

February ISM Manufacturing Index

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- The ISM manufacturing index fell to 52.4 in February from 54.1 in January, coming in below the consensus expected 54.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were all lower in February, but most remain well above 50. The new orders index fell to 54.9 from 57.6, the production index slipped to 55.3 from 55.7 and the employment index fell to 53.2 from 54.3. The supplier deliveries index declined to 49.0 from 53.6
- The prices paid index increased to 61.5 in February from 55.5 in January.

Implications: Manufacturing came in softer than expected in February, but remains solidly above 50, signaling continued expansion in the factory sector. The ISM manufacturing index has now remained above 50 for 31 straight months and just in case you still think a double-dip is possible, the new orders index, although lower than last month, came in at a healthy 54.9 suggesting more growth in manufacturing ahead. The employment index moved down slightly to 53.2 but remains solidly above 50, confirming other positive news on the labor market. The one sub-index that remains weak is inventories. The reluctance of manufacturers to accumulate inventories may hold back GDP in the short term, but we view this reluctance as temporary and indicative of better future growth. On the inflation front, the prices paid index rose to 61.5 in February, the highest level since June 2011. Monetary policy is very loose. As a result, this index will move higher in the months ahead. In other news this morning, construction declined 0.1% in January, but was up 1.3% including upward revisions for prior months. The slight dip in January itself was due to commercial construction, led down by power plants and manufacturing facilities. Still, these two categories are up in the past year by 28% and 38%, respectively. Home building was up 1.8% in January, the sixth straight monthly gain. Single-family home building is up eight months in a row, and all without the temporary support of a homebuyer tax credit, like back in 2009-10.

ISM Mfg: PMI Composite Index
 SA, 50+ = Econ Expand



ISM Mfg: Production Index
 SA, 50+ = Econ Expand
 ISM Mfg: New Orders Index
 SA, 50+ = Econ Expand



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Feb-12	Jan-12	Dec-11	3-month moving avg	6-month moving avg	Year-ago level
Business Barometer	52.4	54.1	53.1	53.2	52.7	59.8
New Orders	54.9	57.6	54.8	55.8	54.5	62.7
Production	55.3	55.7	58.9	56.6	55.1	64.4
Inventories	49.5	49.5	45.5	48.2	48.3	50.5
Employment	53.2	54.3	54.8	54.1	54.0	61.1
Supplier Deliveries	49.0	53.6	51.5	51.4	51.5	60.1
Order Backlog (NSA)	52.0	52.5	48.0	50.8	47.8	59.0
Prices Paid (NSA)	61.5	55.5	47.5	54.8	51.1	82.0
New Export Orders	59.5	55.0	53.0	55.8	53.8	62.5

Source: National Association of Purchasing Management