Economic activity in the manufacturing sector failed to grow in February for the 13th consecutive month, and the overall economy contracted for the fifth consecutive month, say the nation’s supply executives in the latest Manufacturing ISM Report On Business®.

Manufacturing continues to decline at a rapid rate in February. While production has slowed its rate of decline, employment continues to fall precipitously. Prices continue to decline, but price advantages are not sufficient to overcome manufacturers’ apparent loss of demand. Survey respondents appear generally pessimistic about recovery in 2009. Some express hope that the stimulus package will help their industry.

None of the 18 manufacturing industries reported growth. ISM

NMI at 41.6%; Business Activity Index at 40.2%; New Orders Index at 40.7%; Employment Index at 37.3%

Economic activity in the non-manufacturing sector contracted in February, say the nation’s purchasing and supply executives in the latest Non-Manufacturing ISM Report On Business®.

The NMI (Non-Manufacturing Index) registered 41.6 percent in February, 1.3 percentage points lower than the 42.9 percent registered in January, indicating contraction in the non-manufacturing sector for the fifth consecutive month at a slightly faster rate. The Non-Manufacturing Business Activity Index decreased 4 percentage points to 40.2 percent. The New Orders Index decreased 0.9 percentage point to 40.7 percent, and the Employment Index increased 2.9 percentage points to 37.3 percent. The Prices Index increased 5.6 percentage points to 48.1 percent in February, indicating a slower decrease in prices from January. According to the NMI, one non-manufacturing industry reported growth in February. Respondents are concerned about the soft market conditions, the negative outlook for employment and the overall state of the economy.

The one industry reporting growth in February based on the NMI composite index is Arts, Entertainment & Recreation. ISM
ISM’s Production Index registered 36.3 percent in February, which is an increase of 4.2 percentage points from January’s reading of 32.1 percent. Two industries reported growth in production during the month of February: Petroleum & Coal Products; and Printing & Related Support Activities.

ISM’s New Orders Index registered 33.1 percent in February, 0.1 percentage point lower than the 33.2 percent registered in January. This is the 15th consecutive month of contraction in the New Orders Index. In February, none of the 18 manufacturing industries reported growth in new orders.

ISM’s Employment Index registered 26.1 percent in February, which is 3.8 percentage points lower than the 29.9 percent reported in January. This is the seventh consecutive month of decline in employment. None of the 18 manufacturing industries reported growth in employment in February.

The delivery performance of suppliers to manufacturing organizations was faster for the fifth consecutive month in February as the Supplier Deliveries Index registered 46.7 percent, which is 1.4 percentage points higher than the 45.3 percent registered in January. A reading above 50 percent indicates slower deliveries. The three industries reporting slower supplier deliveries in February are: Furniture & Related Products; Transportation Equipment; and Electrical Equipment, Appliances & Components.

Manufacturers’ inventories contracted in February as the Inventories Index registered 37 percent, which is 0.5 percentage point lower than January’s reading of 37.5 percent. Textile Mills is the only industry reporting higher inventories in February.

The ISM Customers’ Inventories Index registered 51 percent in February. The index indicates that respondents believe their customers’ inventories are too high at this time. This is the seventh consecutive month that the index has indicated that customers’ inventories are too high. Six industries reported higher customers’ inventories during February: Textile Mills; Furniture & Related Products; Machinery; Miscellaneous Manufacturing‡; Chemical Products; and Transportation Equipment.

ISM’s Backlog of Orders Index registered 31 percent in February, 1.5 percentage points higher than the 29.5 percent reported in January. Of the 86 percent of respondents who reported their backlog of orders, 8 percent reported greater backlogs, 46 percent reported smaller backlogs, and 46 percent reported no change from January. There were no industries reporting increased order backlogs in February.

ISM’s New Export Orders Index registered 37.5 percent in February, the same as reported in January. This is the fifth month of contraction in the New Export Orders Index. The two industries reporting growth in new export orders in February are: Apparel, Leather & Allied Products; and Nonmetallic Mineral Products.

Imports of materials by manufacturers contracted during February as the Imports Index registered 32 percent, 4.5 percentage points lower than the 36.5 percent reported in January. This is the 13th consecutive month of contraction in imports. None of the 18 manufacturing industries reported growth in imports during the month of February.
Supplier deliveries were faster in February, with the index registering 48 percent. A reading above 50 percent indicates slower deliveries. The industries reporting slowing in supplier deliveries in February are: Educational Services; Wholesale Trade; Health Care & Social Assistance; Public Administration; and Transportation & Warehousing.

Inventories
ISM’s Non-Manufacturing Inventories Index registered 39 percent in February, indicating that inventory levels contracted in February for the sixth consecutive month. The one industry reporting an increase in inventories in February is Mining.

Imports
The ISM Non-Manufacturing Imports Index registered 39 percent in February. The index is 1.5 percentage points lower than January’s index of 40.5 percent. In February, 59 percent of respondents reported that they do not use, or do not track, the use of imported materials. No industry reported an increase in the use of imports in February.

New Export Orders
Orders and requests for services and other non-manufacturing activities to be provided outside of the United States by domestically-based personnel contracted in February. The New Export Orders Index for February registered 40 percent. The two industries reporting an increase in new export orders in February are: Agriculture, Forestry, Fishing & Hunting; and Retail Trade.

Inventory Sentiment
The ISM Non-Manufacturing Inventory Sentiment Index registered 66.5 percent in February. The industries reporting a feeling that their inventories are too high in February are: Finance & Insurance; Other Services; Professional, Scientific & Technical Services; Construction; Information; Management of Companies & Support Services; Accommodation & Food Services; Wholesale Trade; Utilities; Health Care & Social Assistance; and Retail Trade.