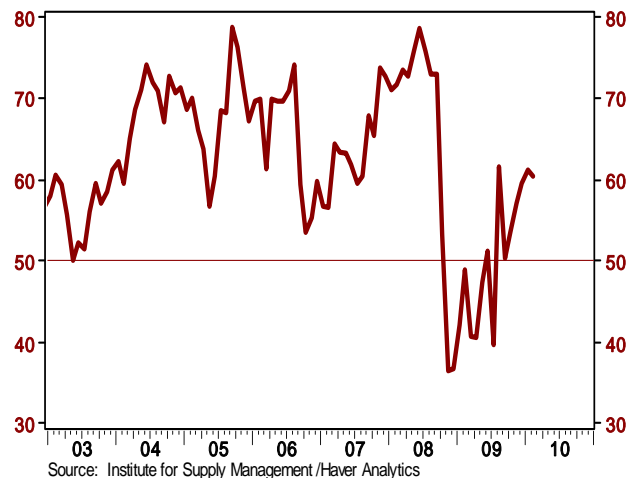
- The ISM Non-Manufacturing composite index increased to 53.0 in February, easily beating the consensus expected increase to 51.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- All of the major sub-indexes were up in February. The business activity index increased to 54.8 from 52.2, the new orders index rose to 55.0 from 54.7, and the employment index rose to 48.6 from 44.6. The supplier deliveries index also increased to 53.5 from 50.5.
- The prices paid index declined to a still-elevated 60.4 in February from 61.2 in January.

Implications: The V-shaped recovery started earlier in the manufacturing sector but the service sector is now getting on board. The ISM Services index hit 53 in February despite a record blizzard on the East Coast and unusually large snowfall in the Midwest. The business activity index, which has an even stronger statistical link with real GDP growth than the overall index, rose to 54.8, the highest level since October 2007. On the inflation front, the prices paid index remained above 60 in February, signaling higher inflation ahead. In other news this morning, the ADP Employment report says private firms cut payrolls by 20,000 in February, although manufacturing companies added 3,000 jobs, the first increase in 25 months. The official Labor Department report, released on Friday morning, is likely to show payrolls fell much more than 20,000. If a snowstorm prevents someone from working and getting paid, then the worker is not in Labor’s official measure of payrolls. By contrast, the ADP report counts workers as long as they are still in a company’s payment system, even if they earn nothing. Meanwhile, Challenger, Gray & Christmas, a Chicago-based job placement firm, says layoffs are down 77.4% versus a year ago. In other recent news, autos and light trucks were sold at a 10.4 million annual rate in February, as the consensus expected. This is a decline from the 10.8 million pace in January but, given massive blizzards around the country as well as troubles at Toyota, is likely to be reversed in March. Auto sales are still 13.2% above the depressed levels of last February.

ISM Nonmanufacturing: NMI Composite Index
SA, 50+=Increasing



ISM: Nonmfg: Prices Index
SA, 50+ = Econ Expand



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Feb-10	Jan-10	Dec-09	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	53.0	50.5	49.8	51.1	50.3	42.1
Business Activity	54.8	52.2	53.2	53.4	52.8	41.3
New Orders	55.0	54.7	52.0	53.9	53.8	41.3
Employment	48.6	44.6	43.6	45.6	44.1	37.9
Supplier Deliveries (NSA)	53.5	50.5	50.5	51.5	50.6	48.0
Prices	60.4	61.2	59.6	60.4	57.0	48.9

Source: Institute for Supply Management