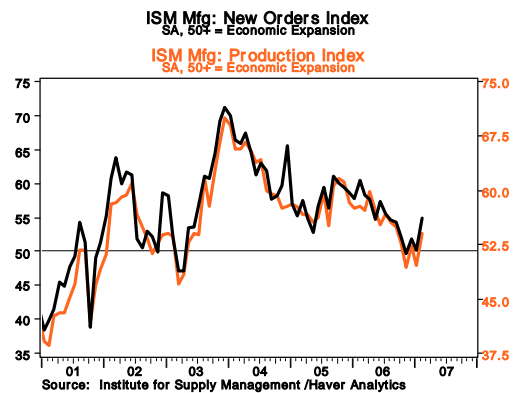
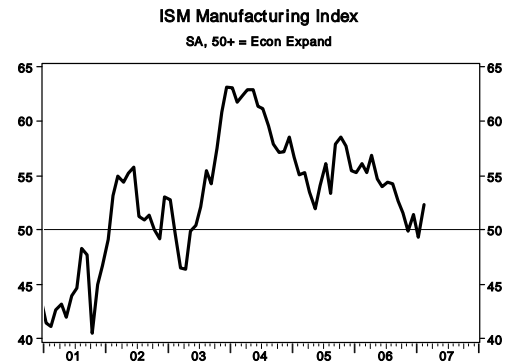


## FEBRUARY ISM MANUFACTURING INDEX

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- The ISM Manufacturing index rose to 52.3 in February from 49.3 in January. The consensus expected a smaller gain to 50.0.
- Almost all non-price components of the index increased, including new orders, production, inventories, employment, the backlog of orders, and new export orders.
- The prices paid index increased to 59.0 from 53.0. The consensus had expected a smaller increase to 54.0.

**Implications:** A spate of solid economic news arrived right at 9:00AM central time this morning. First, the ISM index rebounded nicely into the above 50 range, signaling expansion in the manufacturing sector. Second, December construction was revised to a gain of 0.6% from a previously estimated drop of 0.4%. (Construction for January came in a bit less than the consensus expected, falling 0.8% rather than an expected decline of 0.5%, but there has been a persistent pattern of subsequent upward revisions for this Census Bureau statistic.) Third, the “same house” repeat sales index of home prices, calculated by the Office of Federal Housing Enterprise Oversight (OFHEO), increased 1.1% in the fourth quarter (at a quarterly rate), an up-tick from the 1% increase in the third quarter of 2006. Amidst all the noise of markets and mavens, underlying economic data continues to favor the view that the economy is nowhere near recession.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Feb-07	Jan-07	Dec-06	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Business Barometer</b>	<b>52.3</b>	49.3	51.4	51.0	51.2	56.1
<i>New Orders</i>	<b>54.9</b>	50.3	51.9	52.4	52.2	60.5
<i>Production</i>	<b>54.1</b>	49.6	52.4	52.0	52.2	57.9
<i>Inventories</i>	<b>44.6</b>	39.9	48.5	44.3	46.4	49.3
<i>Employment</i>	<b>51.1</b>	49.5	49.4	50.0	49.9	53.7
<i>Supplier Deliveries</i>	<b>50.8</b>	52.7	53.3	52.3	52.4	52.2
<i>Order Backlog (NSA)</i>	<b>51.5</b>	43.5	45.0	46.7	46.3	54.5
<i>Prices Paid (NSA)</i>	<b>59.0</b>	53.0	47.5	53.2	53.5	62.5
<i>New Export Orders</i>	<b>54.0</b>	52.5	54.3	53.6	55.1	57.0

Source: National Association of Purchasing Management