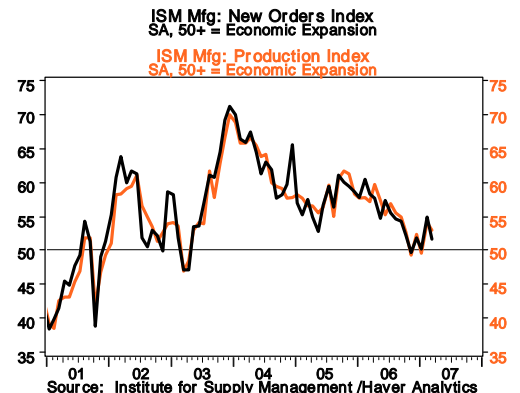
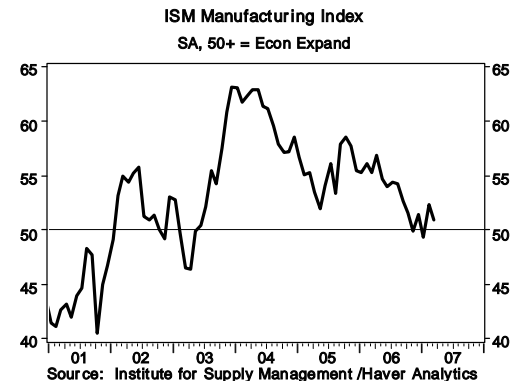


MARCH ISM MANUFACTURING INDEX

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- The ISM Manufacturing index fell to 50.9 in March from 52.3 in February. The consensus expected a smaller drop to 51.1.
- The indexes for both new orders and production fell but remain above 50, signaling expansion. The employment index fell from 51.1 to 48.7 while the backlog of orders fell from 51.5 to 47.0. The index for new export orders rose from 54.0 to 55.5.
- The prices paid index increased to 65.5 from 59.0. The consensus had expected a slight drop to 58.5.

Implications: The ISM index suggests the productivity revolution is not dead: manufacturing output continues to grow even as manufacturing payrolls continue to shrink. The Institute for Supply Management says the 50.8 average ISM index for Q1 suggests real GDP growth of roughly 2.8%. Considering a likely drag of one percentage point due to weak residential construction, this signals that the economy remains strong outside of housing. Meanwhile, the prices paid component of the index, which reached a seven-month high on increases in raw materials and commodity prices, is consistent with our concern about inflation.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Mar-07	Feb-07	Jan-07	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	50.9	52.3	49.3	50.8	50.9	55.3
New Orders	51.6	54.9	50.3	52.3	51.8	58.4
Production	53.0	54.1	49.6	52.2	51.9	57.2
Inventories	47.5	44.6	39.9	44.0	46.5	48.5
Employment	48.7	51.1	49.5	49.8	49.7	52.7
Supplier Deliveries	51.3	50.8	52.7	51.6	51.9	53.7
Order Backlog (NSA)	47.0	51.5	43.5	47.3	46.3	59.5
Prices Paid (NSA)	65.5	59.0	53.0	59.2	54.3	66.5
New Export Orders	55.5	54.0	52.5	54.0	55.2	57.3

Source: National Association of Purchasing Management