

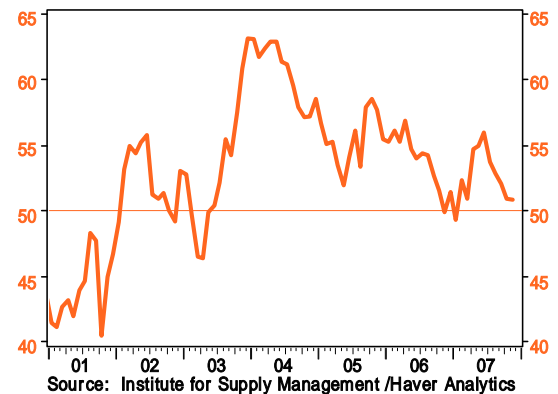
NOVEMBER ISM MANUFACTURING INDEX

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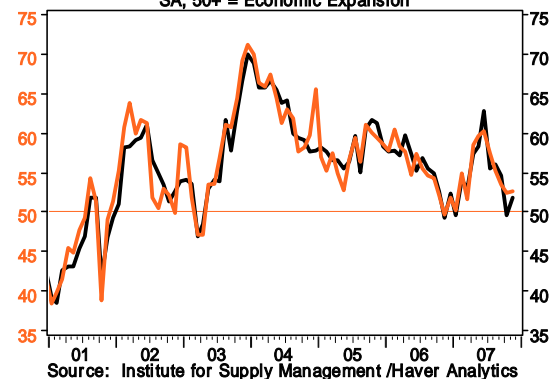
- The ISM Manufacturing index was virtually unchanged at 50.8 in November versus 50.9 in October. The index suggests continued moderate growth in manufacturing. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The output-related components of the index were mixed. Upward movers included the production index, which increased to 51.9 from 49.6, the new orders index, which ticked up to 52.6, and the new export orders index, which rose to 58.5. Downward movers included the backlog of orders, which fell to 41.5 from 46.0, and employment, which fell to 47.8 from 52.0.
- The prices paid index increased to 67.5 from 63.0 last month, suggesting continued upward pressure on inflation.

Implications: Despite the headwinds caused by the correction in home building, the manufacturing sector continues to grow at a moderate pace. The Institute for Supply Management says a level of 50.8 is consistent with real GDP growing at a 2.8% annual rate, adding support to our forecast for Q4, which is now at 1.5% to 2%. It is noteworthy that the gap between the new export orders index and the import index is the largest since 1991. This corroborates our view that the trade deficit is continuing to decline rapidly and is offsetting the negative drag of the home building sector.

ISM Manufacturing Index
SA, 50+ = Econ Expand



ISM Mfg: New Orders Index
SA, 50+ = Economic Expansion
ISM Mfg: Production Index
SA, 50+ = Economic Expansion



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Nov-07	Oct-07	Sep-07	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	50.8	50.9	52.0	51.2	52.7	49.9
New Orders	52.6	52.5	53.4	52.8	55.3	49.7
Production	51.9	49.6	54.6	52.0	55.1	49.3
Inventories	46.9	47.2	41.6	45.2	45.8	49.1
Employment	47.8	52.0	51.7	50.5	50.7	48.9
Supplier Deliveries	51.7	50.6	51.9	51.4	51.0	52.8
Order Backlog (NSA)	41.5	46.0	51.0	46.2	49.1	46.5
Prices Paid (NSA)	67.5	63.0	59.0	63.2	64.3	53.5
New Export Orders	58.5	57.0	54.5	56.7	56.6	56.9

Source: National Association of Purchasing Management