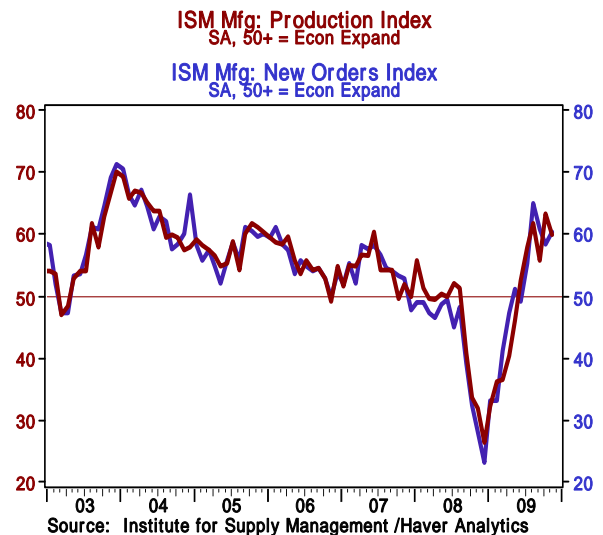
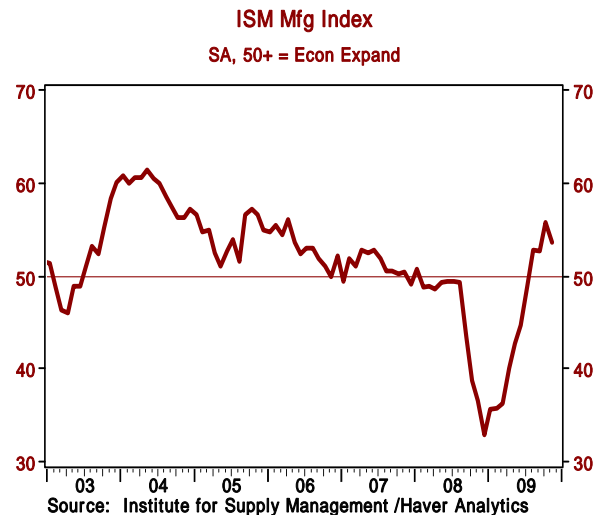


# NOVEMBER ISM MANUFACTURING INDEX

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- The ISM Manufacturing index declined to 53.6 in November from 55.7 in October. The consensus expected 55.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major components of the overall index remained above 50, signaling expansion, although most were not as much above 50 as last month. The new orders index increased to 60.3 from 58.5. The production index declined to 59.9 from 63.3. The employment index decreased to 50.8 from 53.1.
- The prices paid index fell to 55.0 in November from 65.0 in October.

**Implications:** The economic expansion continues. Although the ISM Manufacturing index pulled back some in November, this move follows a large gain in October and the index remains well above 50, signaling expansion in the industrial sector. The Institute for Supply Management, which publishes the report, says the manufacturing index is consistent with real economic growth at a roughly 4% annual rate. This is the fourth consecutive month the index has been above 50 and the second straight month the employment index has been above 50. On the inflation front, the prices paid index declined to 55.0 in November from 65.0. This signals that inflation pressure is still upward, although not quite as intense as in the prior two months. In other news this morning, construction was unchanged in October, better than the consensus expected decline of 0.5%. However, including revisions to previous months, construction was down about 3%. In October, strength in both improvements to existing homes as well as new single-family home building was offset by widespread weakness in the construction of business-related buildings. Pending home sales, which are contracts on existing homes, increased 3.7% in October, much better than the consensus expected decline of 1%. As a result, we anticipate that existing homes sales will be up again in November.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Nov-09	Oct-09	Sep-09	3-month moving avg	6-month moving avg	Year-ago level
<b>Business Barometer</b>	<b>53.6</b>	55.7	52.6	54.0	51.4	36.6
<b>New Orders</b>	<b>60.3</b>	58.5	60.8	59.9	58.2	28.1
<b>Production</b>	<b>59.9</b>	63.3	55.7	59.6	58.5	32.0
<b>Inventories</b>	<b>41.3</b>	46.9	42.5	43.6	38.2	40.1
<b>Employment</b>	<b>50.8</b>	53.1	46.2	50.0	47.1	34.3
<b>Supplier Deliveries</b>	<b>55.7</b>	56.9	58.0	56.9	55.1	48.6
<b>Order Backlog (NSA)</b>	<b>52.0</b>	53.5	53.5	53.0	51.5	27.0
<b>Prices Paid (NSA)</b>	<b>55.0</b>	65.0	63.5	61.2	58.9	25.5
<b>New Export Orders</b>	<b>56.0</b>	55.5	55.0	55.5	53.7	41.0

Source: National Association of Purchasing Management