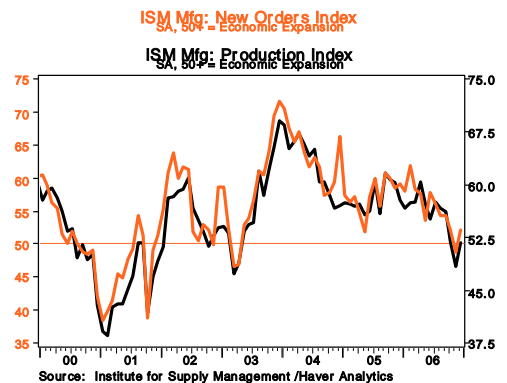
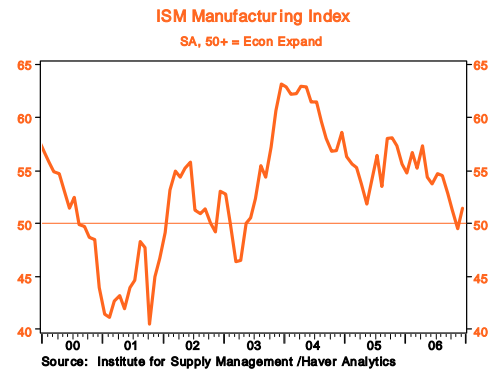


DECEMBER ISM MANUFACTURING INDEX

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- The ISM Manufacturing index increased to 51.4 in December from 49.5 in November (the consensus expected 50.0). Before November, the index had been at or above 50.0 for 42 straight months.
- Both the new orders and production components, which had fallen below 50 last month, rebounded in December, to 52.1 and 51.8, respectively. The employment component increased to 49.7 from 49.2.
- The prices paid index fell to 47.5 from 53.5 and has now been below 50.0 for two of the past three months.

Implications: The ISM report is positive news about the economy. After disappointing for most of the past year, the overall index came in higher than expected and most key components rose as well, including production, new orders, and employment. In other news, construction spending contracted less in November than the consensus expected (-0.2% versus -0.5%) and October construction growth was revised upward (from -1.0% to -0.3%). Non-residential construction was up 1.4% in November and 14.7% versus a year ago. Meanwhile, residential construction continues to show weakness, falling 1.6% in November – the 7th straight month with a drop of at least 1%.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Dec-06	Nov-06	Oct-06	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	51.4	49.5	51.2	50.7	52.4	55.6
<i>New Orders</i>	52.1	48.7	52.1	51.0	52.9	59.1
<i>Production</i>	51.8	48.5	51.9	50.7	53.8	57.8
<i>Inventories</i>	48.4	49.7	49.4	49.2	49.1	47.3
<i>Employment</i>	49.7	49.2	50.8	49.9	50.6	53.6
<i>Supplier Deliveries</i>	53.4	52.8	50.2	52.1	53.5	52.9
<i>Order Backlog (NSA)</i>	45.0	46.5	44.5	45.3	47.4	49.5
<i>Prices Paid (NSA)</i>	47.5	53.5	47.0	49.3	60.1	63.0
<i>New Export Orders</i>	54.3	56.9	57.8	56.3	55.3	54.3

Source: National Association of Purchasing Management