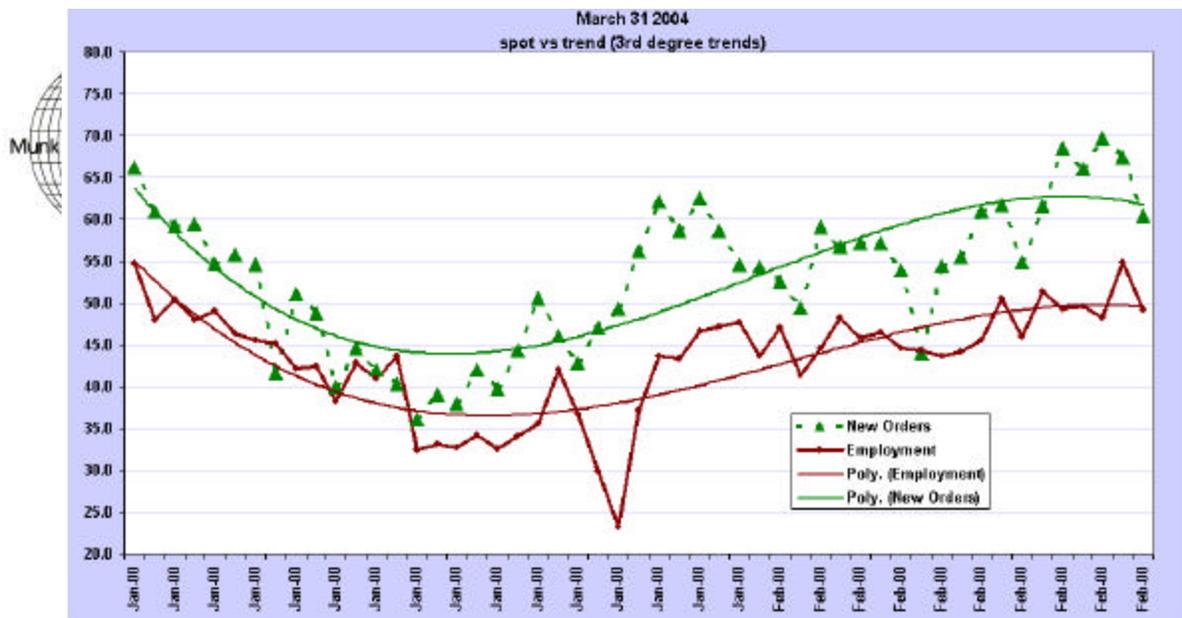


**Chicago PMI and Factory Orders Confirm Slower Acceleration**



The Chicago PMI fills out the flavor imparted by earlier Empire and Philly Fed surveys...slowing acceleration--with the exception of "prices paid" that on its own raises issues of forward corporate earnings. New Orders fell to 7.1 points to 60.4 (still growing but at a slower rate). There seems to be a corresponding slowing in employment conditions (from the large spurt to 54.8 last month, the employment measure fell to 49.2. This is about where it been since November 2003. The "outlier" quality of the prior reading on employment seems to be underscored with the slower performance of the other principal measures: production and new orders. The rise in inventory accumulation is a bit harder to read, although the fall in new orders gives an impression of involuntary accumulation.

Macro policy seems stuck on the "jobs, jobs, where are the jobs, routine," and the Chicago data don't give a lot of comfort that the next employment readings will be sharply higher. Again, this is dominated by manufacturing, and that is a small fraction of the overall economy.



We have graphed some third degree trend lines just to get a feel for the connection between new orders and employment. The hint is a broad one.

### Factory Orders

Factory new orders and shipment data appear to confirm the deceleration taking place throughout the manufacturing side. Much of the decline was on the non-durables side, but while durables expanded, it was not robust and the tech side showed some signs of 'sighing,' if not outright backup.

Shipments of Computers and Electronic Products were up 17.5% while New Orders rose 14.1%, both yoy. Seasonally adjusted February new orders of Computers and Electronic Products were up 1.6% as compared to the January over December figures. While the industry continues to expand, it does so gingerly, with shipments of semiconductors up some 7.4% (new orders data unavailable).

<HELP> for explanation, <MENU> for similar functions. PLS? Index ALLX  
Hit # <GO> to select an index or <TAB> to change date.

TOTAL MFG INDUSTRY NEW ORD			Page 1/1			
Source	U.S. Census Bureau	Current Value	Date	Previous Value	Date	Chng
1) MANU NEW ORDERS NEW ORDERS	TMN0TOT	342397.0	02/04	341868.0	01/04	.33
2) MANU NEW ORDERS MON% CHNG	TMN0CHNG	.3	02/04	-.9	01/04	129.33
3) MANU NEW ORDERS YOY% CHNG	TMN0YOY	7.0	02/04	6.1	01/04	14.75
4) MANU NEW ORDERS EX-TRANS	TMN0XTEN	200673.0	02/04	202309.0	01/04	-1.24
5) MANU NEW ORDERS EX-DEFENSE	TMN0DEF	331603.0	02/04	332141.0	01/04	-.10
6) MANU NEW ORDERS CONSTRUCT	TMN0CSTR	36119.0	02/04	36444.0	01/04	-.89
7) MANU NEW ORDERS INFO TECH	TMN0INFO	30369.0	02/04	30116.0	01/04	.80
8) MANU NEW ORDERS CONSUME GD	TMN0CONS	132553.0	02/04	133240.0	01/04	-.49
9) MANU NEW ORDERS MANUF. ORD	TMN0MIFO	139971.0	02/04	139901.0	01/04	2.42

Australia 61 2 9277 6000 Brazil 5511 2048 4500 Europe 44 20 7320 7500 Germany 49 69 920410  
Hong Kong 852 2377 6000 Japan 81 3 2001 6200 Singapore 65 6212 1000 U.S. 1 212 310 2000 Copyright 2004 Bloomberg L.P.  
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To quote a seasoned analyst on the overall situation that featured more significant declines on the non-durables side,

“Overall picture, in these data and the purchasing-manager surveys, seems to be one of manufacturing deceleration or pause in Q1. So far, this is not of a trend-breaking, or grossly atypical, pattern--though it does begin to cast some doubt on perceptions that industrial confidence is reviving without obstacle, and that new hiring, as well as investment, will pick up imminently.” (Pierre Ellis, Decision Economics)

**Table 1. Value of Manufacturers' Shipments for Industry Groups**

Industry	Seasonally Adjusted						Not Seasonally Adjusted <sup>1</sup>						
	Monthly			Percent Change			Monthly			Year to date			
	Feb. 2004 <sup>P</sup>	Jan. 2004 <sup>F</sup>	Dec. 2003	Jan. - Feb.	Dec. - Jan.	Nov. - Dec.	Feb. 2004 <sup>P</sup>	Jan. 2004 <sup>F</sup>	Dec. 2003	Feb. 2003	2004 <sup>P</sup> 2003	Percent 2004/2003	
Computers and electronic products.....	37,549	37,908	37,463	-0.9	1.2	3.1	35,324	32,428	45,005	29,846	67,752	57,656	17.5
Computers.....	5,303	5,689	5,100	-6.8	11.5	-5.5	4,441	5,435	5,880	3,478	9,876	7,832	26.1
Computer storage devices.....	1,180	1,174	1,829	0.5	-35.8	54.0	902	801	2,984	814	1,703	1,578	7.9
Other peripheral equipment.....	1,586	1,533	1,553	3.5	-1.3	-2.3	1,348	1,108	2,226	1,314	2,456	2,458	-0.1
Nondefense communications equipment.....	6,420	6,499	6,302	-1.2	3.1	1.4	5,920	5,199	8,436	4,961	11,119	9,364	18.7
Defense communications equipment.....	496	567	455	-15.5	29.0	1.3	479	533	471	362	1,012	703	44.0
Audio and video equipment.....	806	662	726	-8.5	-8.8	0.4	562	566	810	634	1,128	1,232	-8.4
Semiconductors.....	6,676	6,495	6,046	2.8	7.4	-3.9	6,876	5,961	6,370	5,639	12,837	10,775	19.1
Electronic components.....	4,515	4,555	4,463	-0.9	2.1	3.6	4,434	3,965	4,859	3,962	8,399	7,556	11.2
Nondefense search and navigation equipment.....	888	885	930	0.3	-5.8	21.0	873	749	1,019	806	1,622	1,481	9.5
Defense search and navigation equipment.....	2,636	2,489	2,544	5.9	-2.2	-0.9	2,579	2,044	3,052	2,165	4,623	4,038	14.5
Electromedical, measuring, and control instruments.....	6,728	6,801	6,940	-1.1	-2.0	10.4	6,420	5,574	8,345	5,257	11,994	9,797	22.4

**Table 2. Value of Manufacturers' New Orders for Industry Group**

Industry	Seasonally Adjusted						Not Seasonally Adjusted <sup>1</sup>						
	Monthly			Percent Change			Monthly			Year to date			
	Feb. 2004 <sup>P</sup>	Jan. 2004 <sup>F</sup>	Dec. 2003	Jan. - Feb.	Dec. - Jan.	Nov. - Dec.	Feb. 2004 <sup>P</sup>	Jan. 2004 <sup>F</sup>	Dec. 2003	Feb. 2003	2004 <sup>P</sup> 2003	Percent 2004/2003	
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