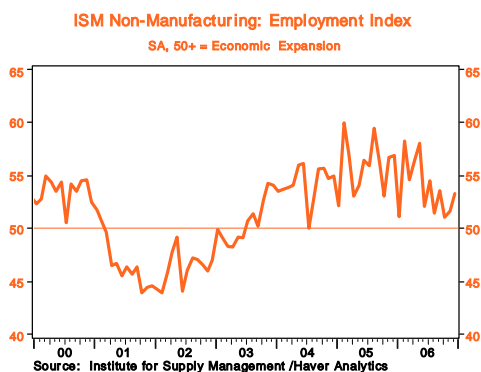
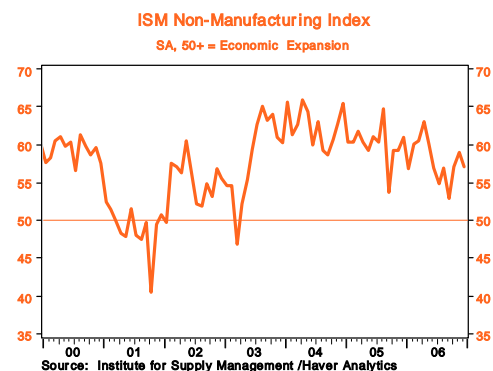


## DECEMBER IS M NON-MANUFACTURING INDEX

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- The ISM non-manufacturing business barometer (a measure of growth in the services sector) declined to 57.1 in December from 58.9 in November, narrowly beating the consensus forecast of 57.0
- The employment component increased to 53.3 from 51.6 and is at its highest level in three months. The employment index has been at or above 50 for 42 straight months.
- The new orders component declined to 54.4 from 57.1. Although still positive, with the exception of August 2006 the new orders component is now at its lowest level since Spring 2003.
- The prices paid component increased to 59.1 from 55.6 and is now the highest in four months.

**Implications:** The ISM non-manufacturing index remains at a level signaling robust economic growth. The overall business barometer's quarterly average in Q4 was 57.7 versus 54.9 in Q3. This supports our view that real GDP growth will accelerate in Q4 to roughly 3% from its 2% growth rate in Q3. In other news, factory orders rose 0.9% in November, slightly below the consensus forecast of 1.3%, while data for previous months was revised up slightly. The bottom line: Recent economic data suggest that the economy is moving into 2007 with positive forward momentum.



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Dec-06	Nov-06	Oct-06	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Business Barometer</b>	<b>57.1</b>	58.9	57.1	57.7	56.3	61.0
<b>New Orders</b>	<b>54.4</b>	57.1	56.5	56.0	55.5	62.2
<b>Employment</b>	<b>53.3</b>	51.6	51.0	52.0	52.6	56.9
<b>Prices</b>	<b>59.1</b>	55.6	51.9	55.5	61.8	67.2
<b>Supplier Deliveries (NSA)</b>	<b>51.0</b>	50.0	54.5	51.8	52.9	56.5
<b>Inventory Change (NSA)</b>	<b>53.5</b>	51.5	53.0	52.7	52.2	56.0
<b>Orders Backlog (NSA)</b>	<b>48.0</b>	54.5	51.5	51.3	52.1	54.0
<b>Imports (NSA)</b>	<b>62.0</b>	59.5	57.5	59.7	59.1	56.5

Source: Institute for Supply Management