

Data for this report was collected in January 2008

This report reflects the U.S. Department of Commerce's recently completed annual adjustment to the seasonal factors used to calculate the indexes.

## PMI at 50.7%; Production Growing; New Orders, Employment and Inventories Contracting

**E**conomic activity in the manufacturing sector expanded in January, while the overall economy grew for the 75th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM Report On Business®**.

The manufacturing sector gained momentum in January as the PMI rose 2.3 percentage points signaling stronger performance in January when compared to the seasonally adjusted 48.4 percent recorded in December. This represents

a return to the recent trend of slow growth in manufacturing as the PMI has averaged 50.2 percent for the past six months. The PMI was driven by the Production Index, which made a rebound of 6.6 percentage points during the month, while the New Orders Index reflected a slight decline at 49.5 percent.

### Top Performing Industries

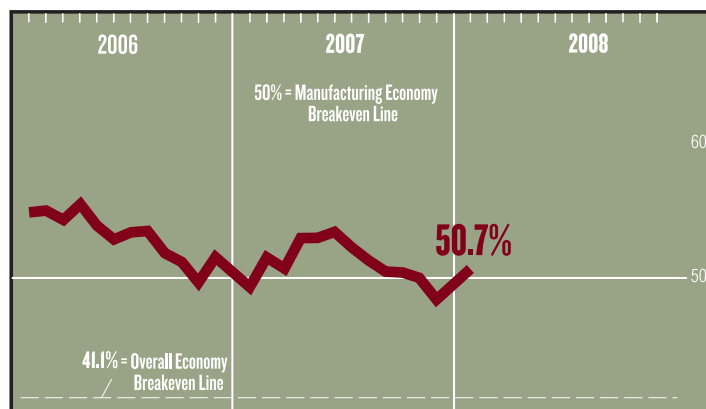
The eight industries reporting growth in January — listed in order — are: Apparel, Leather & Allied Products; Petroleum & Coal Products; Food,

Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Chemical

Products; Primary Metals; Miscellaneous Manufacturing<sup>‡</sup>; and Machinery. **ISM**

<sup>‡</sup>Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies).

### 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 LLC.

## NMI at 44.6%; Business Activity Index at 41.9%; New Orders Index at 43.5%

**B**usiness activity in the non-manufacturing sector contracted in January for the first time in 58 months, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM Report On Business®**.

The new NMI (the new non-manufacturing sector composite index) at 44.6 percent indicates contraction within the

non-manufacturing sector for January. Non-manufacturing business activity contracted for the first time since March 2003. The New Orders Index contracted to 43.5 percent, the lowest since October 2001. The Employment Index contracted to 43.9 percent, the lowest since February 2002. Members' comments in January indicate that weakness in the economy

coupled with increased costs have negatively affected their business. Members have also indicated that they are experiencing inflationary pressures. The overall indication in January is that non-manufacturing has come to the end of a long-term period of growth and has contracted for the month of January.

### Top Performing Industries

The three industries reporting growth in January based on the new NMI composite index — listed in order — are: Utilities; Professional, Scientific & Technical Services; and Educational Services. **ISM**

Analysis by **Anthony Nieves, C.P.M., CFPM**, chair of the Institute for Supply Management™ Non-Manufacturing Business Survey Committee; and senior vice president — supply management for Hilton Hotels Corporation.

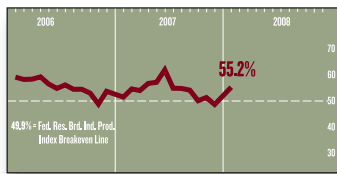
<sup>‡</sup>Other Services include: Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services, and Dating Services.

‡Miscellaneous Manufacturing (products such as medical equipment and supplies, jewelry, sporting goods, toys and office supplies).

## PRODUCTION

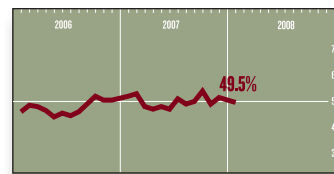
ISM's Production Index rose to 55.2 percent in January, an increase of 6.6 percentage points when compared to December's seasonally adjusted reading of 48.6 percent.

Of the industries reporting in January, eight registered growth: Petroleum & Coal Products; Food, Beverage & Tobacco Products; Primary Metals; Furniture & Related Products; Miscellaneous Manufacturing‡; Machinery; Fabricated Metal Products; and Chemical Products.



## CUSTOMERS' INVENTORIES

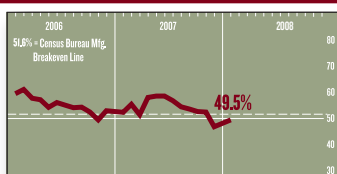
The ISM Customers' Inventories Index registered 49.5 percent in January, a decrease of 2 percentage points when compared to December's reading of 51.5 percent. The index indicates that respondents believe their customers' inventories are too low at this time. Three industries reported higher customers' inventories during January: Plastics & Rubber Products; Furniture & Related Products; and Fabricated Metal Products.



## NEW ORDERS

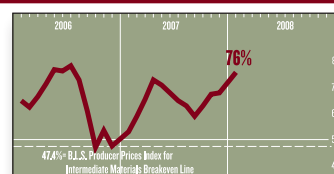
ISM's New Orders Index registered 49.5 percent in January, 2.6 percentage points higher than the seasonally adjusted 46.9 percent reported in

December. A New Orders Index above 51.6 percent, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders (in constant 2000 dollars). Four industries reported increases during January: Food, Beverage & Tobacco Products; Miscellaneous Manufacturing‡; Chemical Products; and Machinery.



## PRICES

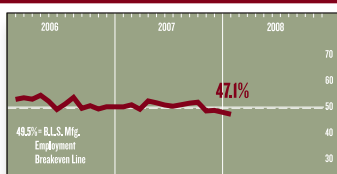
The ISM Prices Index registered 76 percent in January. Fifteen industries reported paying higher prices in January: Textile Mills; Furniture & Related Products; Chemical Products; Food, Beverage & Tobacco Products; Paper Products; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Wood Products; Printing & Related Support Activities; Primary Metals; Machinery; Fabricated Metal Products; Computer & Electronic Products; Miscellaneous Manufacturing‡; and Transportation Equipment.



## EMPLOYMENT

ISM's Employment Index registered 47.1 percent in January, which is a decrease of 1.6 percentage points when compared to December's seasonally adjusted reading of 48.7 percent.

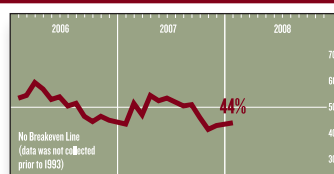
The four industries reporting growth in employment during January are: Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Primary Metals; and Food, Beverage & Tobacco Products.



## BACKLOG OF ORDERS

ISM's Backlog of Orders Index registered 44 percent in January, 1 percentage point higher than the 43 percent reported in

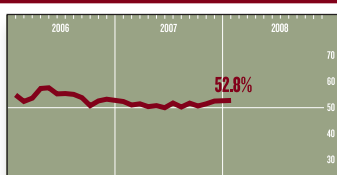
December. This is the fourth consecutive month of contraction in the Backlog of Orders Index. The two industries reporting an increase in order backlogs in January are: Electrical Equipment, Appliances & Components; and Food, Beverage & Tobacco Products.



## SUPPLIER DELIVERIES

ISM's Supplier Deliveries Index registered 52.8 percent in January, a 0.2 percentage point increase from the 52.6 percent

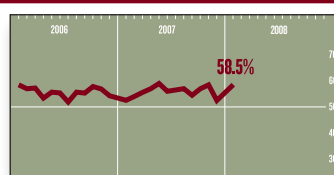
registered in December (seasonally adjusted). The seven industries reporting slower supplier deliveries in January are: Textile Mills; Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Plastics & Rubber Products; Chemical Products; Computer & Electronic Products; and Fabricated Metal Products.



## NEW EXPORT ORDERS

ISM's New Export Orders Index registered 58.5 percent in January. The IO industries reporting growth in new export

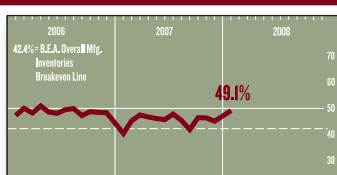
orders in January are: Apparel, Leather & Allied Products; Food, Beverage & Tobacco Products; Electrical Equipment, Appliances & Components; Chemical Products; Plastics & Rubber Products; Fabricated Metal Products; Transportation Equipment; Miscellaneous Manufacturing‡; Machinery; and Computer & Electronic Products.



## INVENTORIES

Manufacturers' inventories contracted in January as the Inventories Index registered 49.1 percent, which is 3.7 percentage points

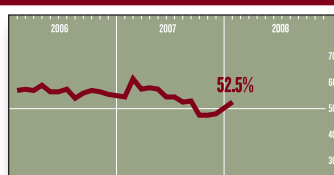
higher than December's seasonally adjusted reading of 45.4 percent. The seven industries reporting higher inventories in January are: Apparel, Leather & Allied Products; Printing & Related Support Activities; Petroleum & Coal Products; Machinery; Paper Products; Food, Beverage & Tobacco Products; and Transportation Equipment.



## IMPORTS

The ISM Imports Index registered 52.5 percent in January, 4.5 percentage points higher than the 48 percent reported in

December. The six industries reporting growth in import activity for January are: Apparel, Leather & Allied Products; Food, Beverage & Tobacco Products; Furniture & Related Products; Plastics & Rubber Products; Transportation Equipment; and Machinery.

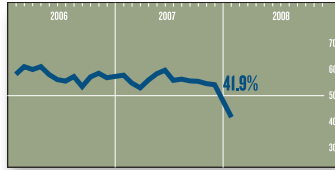




‡Other Services include: Equipment & Machinery Repairing; Promoting or Administering Religious Activities; Grantmaking; Advocacy; and Providing Dry-Cleaning & Laundry Services, Personal Care Services, Death Care Services, Pet Care Services, Photofinishing Services, Temporary Parking Services, and Dating Services.

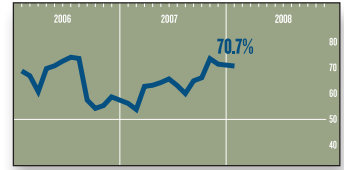
## BUSINESS ACTIVITY

ISM's Non-Manufacturing Business Activity Index in January registered 41.9 percent, indicating a significant contraction in business activity in January from the seasonally adjusted 54.4 percent registered in December. The industries reporting growth of business activity in January are: Utilities and Educational Services.



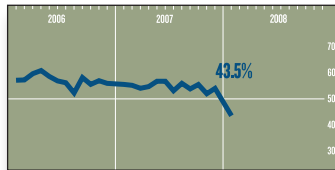
## PRICES

ISM's Non-Manufacturing Prices Index for January registered 70.7 percent. The industries reporting an increase in prices paid in January are: Mining; Utilities; Transportation & Warehousing; Accommodation & Food Services; Educational Services; Construction; Retail Trade; Information; Professional, Scientific & Technical Services; Wholesale Trade; Finance & Insurance; Management of Companies & Support Services; Public Administration; and Health Care & Social Assistance.



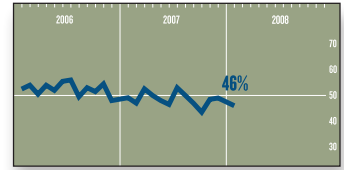
## NEW ORDERS

ISM's Non-Manufacturing New Orders Index contracted to 43.5 percent in January, a significant reduction of 10.4 percentage points from the seasonally adjusted 53.9 percent registered in December. Industries reporting growth of new orders in January are: Utilities; Professional, Scientific & Technical Services; Educational Services; and Health Care & Social Assistance.



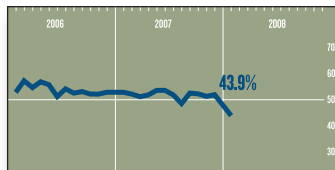
## BACKLOG OF ORDERS

ISM's Non-Manufacturing Backlog of Orders Index contracted in January for the fifth consecutive month, registering 46 percent, 3 percentage points lower than the 49 percent reported in December. The industries reporting an increase in order backlogs in January are: Utilities; Information; and Educational Services.



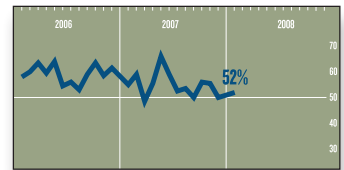
## EMPLOYMENT

ISM's Non-Manufacturing Employment Index for January registered 43.9 percent, a 7.9 percentage point decrease from the seasonally adjusted 51.8 percent reported in December. Employment activity in the non-manufacturing sector decreased in January for the first time in five months. The only industry reporting growth in employment in January is Transportation & Warehousing.



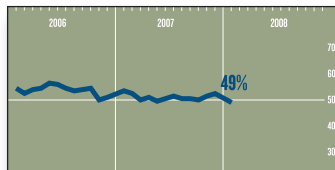
## NEW EXPORT ORDERS

The ISM New Export Orders Index for January registered 52 percent, compared to December's index of 50 percent. The industries reporting an increase in new export orders in January are: Finance & Insurance; Management of Companies & Support Services; Retail Trade; and Professional, Scientific & Technical Services.



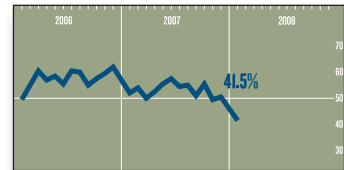
## SUPPLIER DELIVERIES

The ISM Non-Manufacturing Supplier Deliveries Index registered 49 percent in January. A reading above 50 percent indicates slower deliveries. The industries reporting slowing in supplier deliveries in January are: Real Estate, Rental & Leasing; Accommodation & Food Services; Health Care & Social Assistance; Retail Trade; and Professional, Scientific & Technical Services.



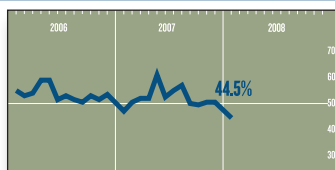
## IMPORTS

The ISM Non-Manufacturing Imports Index contracted significantly in January. The index registered 41.5 percent, 9 percentage points lower than December's index of 50.5 percent. The industries reporting an increase in the use of imports in January are: Other Services‡ and Wholesale Trade.



## INVENTORIES

ISM's Non-Manufacturing Inventories Index registered 44.5 percent in January, indicating that inventory levels contracted in January. The industries reporting increases in inventories in January are: Utilities; Transportation & Warehousing; Wholesale Trade; Health Care & Social Assistance; and Information.



## INVENTORY SENTIMENT

The ISM Non-Manufacturing Inventory Sentiment Index in January registered 57 percent. The industries reporting a feeling that their inventories are too high in January are: Wholesale Trade; Management of Companies & Support Services; Health Care & Social Assistance; Accommodation & Food Services; Information; Professional, Scientific & Technical Services; and Retail Trade.

