



**Bank
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Commentary

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TD Economics
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NON-FACTORY SECTOR ACTIVITY ACCELERATES IN FEBRUARY

- **The ISM nonmanufacturing sector index rose to a better than expected 53.0 in February.**
- **New orders and business activity rose nicely on the month. The employment sub-index was also higher, but remains below the 50-threshold.**
- **Overall, this was a good report, though the advance in activity appears not to be broadly-based.**

After languishing at (or slightly below) the 50-mark for the past 6 months, the U.S. ISM non-manufacturing index surprised pleasantly to the upside in February, rising to 53.0 following the 50.5 print in January. This was well ahead of the market consensus for a more modest rise to 51.0, and is now at its highest level since the beginning of the economic recession in December 2007.

There were reasonable gains in business activity (up from 52.2 to 54.8), while new orders were also marginally higher on the month, rising from 54.7 to 55.0. The employment sub-index also gained in February, rising from 44.6 to 48.6, though it remains below the all-important 50-threshold. Prices paid dipped slightly, falling from 61.2 to 60.4.

Despite the fairly strong uptick in the headline index, only 9 of the 17 industries covered indicated an increase in activity, while the other 8 industries reported contraction in activity. As such, despite the fairly robust gains in the headline number, it appears that the acceleration in activity in this sector is not broadly-based. However, as the economic recovery continues to gain traction, we believe that this indicator will remain above the 50-threshold.

*Millan Mulraine
Economics Strategist
TD Securities*

For further information, contact Beata Caranci at 416-982-8067.

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