

PMI at 54.1%

Economic activity in the manufacturing sector expanded in January for the 30th consecutive month, and the overall economy grew for the 32nd consecutive month, say the nation's supply executives in the latest *Manufacturing ISM Report On Business*®.

The PMI registered 54.1 percent, an increase of 1 percentage point from December's seasonally adjusted reading of 53.1 percent, indicating expansion in the manufacturing sector for the 30th consecutive month. The New Orders Index increased 2.8 percentage points from December's seasonally adjusted reading to 57.6 percent, reflecting the 33rd consecutive month of growth in new orders. Prices of raw materials increased for the first time in the last four months. Manufacturing is starting out the year on a positive note, with new orders, production and employment all growing in January.

Of the 18 manufacturing industries, nine are reporting growth in January, in the following order: Apparel, Leather & Allied Products; Petroleum & Coal Products; Machinery; Computer & Electronic Products; Transportation Equipment; Miscellaneous Manufacturing[‡]; Fabricated Metal Products; Paper Products; and Primary Metals. **ISM**

Analysis by **Bradley J. Holcomb, CPSM, CPSD**, chair of the Institute for Supply Management™ Manufacturing Business Survey Committee.

New Orders, Production and Employment Growing; Supplier Deliveries Slower; Inventories Contracting

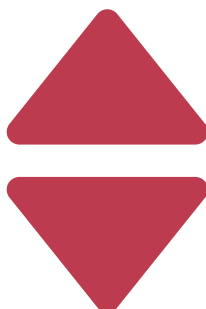
MANUFACTURING AT A GLANCE

INDEX	JAN INDEX	DEC INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
PMI	54.1	53.1	+1.0	Growing	Faster	30
New Orders	57.6	54.8	+2.8	Growing	Faster	33
Production	55.7	58.9	-3.2	Growing	Slower	32
Employment	54.3	54.8	-0.5	Growing	Slower	28
Supplier Deliveries	53.6	51.5	+2.1	Slowing	Faster	31
Inventories	49.5	45.5	+4.0	Contracting	Slower	4
Customers' Inventories	47.5	42.5	+5.0	Too Low	Slower	2
Prices	55.5	47.5	+8.0	Increasing	From Decreasing	1
Backlog of Orders	52.5	48.0	+4.5	Growing	From Contracting	1
Exports	55.0	53.0	+2.0	Growing	Faster	3
Imports	52.5	54.0	-1.5	Growing	Slower	2
OVERALL ECONOMY				Growing	Faster	32
MANUFACTURING SECTOR				Growing	Faster	30

*Number of months moving in current direction.

Manufacturing ISM Report On Business® data is seasonally adjusted except for Inventories, Backlog of Orders, Prices, Customers' Inventories, Imports and New Export Orders.

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



Note: The number of consecutive months the commodity is listed is indicated after each item.

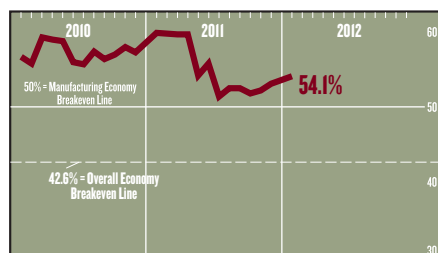
COMMODITIES REPORTED

Commodities Up in Price: Caustic Soda; Gasoline; High Density Polyethylene; Oil; Stainless Steel; Steel (2); Steel — Cold Rolled; and Titanium Dioxide.

Commodities Down in Price: Aluminum (5); Aluminum Products (2); Natural Gas (6); Plastic Products (4); Plastic Resins (6); Polyethylene; Polypropylene (3); Polypropylene Resin; and Steel Products.

Commodities in Short Supply: Hard Drives (2); and Integrated Circuit Boards.

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



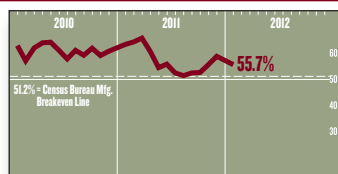
PMI

A PMI in excess of 42.6 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the PMI indicates growth for the 32nd consecutive month in the overall economy, as well as expansion in the manufacturing sector for the 30th consecutive month. The past relationship between the PMI and the overall economy indicates that the PMI for January (54.1 percent) corresponds to a 3.9 percent increase in real gross domestic product (GDP) on an annualized basis.

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

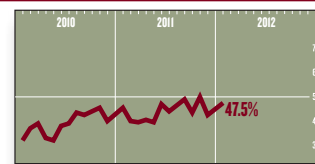
PRODUCTION

ISM's Production Index registered 55.7 percent in January, which is a decrease of 3.2 percentage points when compared to the December reading of 58.9 percent (seasonally adjusted). Nine industries reported growth in production in January in the following order: Apparel, Leather & Allied Products; Primary Metals; Miscellaneous Manufacturing‡; Printing & Related Support Activities; Petroleum & Coal Products; Transportation Equipment; Fabricated Metal Products; Machinery; and Computer & Electronic Products.



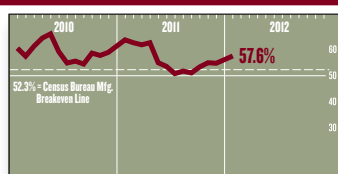
CUSTOMERS' INVENTORIES

The ISM Customers' Inventories Index registered 47.5 percent in January, which is 5 percentage points higher than in December when the index registered 42.5 percent. A reading below 50 percent indicates customers' inventories are considered too low. The five manufacturing industries reporting customers' inventories as being too high during January are: Petroleum & Coal Products; Primary Metals; Electrical Equipment, Appliances & Components; Fabricated Metal Products; and Chemical Products.



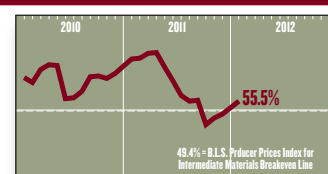
NEW ORDERS

ISM's New Orders Index registered 57.6 percent in January, which is an increase of 2.8 percentage points when compared to the seasonally adjusted December reading of 54.8 percent. Nine industries reported growth in new orders in January in the following order: Petroleum & Coal Products; Machinery; Apparel, Leather & Allied Products; Primary Metals; Computer & Electronic Products; Fabricated Metal Products; Transportation Equipment; Paper Products; and Food, Beverage & Tobacco Products.



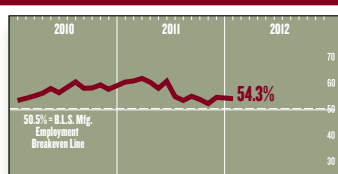
PRICES

ISM's Prices Index registered 55.5 percent in January, 8 percentage points higher than the 47.5 percent reported in December. Eleven industries report paying increased prices during the month of January, in the following order: Textile Mills; Fabricated Metal Products; Plastics & Rubber Products; Primary Metals; Printing & Related Support Activities; Nonmetallic Mineral Products; Paper Products; Miscellaneous Manufacturing‡; Transportation Equipment; Computer & Electronic Products; and Chemical Products.



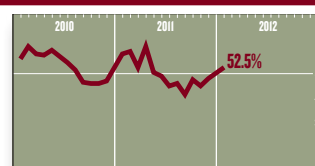
EMPLOYMENT

ISM's Employment Index registered 54.3 percent in January, which is 0.5 percentage point lower than the seasonally adjusted 54.8 percent reported in December. Of the 18 manufacturing industries, eight reported growth in employment in January in the following order: Apparel, Leather & Allied Products; Miscellaneous Manufacturing‡; Paper Products; Transportation Equipment; Electrical Equipment, Appliances & Components; Computer & Electronic Products; Fabricated Metal Products; and Machinery.



BACKLOG OF ORDERS

ISM's Backlog of Orders Index registered 52.5 percent in January, which is 4.5 percentage points higher than the 48 percent reported in December. The seven industries reporting increased order backlogs in January — listed in order — are: Apparel, Leather & Allied Products; Printing & Related Support Activities; Petroleum & Coal Products; Transportation Equipment; Computer & Electronic Products; Miscellaneous Manufacturing‡; and Machinery.



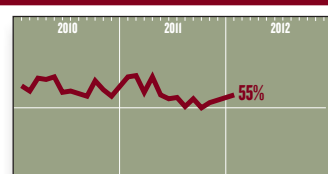
SUPPLIER DELIVERIES

The delivery performance of suppliers to manufacturing organizations was slower in January as the Supplier Deliveries Index registered 53.6 percent, which is 2.1 percentage points higher than the seasonally adjusted December reading of 51.5 percent. The six industries reporting slower supplier deliveries in January — listed in order — are: Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Machinery; Computer & Electronic Products; Transportation Equipment; and Fabricated Metal Products.



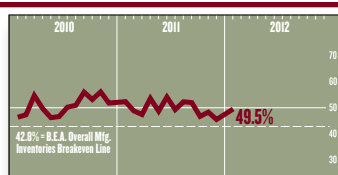
NEW EXPORT ORDERS

ISM's New Export Orders Index registered 55 percent in January, which is 2 percentage points higher than the 53 percent reported in December. The nine industries reporting growth in new export orders in January — listed in order — are: Apparel, Leather & Allied Products; Paper Products; Printing & Related Support Activities; Nonmetallic Mineral Products; Furniture & Related Products; Fabricated Metal Products; Computer & Electronic Products; Machinery; and Transportation Equipment.



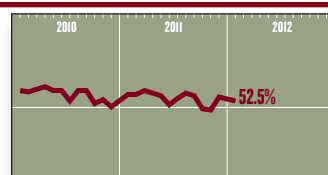
INVENTORIES

The Inventories Index registered 49.5 percent in January, 4 percentage points higher than the 45.5 percent registered in December. (The Inventories Index is no longer seasonally adjusted, and therefore the reading reported in December of 47.1 percent was revised to reflect this change.) Six industries reported higher inventories in January: Apparel, Leather & Allied Products; Textile Mills; Nonmetallic Mineral Products; Machinery; Computer & Electronic Products; and Miscellaneous Manufacturing‡.



IMPORTS

ISM's Imports Index registered 52.5 percent in January, which is 1.5 percentage points lower than the 54 percent reported in December. The seven industries reporting growth in imports during the month of January — listed in order — are: Apparel, Leather & Allied Products; Fabricated Metal Products; Transportation Equipment; Miscellaneous Manufacturing‡; Food, Beverage & Tobacco Products; Machinery; and Chemical Products.



NMI at 56.8%

**Business Activity Index at 59.5%; New Orders Index at 59.4%;
Employment Index at 57.4%**

Economic activity in the non-manufacturing sector grew in January for the 25th consecutive month, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM Report On Business®**.

The NMI registered 56.8 percent in January, 3.8 percentage points higher than the seasonally adjusted 53 percent registered in December, and indicating continued growth at a faster rate in the non-manufacturing sector. The Non-Manufacturing Business Activity Index registered 59.5 percent, which is 3.6 percentage points higher than the seasonally adjusted 55.9 percent reported in December. The New Orders Index increased by 4.8 percentage points to 59.4 percent, and the Employment Index increased by 7.6 percentage points to 57.4 percent. The Prices Index increased 1.5 percentage points to 63.5 percent. Respondents' comments are mostly positive about business conditions. There is concern about cost pressures and the sustainability of the recent spike in activity.

The 12 non-manufacturing industries reporting growth in January based on the NMI composite index — listed in order — are: Real Estate, Rental & Leasing; Information; Educational Services; Transportation & Warehousing; Accommodation & Food Services; Construction; Other Services[†]; Retail Trade; Professional, Scientific & Technical Services; Finance & Insurance; Health Care & Social Assistance; and Wholesale Trade. **ISM**

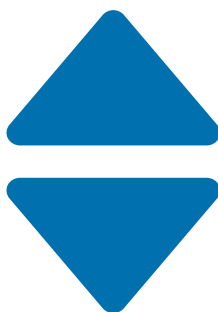
Analysis by **Anthony Nieves, C.P.M., CFPM**, chair of the Institute for Supply Management™ Non-Manufacturing Business Survey Committee.

NON-MANUFACTURING AT A GLANCE

INDEX	JAN INDEX	DEC INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
NMI	56.8	53.0	+3.8	Growing	Faster	25
Business Activity	59.5	55.9	+3.6	Growing	Faster	30
New Orders	59.4	54.6	+4.8	Growing	Faster	30
Employment	57.4	49.8	+7.6	Growing	From Contracting	1
Supplier Deliveries	51.0	51.5	-0.5	Slowing	Slower	2
Inventories	47.0	48.5	-1.5	Contracting	Faster	2
Prices	63.5	62.0	+1.5	Increasing	Faster	30
Backlog of Orders	49.5	45.5	+4.0	Contracting	Slower	4
New Export Orders	56.5	51.0	+5.5	Growing	Faster	6
Imports	55.0	54.0	+1.0	Growing	Faster	2
Inventory Sentiment	58.5	59.5	-1.0	Too High	Slower	176

*Number of months moving in current direction.
Non-Manufacturing ISM Report On Business® data is seasonally adjusted for the Business Activity, New Orders, Prices and Employment Indexes.

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



Note: The number of consecutive months the commodity is listed is indicated after each item.

COMMODITIES REPORTED

Commodities Up in Price: Airfares; Beef; Chemical Products; Chicken; Crab; Coffee (2); #1 Diesel Fuel (2); #2 Diesel Fuel (3); Fuel; Gasoline; Medical Supplies (2); Paper; Petroleum Based Products; Resin Based Products; Vehicles; and Wire.

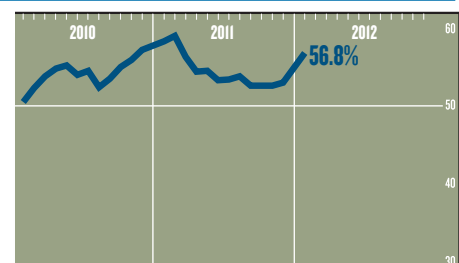
Commodities Down in Price: Corrugated Cartons is the only commodity reported down in price.

Commodities in Short Supply: Crab; #2 Diesel Fuel (2); Fiber Cable; and Pharmaceuticals.

[†]Other Services (services such as 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).

NMI

In January, the NMI registered 56.8 percent, indicating continued growth in the non-manufacturing sector for the 25th consecutive month. A reading above 50 percent indicates the non-manufacturing sector economy is generally expanding; below 50 percent indicates the non-manufacturing sector is generally contracting.



±Other Services (services such as 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

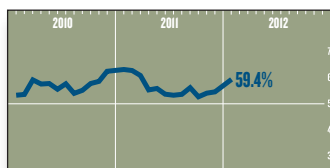
ISM's Non-Manufacturing Business Activity Index in January registered 59.5 percent, 3.6 percentage points higher than the seasonally adjusted



55.9 percent registered in December. The 10 industries reporting growth of business activity in January — listed in order — are: Real Estate, Rental & Leasing; Information; Educational Services; Construction; Transportation & Warehousing; Other Services[±]; Accommodation & Food Services; Finance & Insurance; Health Care & Social Assistance; and Public Administration.

NEW ORDERS

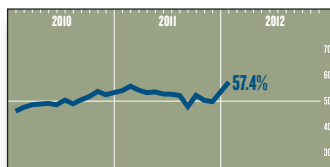
ISM's Non-Manufacturing New Orders Index registered 59.4 percent in January, an increase of 4.8 percentage points from the seasonally adjusted 54.6 percent



reported in December. Twelve industries reported growth of new orders in January: Real Estate, Rental & Leasing; Information; Educational Services; Transportation & Warehousing; Other Services[±]; Construction; Health Care & Social Assistance; Accommodation & Food Services; Finance & Insurance; Wholesale Trade; Utilities; and Professional, Scientific & Technical Services.

EMPLOYMENT

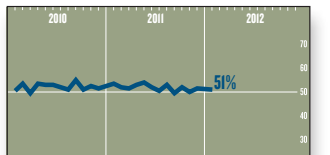
ISM's Non-Manufacturing Employment Index registered 57.4 percent. This reflects a substantial increase of 7.6 percentage points when compared to the seasonally adjusted 49.8 percent registered in December.



The nine industries reporting an increase in employment in January — listed in order — are: Information; Professional, Scientific & Technical Services; Retail Trade; Construction; Transportation & Warehousing; Accommodation & Food Services; Wholesale Trade; Finance & Insurance; and Other Services[±].

SUPPLIER DELIVERIES

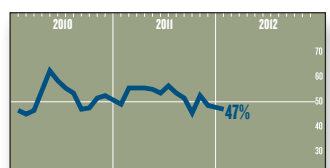
The Supplier Deliveries Index registered 51 percent in January, 0.5 percentage point lower than the 51.5 percent registered in



December, indicating that supplier deliveries were slower in January. A reading above 50 percent indicates slower deliveries. The eight industries reporting slower deliveries in January — listed in order — are: Mining; Retail Trade; Educational Services; Utilities; Information; Public Administration; Professional, Scientific & Technical Services; and Wholesale Trade.

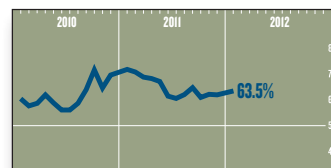
INVENTORIES

ISM's Non-Manufacturing Inventories Index contracted in January. The index registered 47 percent, which is 1.5 percentage points lower than the 48.5 percent reading that was reported in December. The five industries reporting an increase in inventories in January are: Management of Companies & Support Services; Real Estate, Rental & Leasing; Mining; Information; and Construction.



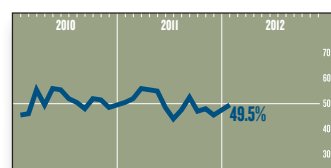
PRICES

ISM's Non-Manufacturing Prices Index for January registered 63.5 percent. Thirteen non-manufacturing industries reported an increase in prices paid, in the following order: Accommodation & Food Services; Real Estate, Rental & Leasing; Wholesale Trade; Professional, Scientific & Technical Services; Utilities; Construction; Transportation & Warehousing; Public Administration; Educational Services; Mining; Retail Trade; Finance & Insurance; and Health Care & Social Assistance.



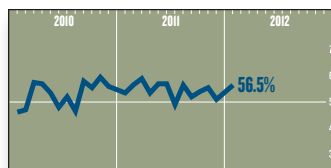
BACKLOG OF ORDERS

ISM's Non-Manufacturing Backlog of Orders Index contracted in January for the seventh time in eight months. The index registered 49.5 percent, 4 percentage points higher than the 45.5 percent reported in December. The four industries reporting an increase in order backlogs in January are: Retail Trade; Information; Other Services[±]; and Construction.



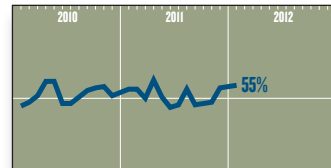
NEW EXPORT ORDERS

ISM's New Export Orders Index for January registered 56.5 percent, which is 5.5 percentage points higher than the 51 percent reported in December. The seven industries reporting an increase in new export orders in January — listed in order — are: Retail Trade; Other Services[±]; Agriculture, Forestry, Fishing & Hunting; Transportation & Warehousing; Accommodation & Food Services; Finance & Insurance; and Information.



IMPORTS

The ISM Non-Manufacturing Imports Index registered 55 percent in January, which is 1 percentage point higher than the 54 percent reported in December. The nine industries reporting an increase in the use of imports in January — listed in order — are: Management of Companies & Support Services; Information; Finance & Insurance; Other Services[±]; Construction; Public Administration; Transportation & Warehousing; Accommodation & Food Services; and Wholesale Trade.



INVENTORY SENTIMENT

The ISM Non-Manufacturing Inventory Sentiment Index in January registered 58.5 percent. This indicates that respondents believe their inventories are still too high at this time. The eight industries reporting a feeling that their inventories are too high in January — listed in order — are: Management of Companies & Support Services; Utilities; Finance & Insurance; Wholesale Trade; Information; Other Services[±]; Mining; and Health Care & Social Assistance.

