

U.S. Economic Flash

ISM Non-Manufacturing Rebounds On New Order Growth

- **The ISM Non-Manufacturing Index rose to 56.0, up 0.8 points on better demand and increased backlogs**
- **Business activity rose moderately while the employment gauge fell slightly although it remains markedly strong**

The ISM Non-Manufacturing Index reported an increase in overall business activity for February. Rising from 55.2 to 56.0, this 11-month high continues the service industry's growth in sectors like finance and real estate along with communications and telecoms. Already at a strong level compared to mid-2012, the non-manufacturing sector saw modest gains in important categories. New orders for February rose to 58.2 from 54.4 which indicates a much better outlook for the early part of the year as January woes are erased on much higher demand. Backlogs, the stockpile of orders held, also rose dramatically into the above 50 range to 54.5 which indicates much better demand for February than expected and a leading indicator that orders for March are also set to grow.

The employment index fell by 0.3 points for the month, although at 57.2 it is still strong and shows little sign of consistent decline as business activity continues to expand. An index that has garnered little attention but shows remarkable growth is the export order index. Up a whopping 11 points since December and 5 points in February alone, the export facet of the non-manufacturing survey shows promise as global demand for U.S. goods and services continues to fluctuate but with a moderately better response from this month's ISM survey. A tempered increase of 1.5 points in the import index points to a slight increase in demand for foreign goods but with such a variety of industries covered in the survey it is difficult to peg the influx to any one sector. Overall, the ISM Non-Manufacturing survey for February points to a better than expected rise in business activity which should carry into March and hopefully drive demand higher as global demand for U.S. goods and services continues to bolster survey respondents' sentiments.

Chart 1
ISM Non-Manufacturing Index
3 Month Moving Avg



Source: ISM & BBVA Research

Kim Fraser
kim.fraser@bbvacompass.com
+1 713 831 7342

Alejandro Vargas
alejandro.vargas@bbvacompass.com
+1 713 831 7348

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