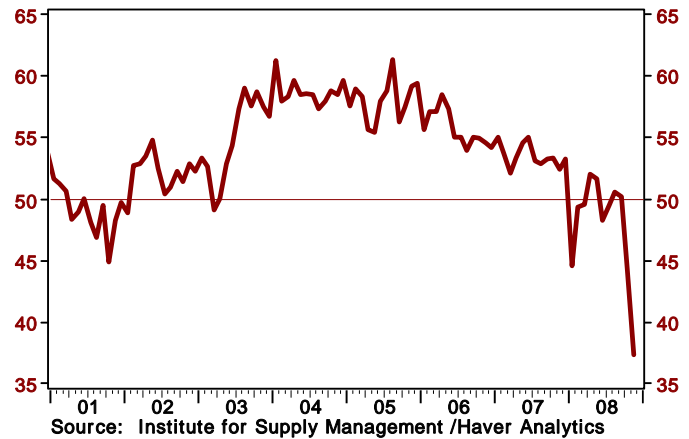


NOVEMBER ISM NON-MANUFACTURING INDEX

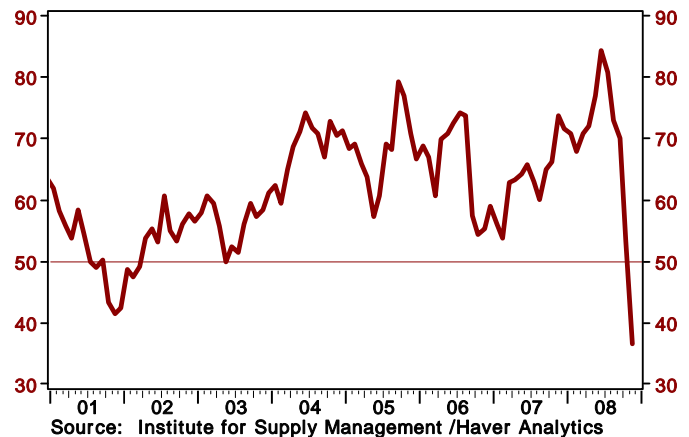
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- The ISM non-manufacturing composite index declined to 37.3 in November from 44.4 in October. The consensus expected a smaller decrease to 42.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- Three of the major components of the composite index – business activity, new orders, and employment – fell to record lows (series started in 1997). The supplier deliveries index increased but remained slightly below 50.0.
- The prices paid index declined 16.8 points to 36.6 in November, the largest ever one-month decline in the index and the lowest level ever recorded.

ISM Nonmanufacturing: NMI Composite Index
SA, 50+=Increasing



ISM Non-Manufacturing: Prices Paid Index
SA, 50+ = Economic Expansion



Implications: The ISM non-manufacturing index is a reminder that the business sector remains mired in a lack of confidence. The ISM non-manufacturing index fell 7.1 points in November, to the lowest level recorded in its eleven year history. Even the prices paid index, which five months ago was at the highest level ever, is now at a record low. This is consistent with our forecast that real GDP will decline at about a 4% annual rate in the fourth quarter and that both the producer prices index and the consumer prices index fell substantially in November. Recent economic weakness has been caused by a decline in monetary velocity, the speed with which money makes its way through the economy, making it one of those rare periods when real GDP and inflation fall at the same time. However, we believe the slowdown in monetary velocity is starting to come to an end, and will result in an economic rebound and higher inflation in 2009. In other news, this morning the ADP report on employment said private sector payrolls declined 250,000 in November. Given this data and the record low employment component in today’s ISM non-manufacturing report, we anticipate a decline of 318,000 in total payrolls in the official government report to be released Friday morning.

Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Nov-08	Oct-08	Sep-08	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	37.3	44.4	50.2	44.0	46.7	52.4
Business Activity	33.0	44.2	52.1	43.1	46.7	54.6
New Orders	35.4	44.0	50.8	43.4	46.1	52.0
Employment	31.3	41.5	44.2	39.0	42.2	51.4
Supplier Deliveries (NSA)	49.5	48.0	53.5	50.3	51.8	51.5
Prices	36.6	53.4	70.0	53.3	66.4	73.7

Source: Institute for Supply Management