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HIGHLIGHTS

PMI, Business Activity, New Orders and Production Continue to Increase in 2006

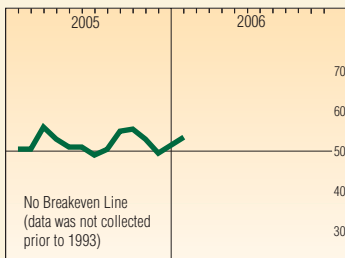
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Manufacturing



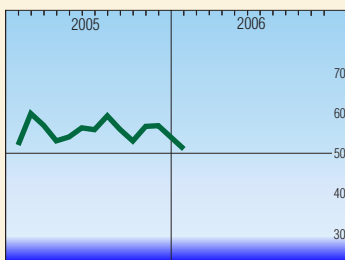
Backlog of Orders Index

The Backlog of Orders Index indicates growth in manufacturers' backlogs and a decline in the number of new orders manufacturers have pending. A growing Backlog of Orders Index is a sign of a growing economy.

"In January, the Backlog of Orders Index rose above 50 percent indicating that manufacturers' backlogs are once again growing. The challenges of the last few months with regard to spot shortages due to the hurricanes in the Gulf Coast appear to have subsided."

Norbert J. Ore, C.P.M., ISM Manufacturing Business Survey Committee, chair.

Non-Manufacturing



Employment Index

ISM's Non-Manufacturing Employment Index indicates the month-to-month change in the level of employment at non-manufacturing organizations. Members are asked to report change in their entire employment range including permanent, temporary and contract employees. Employment is a critical element of most non-manufacturing businesses and other organizations because it often is the largest resource used by them and the one which makes up the largest single element of their costs of doing business. From the recessionary period in 2001, it took until July of 2003 for the Non-Manufacturing Employment Index to show any month-to-month growth in employment. This illustrates the nature of employment as a lagging indicator of economic growth.

"The ISM Non-Manufacturing Employment Index has indicated growth in non-manufacturing employment for the past 18 months. This reflects continued economic growth in the non-manufacturing sector and in the overall economy during that period."

Ralph G. Kauffman, Ph.D., C.P.M., ISM Non-Manufacturing Business Survey Committee, chair.

PMI at 54.8%; New Orders, Production Expanding; Deliveries Slowing; Prices Increasing

Analysis by Norbert J. Ore, C.P.M., chair of the Institute for Supply Management™ Manufacturing Business Survey Committee; and group director, strategic sourcing and procurement, Georgia-Pacific Corporation.

Data for this report was collected in January 2006.

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

Economic activity in the manufacturing sector grew in January for the 32nd consecutive month, while the overall economy grew for the 51st consecutive month, say the nation's supply executives in the latest **Manufacturing ISM Report On Business**®.

The manufacturing sector had another good month during January as measured by the ISM data. Both New Orders and Production remain relatively strong, and the panel of respondents is generally upbeat about their business. It appears that the sector has recovered from the disruptions and dislocations caused by the hurricanes in the Gulf Coast. The Prices Index rose slightly during the month; however, the list of commodities reported "Up in Price" is significantly reduced from December.

ISM's PMI registered 54.8 percent in January. ISM's New Orders Index registered 58 percent. ISM's Production Index registered 56.6 percent in January, while the ISM Employment Index registered 51.3 percent. ISM's Supplier Deliveries Index registered 55.3 percent. ISM's Inventories Index is at 46.5 percent in January. ISM's Customers' Inventories Index registered 46 percent. ISM's Prices Index in January registered 65 percent.

ISM's Backlog of Orders Index for January increased to 53.5 percent from 49.5 percent in December. ISM's New Export Orders Index registered 58.5 percent. ISM's Imports Index is at 57 percent.

The 13 industries reporting growth in January — listed in order — are: Apparel; Primary Metals; Miscellaneous*; Textiles; Food; Transportation & Equipment; Fabricated Metals; Electronic Components & Equipment; Industrial & Commercial Equipment & Computers; Furniture; Instruments & Photographic Equipment; Rubber & Plastic Products; and Chemicals.

AT A GLANCE

JANUARY ISM MANUFACTURING SURVEY

INDEX	JAN. INDEX	DEC. INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)
PMI	54.8	55.6	-0.8	Growing	Slower	32
New Orders	58.0	59.1	-1.1	Growing	Slower	33
Production	56.6	57.8	-1.2	Growing	Slower	33
Employment	51.3	53.6	-2.3	Growing	Slower	8
Supplier Deliveries	55.3	52.9	+2.4	Slowing	Faster	31
Inventories	46.5	47.3	-0.8	Contracting	Faster	10
Customers' Inventories	46.0	48.0	-2.0	Too Low	Faster	56
Prices	65.0	63.0	+2.0	Increasing	Faster	6
Backlog of Orders	53.5	49.5	+4.0	Growing	From Contracting	1
New Export Orders	58.5	54.3	+4.2	Growing	Faster	38
Imports	57.0	52.8	+4.2	Growing	Faster	49

THE ECONOMY

Overall Economy	Growing	Slower	51
Manufacturing Sector	Growing	Slower	32

*Number of months moving in current direction. Indexes reflect newly released seasonal adjustment factors.

UP IN PRICE

Aluminum (6); Aluminum Products (2); Caustic Soda (21); Chemicals (24); Copper (8); Copper Products (2); Corrugated Containers (3)*; Energy (12); Natural Gas (42)*; Nickel; Oil Products; Paper; Plastics (18); Resins (7)*; Rubber (3); Steel (28); and Titanium.

DOWN IN PRICE

Corrugated Containers*; Natural Gas*; Propylene; and Resins (2)*.

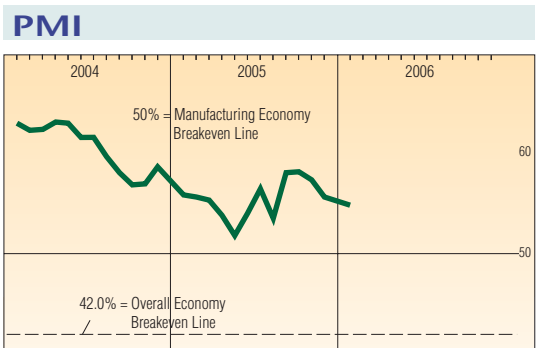
IN SHORT SUPPLY

Titanium is the only commodity reported in short supply.

* Reported as both up and down in price.

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

The PMI indicates that the manufacturing economy grew in January for the 32nd consecutive month. The PMI for January registered 54.8 percent, a decrease of 0.8 percentage point when compared to December's seasonally adjusted reading of 55.6 percent. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.



A PMI in excess of 42 percent, over a period of time, generally indicates an expansion of the overall economy. The January PMI indicates that both the overall economy and the manufacturing sector are growing. The past relationship between the PMI and the overall economy indicates that the PMI for January (54.8 percent) corresponds to a 4.4 percent increase in real gross domestic product (GDP) on an annual basis.

JANUARY NON-MANUFACTURING

**Business Activity at 56.8%;
New Orders Index at 56%;
Employment Index at 51.1%**

Business activity in the non-manufacturing sector increased in January 2006, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM Report On Business**®.

Non-manufacturing business activity increased for the 34th consecutive month in January. Business Activity and New Orders increased at slower rates in January than in December. Imports, Employment and New Export Orders also increased at slower rates while Prices increased at the same rate as in December. Eight of 16 non-manufacturing industry sectors report increased activity in January compared to 11 that reported increased activity in December. While in almost all indexes growth declined in January, they are still above the value of "50" indicating that growth continues, but at slower rates of growth. Members' comments in January continue to be generally positive concerning current business conditions. Several members mention concerns about the continued high level of energy prices and rising interest rates. The Prices Index held steady this month, but remains in a historically high range for the ISM Non-Manufacturing Business Survey. The overall indication in January is continued economic growth in the non-manufacturing sector, but at slower rates of increase.

ISM's Non-Manufacturing Business Activity Index registered 56.8 percent in January. The New Orders Index registered 56 percent. ISM's Non-Manufacturing Employment Index for January registered 51.1 percent. The Supplier Deliveries Index is at 54.5 percent.

Find it at www.ism.ws

To see the full text and all the charts in the report, visit the ISM Web site at www.ism.ws and select the **ISM Report On Business**® link from the menu at the left. Links to regional business survey reports can be found on ISM's Web site at the same location.

Analysis by Ralph G. Kauffman, Ph.D., C.P.M., chair of the Institute for Supply Management™ Non-Manufacturing Business Survey Committee; and coordinator of the Supply Chain Management Program, University of Houston–Downtown.

Data for this report was collected in January 2006.

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

ISM's Non-Manufacturing Inventories Index registered 55 percent in January. The Prices Index registered 67.2 percent. The Non-Manufacturing Backlog of Orders Index registered 52.5 percent in January. The New Export Orders Index registered 58 percent in January, and ISM's Imports Index registered 49.5 percent. The Inventory Sentiment Index registered 63 percent.

UP IN PRICE

Airfares (10); Aluminum (2); Asphalt/Asphalt Products (3); Batteries — Automotive and Other; Beef* (3); Cement; Concrete (2); Copper (29); Copper Products (various) (3); Corn (2); Corrugated (3); #1 Diesel Fuel (11); #2 Diesel Fuel (13); Electricity (2); Freight Charges (7); Fuel (26); Gasoline* (26); Lumber — Pine, Spruce and Treated; Metals; Natural Gas (8); Office Supplies; Paper (24); Petroleum; Petroleum Goods/Products; Plastics/Plastic Products (7); Plastic Bags (2); Postal Rates; Rental Vehicles; Roofing Materials*; Soybean Meal (2); Steel/Steel Products (2); Tomatoes (2); and Unleaded Gasoline.

DOWN IN PRICE

Beef*; Gasoline*; Memory/Memory Products; Poultry; Roofing Materials*; and Seafood/Shrimp.

IN SHORT SUPPLY

Drywall; Roofing Materials; and Stretch Film.

* Reported as both up and down in price.

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



NON-MANUFACTURING VS. MANUFACTURING

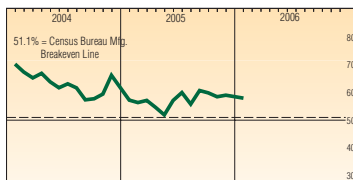
Non-Manufacturing							Manufacturing		
SURVEY QUESTION	JAN. INDEX	DEC. INDEX	% POINT CHANGE	DIRECTION	RATE OF CHANGE	TREND* (MONTHS)	JAN. INDEX	DEC. INDEX	% POINT CHANGE
Business Activity/Production	56.8	61.0	-4.2	Increasing	Slower	34	56.6	57.8	-1.2
New Orders	56.0	62.2	-6.2	Increasing	Slower	34	58.0	59.1	-1.1
Employment	51.1	56.9	-5.8	Increasing	Slower	18	51.3	53.6	-2.3
Supplier Deliveries	54.5	56.5	-2.0	Slowing	Slower	53	55.3	52.9	+2.4
Inventories	55.0	56.0	-1.0	Increasing	Slower	3	46.5	47.3	-0.8
Prices	67.2	67.2	0.0	Increasing	At Same Rate	46	65.0	63.0	+2.0
Backlog of Orders	52.5	54.0	-1.5	Increasing	Slower	12	53.5	49.5	+4.0
New Export Orders	58.0	61.5	-3.5	Increasing	Slower	7	58.5	54.3	+4.2
Imports	49.5	56.5	-7.0	Decreasing	From Increasing	1	57.0	52.8	+4.2
Inventory Sentiment	63.0	59.0	+4.0	"Too High"	Greater	104	N/A	N/A	
Customers' Inventories	N/A	N/A					46.0	48.0	-2.0

Non-Manufacturing ISM Report On Business® data is seasonally adjusted for Business Activity, New Orders, Prices and Employment. Manufacturing ISM Report On Business® data is seasonally adjusted except for Backlog of Orders, Prices, Imports and Customers' Inventories. Indexes reflect newly released seasonal adjustment factors.

*Number of months moving in same direction.

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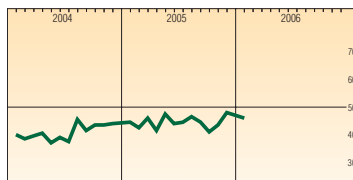
NEW ORDERS



	Index	%Better	%Same	%Worse
January	58.0	30	54	16
December	59.1	30	50	20

ISM's New Orders Index grew in January with a reading of 58 percent. The index is 1.1 percentage points lower than the seasonally adjusted 59.1 percent registered in December. Thirteen industries reported increases during January: Apparel; Primary Metals; Miscellaneous*; Transportation & Equipment; Textiles; Food; Furniture; Rubber & Plastic Products; Industrial & Commercial Equipment & Computers; Fabricated Metals; Electronic Components & Equipment; Chemicals; and Paper.

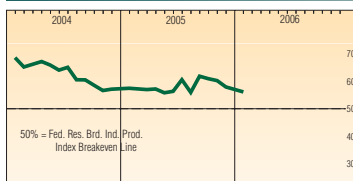
CUSTOMERS' INVENTORIES



	Index	%Too High	%About Right	%Too Low
January	46.0	9	74	17
December	48.0	13	70	17

The January Customers' Inventories Index is at 46 percent, 2 percentage points lower than the 48 percent reported in December. This is the 56th consecutive month that the index has registered below 50 percent. Three industries reported higher customers' inventories during January: Instruments & Photographic Equipment; Paper; and Food.

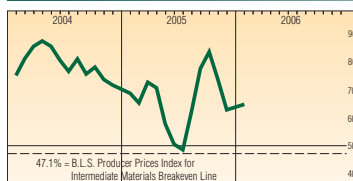
PRODUCTION



	Index	%Better	%Same	%Worse
January	56.6	29	55	16
December	57.8	27	58	15

ISM's Production Index registered 56.6 percent in January, 1.2 percentage points lower than the seasonally adjusted 57.8 percent reported in December. Of the industries reporting in January, 12 registered growth: Apparel; Textiles; Primary Metals; Food; Miscellaneous*; Paper; Electronic Components & Equipment; Fabricated Metals; Transportation & Equipment; Instruments & Photographic Equipment; Chemicals; and Industrial & Commercial Equipment & Computers.

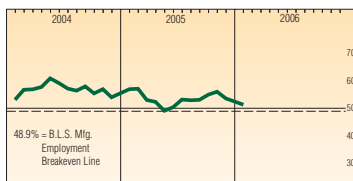
PRICES



	Index	%Higher	%Same	%Lower
January	65.0	38	54	8
December	63.0	37	52	11

ISM's Prices Index registered 65 percent in January, indicating an increase in pricing activity when compared to December. In January, 14 industries reported paying higher prices: Printing & Publishing; Furniture; Transportation & Equipment; Chemicals; Rubber & Plastic Products; Miscellaneous*; Industrial & Commercial Equipment & Computers; Glass, Stone & Aggregate; Fabricated Metals; Food; Wood & Wood Products; Primary Metals; Electronic Components & Equipment; and Instruments & Photographic Equipment.

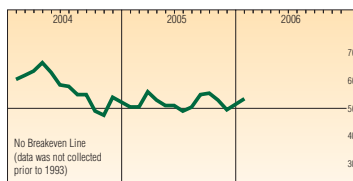
EMPLOYMENT



	Index	%Higher	%Same	%Lower
January	51.3	13	76	11
December	53.6	12	80	8

ISM's Employment Index expanded for the eighth consecutive month in January, registering 51.3 percent and compared to the seasonally adjusted 53.6 percent registered in December. The eight industries reporting growth in employment during January are: Apparel; Glass, Stone & Aggregate; Primary Metals; Miscellaneous*; Transportation & Equipment; Industrial & Commercial Equipment & Computers; Fabricated Metals; and Electronic Components & Equipment.

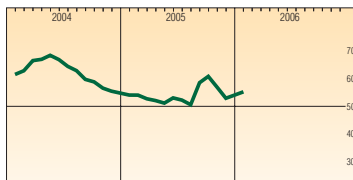
BACKLOG OF ORDERS



	Index	%Greater	%Same	%Less
January	53.5	23	61	16
December	49.5	22	55	23

ISM's Backlog of Orders Index registered 53.5 percent, indicating manufacturers' backlogs in January are expanding when compared to December. The nine industries reporting an increase in order backlogs during the month are: Miscellaneous*; Transportation & Equipment; Apparel; Primary Metals; Furniture; Instruments & Photographic Equipment; Food; Fabricated Metals; and Chemicals.

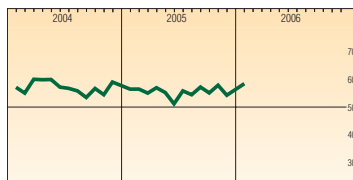
SUPPLIER DELIVERIES



	Index	%Slower	%Same	%Faster
January	55.3	11	85	4
December	52.9	12	79	9

ISM's Supplier Deliveries Index for January registered 55.3 percent, an increase of 2.4 percentage points when compared to December's seasonally adjusted reading of 52.9 percent. The eight industries reporting slower supplier deliveries in January are: Miscellaneous*; Apparel; Glass, Stone & Aggregate; Electronic Components & Equipment; Fabricated Metals; Transportation & Equipment; Primary Metals; and Instruments & Photographic Equipment.

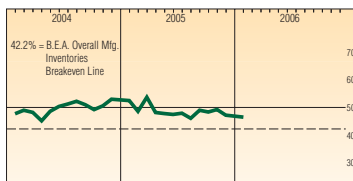
NEW EXPORT ORDERS



	Index	%Higher	%Same	%Lower
January	58.5	19	79	2
December	54.3	12	83	5

ISM's New Export Orders Index for January registered 58.5 percent, 4.2 percentage points higher than December's seasonally adjusted index of 54.3 percent. The 11 industries reporting growth in new export orders in January are: Primary Metals; Apparel; Printing & Publishing; Instruments & Photographic Equipment; Industrial & Commercial Equipment & Computers; Chemicals; Food; Electronic Components & Equipment; Transportation & Equipment; Rubber & Plastic Products; and Fabricated Metals.

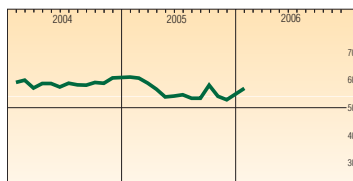
INVENTORIES



	Index	%Higher	%Same	%Lower
January	46.5	13	69	18
December	47.3	12	69	19

Manufacturers' inventories declined in January for the 10th consecutive month, as ISM's Inventories Index registered 46.5 percent, indicating a faster rate of liquidation when compared to December's seasonally adjusted 47.3 percent. The seven industries reporting higher inventories in January are: Textiles; Apparel; Instruments & Photographic Equipment; Wood & Wood Products; Furniture; Printing & Publishing; and Food.

IMPORTS



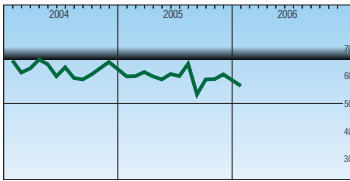
	Index	%Higher	%Same	%Lower
January	57.0	20	74	6
December	52.8	13	79	8

The ISM Imports Index registered 57 percent in January. The 12 industries reporting growth in import activity for January are: Textiles; Apparel; Furniture; Primary Metals; Miscellaneous*; Transportation & Equipment; Food; Electronic Components & Equipment; Fabricated Metals; Instruments & Photographic Equipment; Chemicals; and Industrial & Commercial Equipment & Computers. Beginning with the January 2006 report, the Imports Index no longer meets the criteria for seasonal adjustments.

*Miscellaneous — a preponderance of jewelry, toys, sporting goods and musical instruments.

NON-MANUFACTURING NON-MANUFACTURING NON-MANUFACTURING NON-MANUFACTURING

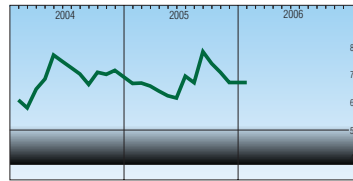
BUSINESS ACTIVITY



ISM's Non-Manufacturing Business Activity Index in January decreased to 56.8 percent from December's seasonally adjusted 61 percent. The industries reporting the highest rates of growth of business activity in January are: Insurance; Business Services; Utilities; Mining; and Transportation. The industries reporting contraction of business activity in January are: Agriculture; Wholesale Trade; Real Estate; Retail Trade; and Construction.

	Index	%Higher	%Same	%Lower
January	56.8	27	51	22
December	61.0	31	52	17

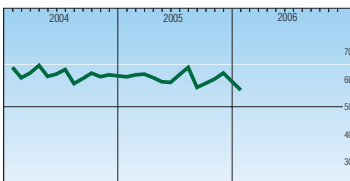
PRICES



ISM's Non-Manufacturing Prices Index for January is 67.2 percent, the same as the seasonally adjusted rate it registered in December. The industries reporting the highest rates of increase in prices paid in January are: Entertainment; Transportation; Business Services; Insurance; and Utilities. No industry is reporting price decreases in January.

	Index	%Higher	%Same	%Lower
January	67.2	37	59	4
December	67.2	33	60	7

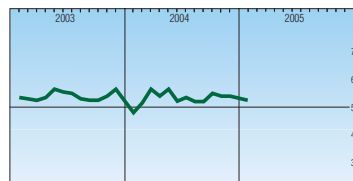
NEW ORDERS



ISM's Non-Manufacturing New Orders Index decreased to 56 percent in January from December's seasonally adjusted 62.2 percent. Industries reporting the highest rates of growth of new orders in January are: Entertainment; Mining; Insurance; Transportation; and Health Services. The industries reporting contraction of new orders in January are: Agriculture; Real Estate; Retail Trade; and Wholesale Trade.

	Index	%Higher	%Same	%Lower
January	56.0	27	54	19
December	62.2	32	55	13

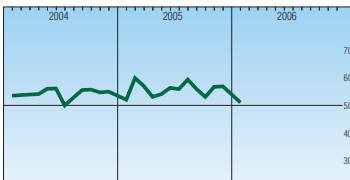
BACKLOG OF ORDERS



ISM's Non-Manufacturing Backlog of Orders Index registered 52.5 percent in January, 1.5 percentage points less than the 54 percent reported in December. The industries reporting the highest rates of increase in order backlogs in January are: Utilities; Mining; Construction; Finance & Banking; and Business Services. Industries reporting decreases in backlog of orders in January are: Agriculture; Communication; Wholesale Trade; Public Administration; and Retail Trade.

	Index	%Higher	%Same	%Lower
January	52.5	19	67	14
December	54.0	21	66	13

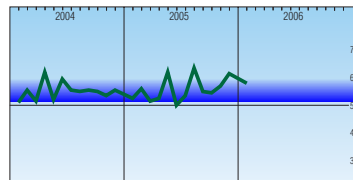
EMPLOYMENT



ISM's Non-Manufacturing Employment Index for January is 51.1 percent, a drop of 5.8 percentage points from December's seasonally adjusted 56.9 percent. The industries reporting the highest rates of growth in employment in January are: Mining; Insurance; Transportation; Public Administration; and Other Services*. Industries reporting the highest rates of reduction in employment in January are: Entertainment; Agriculture; Wholesale Trade; Finance & Banking; and Construction.

	Index	%Higher	%Same	%Lower
January	51.1	16	67	17
December	56.9	21	70	9

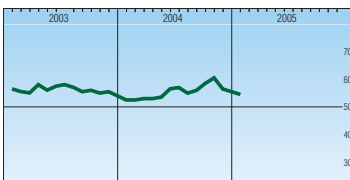
NEW EXPORT ORDERS



ISM's Non-Manufacturing New Export Orders Index for January is 58 percent, compared to December's 61.5 percent. The industries reporting the highest rates of increase in new export orders in January are: Insurance; Mining; Other Services*; Wholesale Trade; and Business Services. Industries reporting decreases in new export orders in January are: Communication and Public Administration.

	Index	%Higher	%Same	%Lower
January	58.0	22	72	6
December	61.5	34	55	11

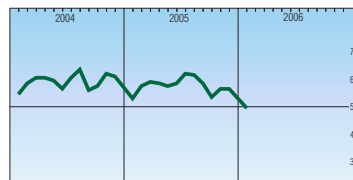
SUPPLIER DELIVERIES



The ISM Non-Manufacturing Supplier Deliveries Index registered 54.5 percent in January, 2 percentage points lower than in December. The industries reporting the highest rates of slowing in supplier deliveries in January are: Utilities; Mining; Real Estate; Other Services*; and Construction. The industries reporting faster supplier deliveries in January are: Transportation and Communication.

	Index	%Slower	%Same	%Faster
January	54.5	14	81	5
December	56.5	16	81	3

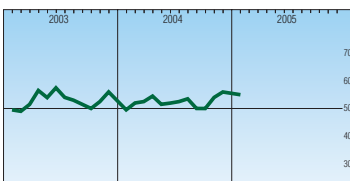
IMPORTS



The ISM Non-Manufacturing Imports Index registered 49.5 percent in January, 7 percentage points less than the 56.5 percent reported in December. The industries reporting an increase in the use of imports in January are: Entertainment; Transportation; Mining; Utilities; and Wholesale Trade. Industries reporting a decrease in the use of imports in January are: Business Services; Public Administration; Other Services*; and Retail Trade.

	Index	%Higher	%Same	%Lower
January	49.5	14	71	15
December	56.5	21	71	8

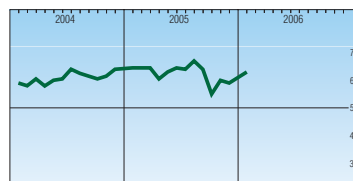
INVENTORIES



ISM's Non-Manufacturing Inventories Index registered 55 percent in January, indicating an increase in inventories (although at a slower rate of increase) compared to December. The industries reporting the highest rates of increase in inventories in January are: Agriculture; Communication; Mining; Health Services; and Utilities. The industries reporting inventory decreases in January are: Entertainment; Finance & Banking; and Other Services*.

	Index	%Higher	%Same	%Lower
January	55.0	25	60	15
December	56.0	28	56	16

INVENTORY SENTIMENT



The ISM Non-Manufacturing Inventory Sentiment Index in January registered 63 percent, 4 percentage points higher than the 59 percent reported in December. The industries reporting the highest rates of feeling that their inventories are too high in January are: Insurance; Entertainment; Communication; Other Services*; and Wholesale Trade. Industries reporting that their inventories are too low in January are: Public Administration and Utilities.

	Index	%Too High	%About Right	%Too Low
January	63.0	31	64	5
December	59.0	27	64	9

*Other Services — Hotels, Rooming Houses, Camps and Other Lodging Places; Personal Services; Automotive Repair, Services and Parking; Miscellaneous Repair Services; Educational Services; Social Services; Museums, Art Galleries, and Botanical and Zoological Gardens; Membership Organizations; Engineering, Accounting, Research, Management and Related Services; and Miscellaneous Services.