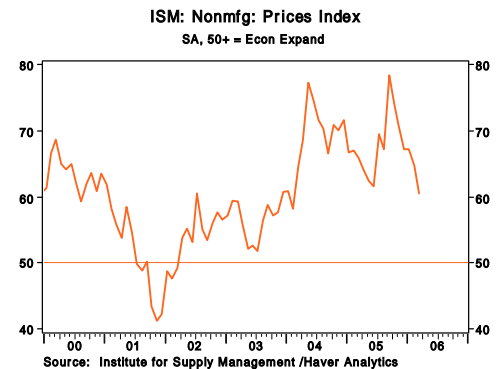
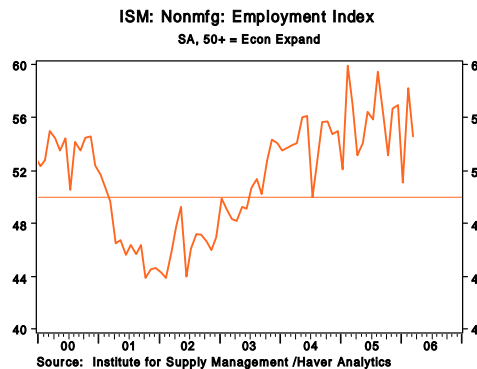
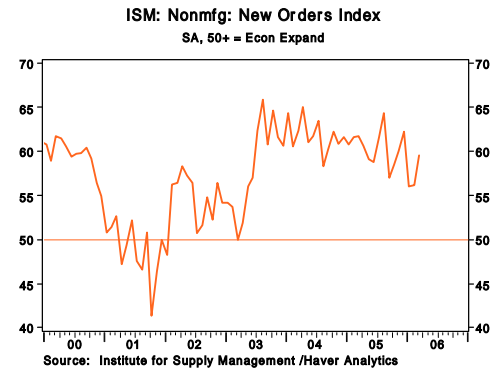
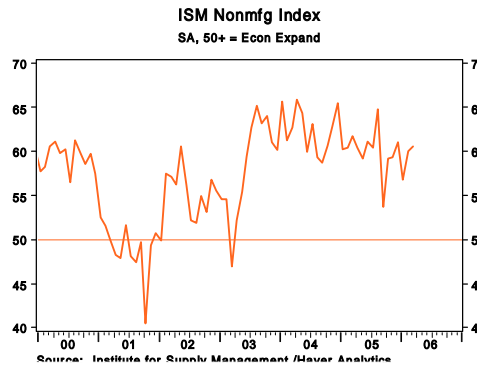


## MARCH ISM NON-MANUFACTURING INDEX

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- The ISM non-manufacturing business barometer rose to 60.5 in March versus 60.1 in February. This was above consensus estimates of 59.0. Thirteen of the 17 industry groups surveyed reported growth in March compared to eight in January and ten in February. The new orders component inched higher to 59.5 versus 56.2 in February.
- The employment component pulled back to 54.6 last month versus 58.2 in February. Nonetheless, this is the 33<sup>rd</sup> consecutive month above 50.
- The prices paid component continued to ease, pulling back to 60.5 last month versus 64.8 in February. While the price component has fallen to the lowest level in four years, it remains well above 50 and continues to suggest rising prices in the service sector.



**Implications:** The ISM non-manufacturing index continues to signal a booming U.S. service sector. We do not expect this phenomenon to end soon, as the U.S. is in the midst of a massive transformation toward a technology-driven and value-added economy that depends on services to a much greater extent. So far in the 21<sup>st</sup> century, the ISM non-manufacturing index has averaged 57.4 compared to a healthy, but significantly lower, 53.8 for the ISM manufacturing index. This shift has resulted in substantial wealth creation and increased opportunities for Americans across the entire income spectrum. However, there is also real pain associated with this transformation as old-line manufacturers struggle. The well-publicized, but isolated, examples of trouble are a major reason that people's perceptions of the economy are overly negative. Nonetheless, the transformation is inevitable and businesses that focus on adapting to this new environment, instead of fighting it, will thrive.

<b>Non-Manufacturing ISM Index</b> <i>seasonally adjusted unless indicated</i>	<b>Mar-06</b>	<b>Feb-06</b>	<b>Jan-06</b>	<b>3-mo moving avg</b>	<b>6-mo moving avg</b>	<b>Yr ago level</b>
<b>Business Barometer</b>	60.5	60.1	56.8	59.1	59.5	61.8
<b>New Orders</b>	59.5	56.2	56.0	57.2	58.7	61.8
<b>Employment</b>	54.6	58.2	51.1	54.6	55.1	57.0
<b>Prices</b>	60.5	64.8	67.2	64.2	67.4	65.9
<b>Supplier Deliveries</b> <i>(not seasonally adjusted)</i>	54.0	52.5	54.5	53.7	56.1	53.0
<b>Inventory Change</b> <i>(not seasonally adjusted)</i>	54.0	53.0	55.0	54.0	53.7	52.5
<b>Orders Backlog</b> <i>(not seasonally adjusted)</i>	50.5	54.0	52.5	52.3	53.3	56.5
<b>Imports</b> <i>(not seasonally adjusted)</i>	60.5	55.0	49.5	55.0	55.3	59.0

Source: Institute for Supply Management

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