

Data for this report was collected in February 2006.

## PMI at 56.7% New Orders, Production, Employment Expanding

**E**conomic activity in the manufacturing sector grew in February for the 33rd consecutive month, while the overall economy grew for the 52nd consecutive month, say the nation's supply executives in the latest **Manufacturing ISM Report On Business®**.

The manufacturing sector gained momentum in February as the New Orders, Production, Employment and Inventories Indexes contributed to a faster rate of growth in the PMI. On the down side, the Supplier Deliveries Index slowed,

offsetting a portion of the overall improvement. Prices, driven by volatility in energy markets, continue to be a major source of concern for ISM's survey respondents.

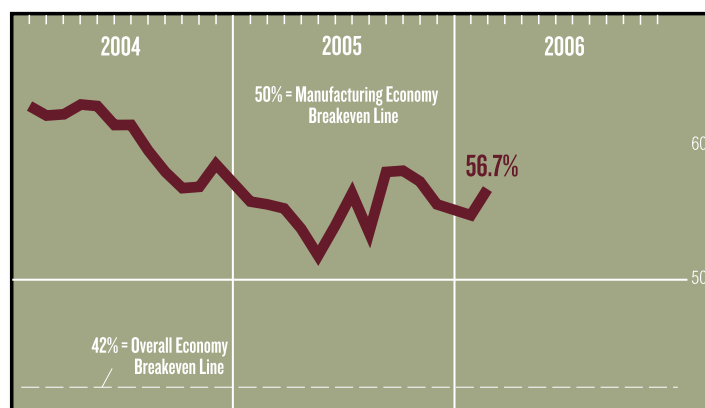
### Top Performing Industries

The 17 industries reporting growth in February — listed in order — are: Miscellaneous‡; Apparel; Textiles; Transportation & Equipment; Primary Metals; Tobacco; Food; Electronic Components & Equipment; Rubber & Plastic Products; Printing & Publishing; Industrial & Commercial

Equipment & Computers; Fabricated Metals; Wood & Wood Products; Instruments & Photographic Equipment; Chemicals; Paper; and Furniture. **ISM**

‡Miscellaneous is a preponderance of jewelry, toys, sporting goods and musical instruments.

### PMI



Analysis by **Norbert J. Ore, C.P.M.**, chair of the Institute for Supply Management™ Manufacturing Business Survey Committee; and group director, strategic sourcing and procurement, Georgia-Pacific Corporation.

## Business Activity at 60.1% New Orders Index at 56.2%; Employment Index at 58.2%

**B**usiness activity in the non-manufacturing sector increased in February 2006, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM Report On Business®**.

Non-manufacturing business activity increased for the 35th consecutive month in February. Business Activity and New Orders increased at faster rates in February than in January.

Backlog of Orders, Employment and New Export Orders also increased at faster rates, while Prices increased at a slower rate than in January.

Members' comments in February are mostly positive concerning current business conditions. The overall indication in February is continued economic growth in the non-manufacturing sector.

### Top Performing Industries

The 10 industries reporting growth in February — listed in order — are: Mining; Insurance; Communication; Business Services; Health Services; Public Administration; Utilities; Construction; Other Services‡; and Retail Trade. The four industries reporting activity the same as last month are: Transportation; Finance & Banking; Real Estate; and Legal Services. The three industries reporting

decreased activity from January to February are: Agriculture; Wholesale Trade; and Entertainment. **ISM**

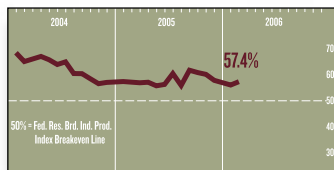
Analysis by **Ralph G. Kauffman, Ph.D., C.P.M.**, chair of the Institute for Supply Management™ Non-Manufacturing Business Survey Committee; and coordinator of the Supply Chain Management Program, University of Houston–Downtown.

‡Other Services include: Hotels, Rooming Houses, Camps, and Other Lodging Places; Personal Services; Automotive Repair, Services, and Parking; Miscellaneous Repair Services; Educational Services; Social Services; Museums, Art Galleries, and Botanical and Zoological Gardens; Membership Organizations; Engineering, Accounting, Research, Management and Related Services; and Miscellaneous Services.

#Miscellaneous is a preponderance of jewelry, toys, sporting goods and musical instruments.

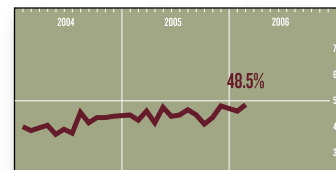
## PRODUCTION

ISM's Production Index registered 57.4 percent in February. Seventeen industries registered growth in February: Tobacco; Miscellaneous<sup>‡</sup>; Apparel; Transportation & Equipment; Textiles; Wood & Wood Products; Glass, Stone & Aggregate; Primary Metals; Food; Electronic Components & Equipment; Furniture; Industrial & Commercial Equipment & Computers; Instruments & Photographic Equipment; Chemicals; Printing & Publishing; Rubber & Plastic Products; and Fabricated Metals.



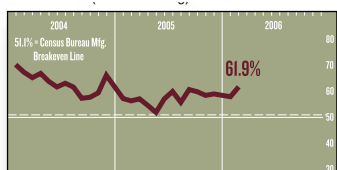
## CUSTOMERS' INVENTORIES

The February Customers' Inventories Index is at 48.5 percent, 2.5 percentage points higher than the 46 percent reported in January. This is the 57th consecutive month that the index has registered below 50 percent. Five industries reported higher customers' inventories during February: Paper; Furniture; Instruments & Photographic Equipment; Food; and Printing & Publishing.



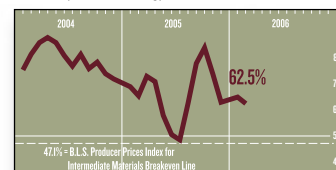
## NEW ORDERS

ISM's New Orders Index grew in February with a reading of 61.9 percent. Fifteen industries reported increases during February: Textiles; Apparel; Primary Metals; Miscellaneous<sup>‡</sup>; Transportation & Equipment; Rubber & Plastic Products; Electronic Components & Equipment; Industrial & Commercial Equipment & Computers; Paper; Fabricated Metals; Printing & Publishing; Food; Wood & Wood Products; Instruments & Photographic Equipment; and Chemicals.



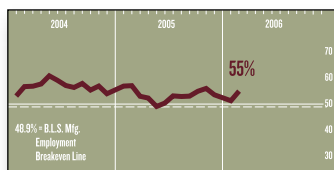
## PRICES

ISM's Prices Index registered 62.5 percent in February, indicating manufacturers are paying higher prices on average when compared to January. In February, 13 industries reported paying higher prices: Printing & Publishing; Transportation & Equipment; Rubber & Plastic Products; Primary Metals; Furniture; Textiles; Fabricated Metals; Miscellaneous<sup>‡</sup>; Industrial & Commercial Equipment & Computers; Electronic Components & Equipment; Food; Instruments & Photographic Equipment; and Wood & Wood Products.



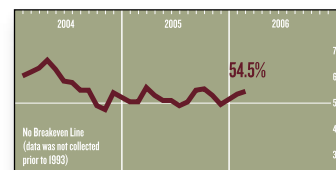
## EMPLOYMENT

ISM's Employment Index expanded for the ninth consecutive month in February, registering 55 percent and compared to the seasonally adjusted 51.3 percent registered in January. The nine industries reporting growth in employment during February are: Apparel; Miscellaneous<sup>‡</sup>; Transportation & Equipment; Primary Metals; Food; Electronic Components & Equipment; Rubber & Plastic Products; Chemicals; and Fabricated Metals.



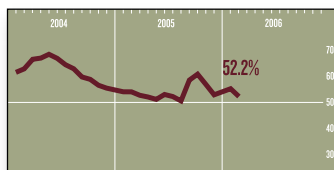
## BACKLOG OF ORDERS

ISM's Backlog of Orders Index registered 54.5 percent, indicating manufacturers' backlogs in February are expanding when compared to January. The nine industries reporting an increase in order backlogs during the month are: Miscellaneous<sup>‡</sup>; Paper; Furniture; Primary Metals; Transportation & Equipment; Industrial & Commercial Equipment & Computers; Wood & Wood Products; Food; and Fabricated Metals.



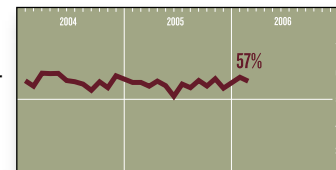
## SUPPLIER DELIVERIES

ISM's Supplier Deliveries Index for February registered 52.2 percent, a decrease of 3.1 percentage points when compared to January's seasonally adjusted reading of 55.3 percent. The nine industries reporting slower supplier deliveries in February are: Printing & Publishing; Primary Metals; Miscellaneous<sup>‡</sup>; Furniture; Paper; Transportation & Equipment; Instruments & Photographic Equipment; Electronic Components & Equipment; and Food.



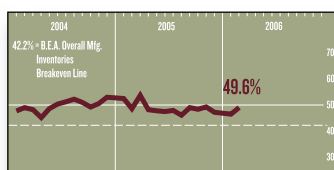
## NEW EXPORT ORDERS

ISM's New Export Orders Index for February registered 57 percent. The 11 industries reporting growth in new export orders in February are: Miscellaneous<sup>‡</sup>; Textiles; Instruments & Photographic Equipment; Chemicals; Printing & Publishing; Industrial & Commercial Equipment & Computers; Primary Metals; Electronic Components & Equipment; Food; Transportation & Equipment; and Rubber & Plastic Products.



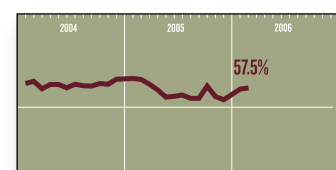
## INVENTORIES

ISM's Inventories Index registered 49.6 percent in February, indicating a slower rate of liquidation when compared to January's seasonally adjusted reading of 46.5 percent. The eight industries reporting higher inventories in February are: Textiles; Furniture; Fabricated Metals; Food; Instruments & Photographic Equipment; Transportation & Equipment; Chemicals; and Industrial & Commercial Equipment & Computers.



## IMPORTS

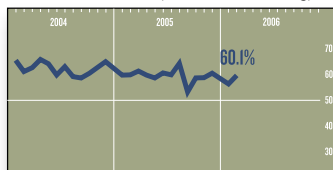
The ISM Imports Index registered 57.5 percent in February. The 11 industries reporting growth in import activity for February are: Glass, Stone & Aggregate; Furniture; Paper; Fabricated Metals; Rubber & Plastic Products; Instruments & Photographic Equipment; Food; Industrial & Commercial Equipment & Computers; Electronic Components & Equipment; Chemicals; and Transportation & Equipment. (Beginning with the January 2006 report, the Imports Index no longer meets the criteria for seasonal adjustments.)



#Other Services include: Hotels, Rooming Houses, Camps, and Other Lodging Places; Personal Services; Automotive Repair, Services, and Parking; Miscellaneous Repair Services; Educational Services; Social Services; Museums, Art Galleries, and Botanical and Zoological Gardens; Membership Organizations; Engineering, Accounting, Research, Management and Related Services; and Miscellaneous Services.

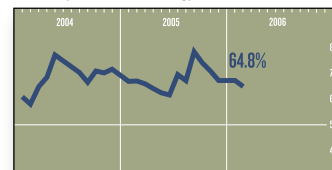
## BUSINESS ACTIVITY

ISM's Non-Manufacturing Business Activity Index in February increased to 60.1 percent from January's seasonally adjusted 56.8 percent, indicating a faster rate of growth of activity in February. The industries reporting the highest rates of growth of business activity in February are: Mining; Insurance; Communication; Business Services; and Health Services. The industries reporting contraction of business activity in February are: Agriculture; Wholesale Trade; and Entertainment.



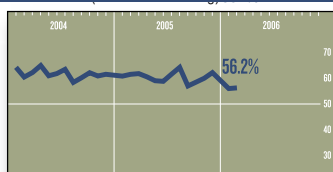
## PRICES

ISM's Non-Manufacturing Prices Index for February is 64.8 percent, 2.4 percentage points lower than January's 67.2 percent. The industries reporting the highest rates of increase in prices paid in February are: Legal Services; Mining; Entertainment; Construction; and Public Administration. No industry is reporting price decreases in February.



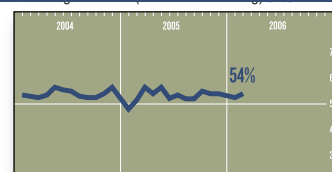
## NEW ORDERS

ISM's Non-Manufacturing New Orders Index increased to 56.2 percent in February from the seasonally adjusted 56 percent registered in January. Industries reporting the highest rates of growth of new orders in February are: Mining; Insurance; Utilities; Communication; Construction; Business Services; and Health Services. The industries reporting contraction of new orders in February are: Agriculture; Entertainment; Transportation; and Retail Trade.



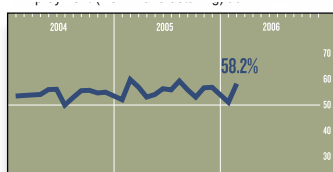
## BACKLOG OF ORDERS

ISM's Non-Manufacturing Backlog of Orders Index registered 54 percent in February, 1.5 percentage points greater than the 52.5 percent reported in January. The industries reporting the highest rates of increase in order backlogs in February are: Mining; Utilities; Construction; Other Services<sup>†</sup>; and Insurance. Industries reporting decreases in backlog of orders in February are: Entertainment; Health Services; Wholesale Trade; and Retail Trade.



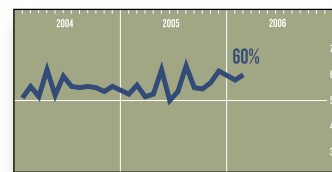
## EMPLOYMENT

ISM's Non-Manufacturing Employment Index for February is 58.2 percent, a rise of 7.1 percentage points from January's seasonally adjusted 51.1 percent. The industries reporting the highest rates of growth in employment in February are: Mining; Insurance; Entertainment; Business Services; Other Services<sup>†</sup>; and Health Services. Industries reporting reduction in employment in February are: Legal Services; Retail Trade; and Wholesale Trade.



## NEW EXPORT ORDERS

ISM's Non-Manufacturing New Export Orders Index for February is 60 percent, compared to January's 58 percent. The industries reporting the highest rates of increase in new export orders in February are: Utilities; Finance & Banking; Insurance; Other Services<sup>†</sup>; and Entertainment. The one industry reporting a decrease in new export orders in February is Construction.



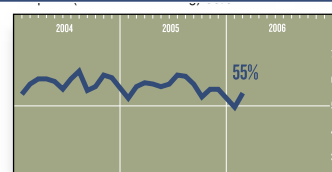
## SUPPLIER DELIVERIES

The ISM Non-Manufacturing Supplier Deliveries Index registered 52.5 percent in February, 2 percentage points lower than in January. The industries reporting the highest rates of slowing in supplier deliveries in February are: Mining; Utilities; Real Estate; Finance & Banking; and Health Services. The industries reporting faster supplier deliveries in February are: Transportation and Insurance.



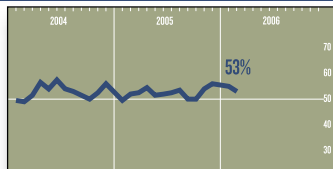
## IMPORTS

The ISM Non-Manufacturing Imports Index registered 55 percent in February, 5.5 percentage points higher than the 49.5 percent registered in January. The industries reporting an increase in the use of imports in February are: Business Services; Utilities; and Wholesale Trade. No industry reported a decrease in the use of imports in February.



## INVENTORIES

ISM's Non-Manufacturing Inventories Index registered 53 percent in February, indicating an increase in inventories (although at a slower rate of increase) compared to January. The industries reporting the highest rates of increase in inventories in February are: Mining; Communication; Insurance; Utilities; and Public Administration. The industries reporting inventory decreases in February are: Entertainment; Finance & Banking; and Transportation.



## INVENTORY SENTIMENT

The ISM Non-Manufacturing Inventory Sentiment Index in February registered 63.5 percent, 0.5 percentage point higher than the 63 percent reported in January. The industries reporting the highest rates of feeling that their inventories are too high in February are: Mining; Communication; Wholesale Trade; Construction; and Transportation. The one industry reporting that its inventories are too low in February is Business Services.

