

OCTOBER ISM NON-MANUFACTURING INDEX

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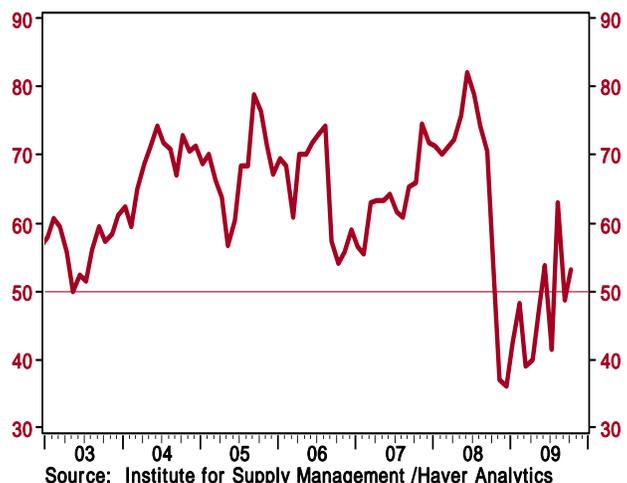
- The ISM Non-Manufacturing composite index declined slightly to 50.6 in October from 50.9 in September. The consensus expected an increase to 51.5. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- Despite the slight decline in the overall index, most of the major sub-indexes were up in October. The business activity index rose to 55.2, the new orders index rose to 55.6, and the supplier deliveries index rose to 50.5. The employment index was the outlier, declining to 41.1.
- The prices paid index increased to 53.0 in October from 48.8 in September.

Implications: The ISM Non-Manufacturing index signals the service sector was still expanding in October, although at a slightly slower rate than in September. A look behind the headline numbers suggests more strength than first appears. The business activity index, at 55.2, was both increasing and above 50 for the third straight month. The outlier that pushed down on the overall index was the sub-index on employment, which fell to 41.1 from 44.3 in September. This data does not correspond with the decline in unemployment claims or other employment figures, discussed below. On the inflation front, the prices paid index increased to 53.0 in October from 48.8 in September. This index has been extremely volatile in recent months, but an upward trend is clearly apparent in the chart to the right. In other news this morning, the ADP Employment report showed a loss of 203,000 private-sector jobs in October, the seventh straight month of smaller job losses. Meanwhile, Challenger, Gray & Christmas, a Chicago-based job placement firm, says layoff announcements are down 50.7% versus last year. Yesterday, automakers announced car and light trucks sold at a 10.5 million annual rate in October. Except for the “cash for clunkers” months (July/August), this was the fastest sales pace in a year. Even more remarkably, summer clunker-related sales were supposed to suppress auto sales this fall. The fact that sales are reviving anyhow shows even greater underlying consumer strength.

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



ISM: Nonmanufacturing: Prices Index
SA, 50+ = Econ Expand



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Oct-09	Sep-09	Aug-09	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	50.6	50.9	48.4	50.0	47.9	44.6
Business Activity	55.2	55.1	51.3	53.9	50.0	44.5
New Orders	55.6	54.2	49.9	53.2	50.1	44.3
Employment	41.1	44.3	43.5	43.0	42.1	41.7
Supplier Deliveries (NSA)	50.5	50.0	49.0	49.8	49.3	48.0
Prices	53.0	48.8	63.1	55.0	51.1	53.3

Source: Institute for Supply Management

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