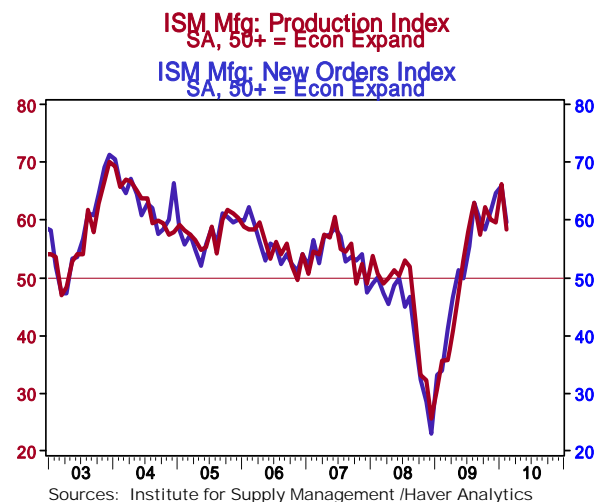
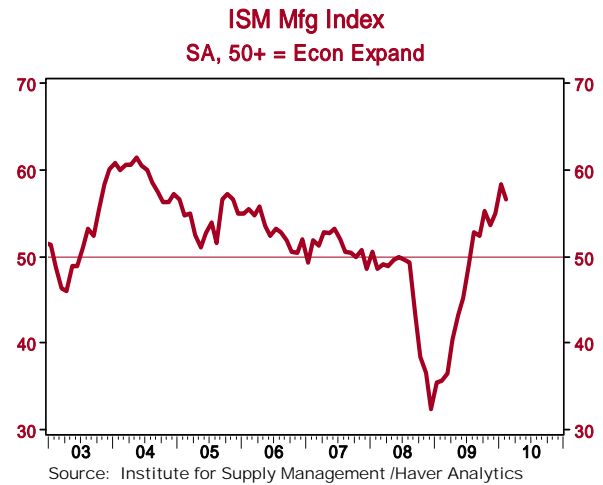


FEBRUARY ISM MANUFACTURING INDEX

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- The ISM Manufacturing index declined to 56.5 in February from 58.4 in January. The consensus expected an index level of 57.9. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- Some of the major components of the overall index were up while others declined, but all remained well above 50, signaling continued expansion. The new orders index declined to 59.5 from 65.9 and the production index fell to 58.4 from 66.2. The employment index increased to 56.1 from 53.3.
- The prices paid index fell to 67.0 in February from 70.0 in January.

Implications: Today's ISM report fell short of consensus expectations, but an index level of 56.5 still shows continued robust growth in manufacturing. To put this in perspective, excluding last month, the index is at its highest point since 2005, and that's despite a record-breaking blizzard throughout much of the East Coast. According to the Institute for Supply Management, which publishes the ISM report, the overall index is consistent with real economic growth at a 4.9% annual rate. The most encouraging sign in the report was that the employment index, which rose to 56.1, is now at its highest level since 2005. On the inflation front, the prices paid index fell slightly to 67.0, but remains at levels that signify considerable price pressure. This is more proof the Federal Reserve is getting behind the curve. In other news this morning, construction declined 0.6% in January. However, including downward revisions to November/December, construction fell 2%. Most of the downward revisions were in commercial construction, which was also the weakest part of construction in January, led by slower building of manufacturing facilities and hotels. Meanwhile, home building increased in January. The gain was not due to new housing but because of more improvements to existing homes. Improvements are up 10.6% versus last year.



Institute for Supply Management Index	Feb-10	Jan-10	Dec-09	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	56.5	58.4	54.9	56.6	55.2	35.7
New Orders	59.5	65.9	64.8	63.4	61.7	33.9
Production	58.4	66.2	59.7	61.4	60.7	35.6
Inventories	47.3	46.5	43.0	45.6	44.5	36.7
Employment	56.1	53.3	50.2	53.2	51.3	25.9
Supplier Deliveries	61.1	60.1	56.8	59.3	57.8	46.6
Order Backlog (NSA)	61.0	56.0	50.0	55.7	54.3	31.0
Prices Paid (NSA)	67.0	70.0	61.5	66.2	63.7	29.0
New Export Orders	56.5	58.5	54.5	56.5	56.0	37.5

Source: National Association of Purchasing Management