

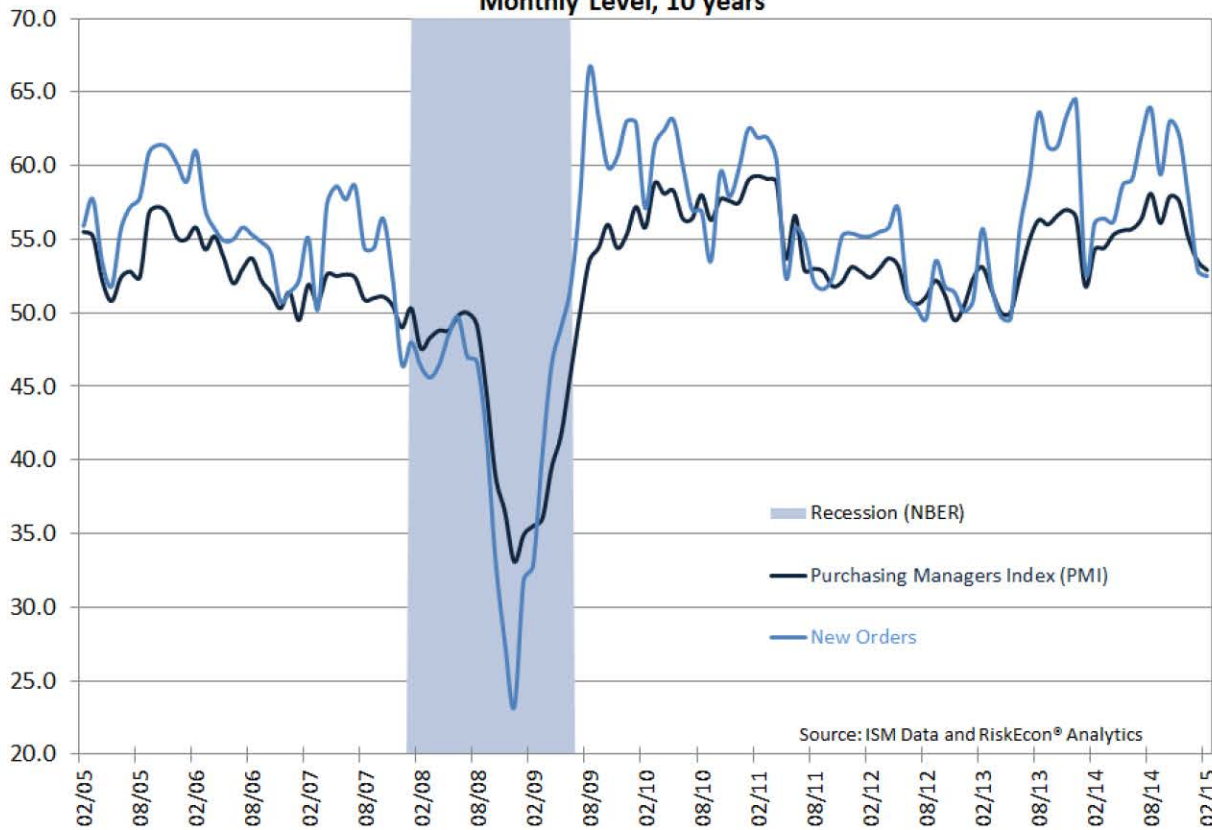


Headline PMI indicates continued (but slow) expansion

Economic activity in the manufacturing sector expanded in February for the 26th consecutive month, and the overall economy grew for the 69th consecutive month, based on the monthly survey of supply executives in the latest Manufacturing ISM® Report On Business®. The February PMI® registered 52.9 percent (0.6% lower than the January reading), showing that the economy was growing at a very modest pace, in fact, the slowest in 12 months, and substantially lower than levels at yearend in 2014.

The deceleration in the headline index was due to further slowing in new orders, production and employment. However, supplier deliveries and inventories are growing at a faster pace than in January. The predominant concerns cited by survey respondents are issues relating to the West coast ports.

**Graph 1: ISM Manufacturing Report
 Monthly Level, 10 years**



Shippers and businesses using West Coast ports have experienced slowdowns since the latter part of 2014, while the dockworker's union and the association representing terminal operators renegotiated an expired labor contract. However, East Coast ports have been able to pick up some of the diverted cargo flow, with the larger ports experiencing 10+% in the fourth quarter of 2014, compared to much slower (i.e. low single digit) growth in the prior year.

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Risk Economics Report on the U.S. Economy
 ISM Manufacturing Report: February 2015
 Release date: 03/02/2015



In spite of a rebound in oil and gas prices during the month of February, prices paid held steady at 35.0, the low since 2009. Respondents cited a relatively long list of other input materials that had also declined in price in February.

Of the 18 manufacturing industries, 12 are reporting growth in February in the following order: Paper Products; Printing & Related Support Activities; Furniture & Related Products; Primary Metals; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Miscellaneous Manufacturing; Fabricated Metal Products; Machinery; Transportation Equipment; Electrical Equipment, Appliances & Components; and Chemical Products. The three industries reporting contraction in February are: Textile Mills; Apparel, Leather & Allied Products; and Computer & Electronic Products.

Table 1: Detailed Data Release

Manufacturing ISM Report	% Comp.	Level				Average Level			Annual Average Level				
		Feb	Jan	Dec	Nov	3Mo	6Mo	12Mo	2014	2013	2012	2011	2010
Purchasing Managers Index (PMI)	100.0%	52.9	53.5	55.1	57.6	53.8	55.5	55.7	55.7	53.9	51.8	55.2	57.3
New Orders	20.0%	52.5	52.9	57.8	62.1	54.4	58.0	58.7	59.0	57.2	53.1	56.4	59.3
Production	20.0%	53.7	56.5	57.7	62.6	56.0	59.3	59.4	59.2	57.7	53.8	57.5	61.2
Employment	20.0%	51.4	54.1	56.0	54.6	53.8	54.3	54.5	54.5	53.2	53.8	57.4	57.4
Supplier Deliveries	20.0%	54.3	52.9	58.6	57.0	55.3	55.3	54.6	55.0	51.9	50.0	54.7	58.1
Inventories (NSA)	20.0%	52.5	51.0	45.5	51.5	49.7	50.8	51.4	50.8	49.4	48.2	50.1	50.8
Customer Inventories		46.5	42.5	44.5	50.0	44.5	46.0	45.5	45.6	45.9	46.8	44.0	38.8
Prices (NSA)		35.0	35.0	38.5	44.5	36.2	44.3	51.4	55.6	53.8	53.2	65.2	68.9
Backlogs (NSA)		51.5	46.0	52.5	55.0	50.0	50.8	51.7	51.9	49.9	46.5	50.3	53.4
Export Orders (NSA)		48.5	49.5	52.0	55.0	50.0	51.7	53.5	54.5	54.7	51.0	55.4	57.8
Import Orders (NSA)		54.0	55.5	55.0	56.0	54.8	54.7	55.0	54.8	55.0	51.4	53.6	55.1

Source: Institute for Supply Management and RiskEcon® Analytics

Additional Notes:

1. All data are seasonally adjusted unless otherwise indicated.
2. ISM ROB: Inventories above 50 are counted as positive on the basis that higher inventories boost current growth. In the case of supplier deliveries, firms are asked whether goods inputs are arriving faster or slower than a month ago; slower deliveries are counted positively -- delays signal stronger demand in the economy generally.
3. ISM PMI - The Headline index is comprised of five components, the other indices are not incorporated into the headline, although the data are nonetheless of value and interest. All indicators shown above are diffusion indices.

As always, questions and comments are welcome.

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