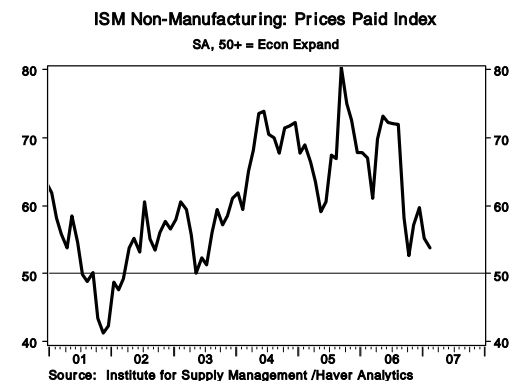
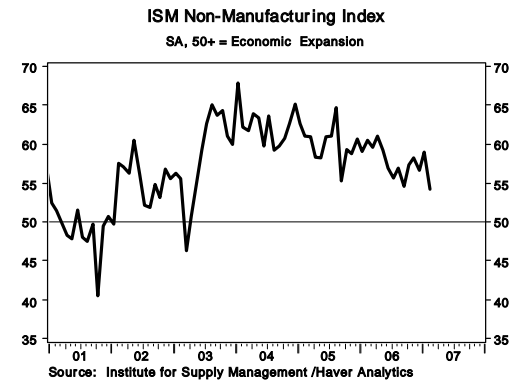


## FEBRUARY ISM NON-MANUFACTURING INDEX

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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 non-manufacturing 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.



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

Source: Institute for Supply Management