

ISM Nonmanufacturing (February)

- The ISM nonmanufacturing composite index (which equally weights the business activity, employment, new orders, and supplier delivery indexes) rose to 49.3 in February from 44.6 in January. The business activity index (general sentiment) improved to 50.8 from 41.9.
- The new orders index rose to 49.6 in February from to 43.5 in January, while employment increased to 46.9 from 43.9.
- Prices paid remained elevated at 67.9 in February, although this was down from 70.7 in January.

	<i>Feb</i>	<i>Jan</i>	<i>Dec</i>	<i>07Q4 avg</i>	<i>07Q3 avg</i>	<i>3-mo ago</i>	<i>12-mo ago</i>
<i>Seasonally adjusted</i>							
Composite Index	49.3	44.6	53.2	53.0	53.0	52.4	53.7
Business Activity Index	50.8	41.9	54.4	54.8	56.0	54.6	54.9
New Orders	49.6	43.5	53.9	53.8	54.3	52.0	55.2
Employment	46.9	43.9	51.8	51.9	51.0	51.4	52.1
Prices Paid	67.9	70.7	71.5	70.4	62.7	73.7	53.9
<i>Not seasonally adjusted</i>							
Imports	49.0	41.5	50.5	51.8	53.5	49.5	54.0
Vendor Performance	50.0	49.0	52.5	51.3	50.8	51.5	52.5
Inventories	50.0	44.5	50.5	50.2	54.0	50.5	50.5
Inventory Sentiment	60.5	57.0	64.5	62.0	62.8	61.5	61.5
Backlogs	49.5	46.0	49.0	47.0	50.0	48.5	47.0
Exports	46.5	52.0	50.0	53.8	52.0	55.5	59.0

BOTTOM LINE: Although this survey rebounded in February from recession-like readings in January, it nonetheless points to flat-to-modestly contracting nonmanufacturing activity. Employment in this survey has been below 50 for two straight months and, with the decline in ADP employment in February, we feel a more central forecast for Friday's payroll number is -25,000 versus our original forecast of +25,000 (although there is considerable uncertainty surrounding the forecast because of the large negative birth/death adjustment to January's payrolls).

John Ryding, Chief U.S. Economist (212) 272-4221
jryding@bear.com

Conrad DeQuadros, Senior Economist (212) 272-4026
cdequadros@bear.com

Meghna Mittal, Associate Economist (212) 272-1961
mamittal@bear.com

March 5, 2008