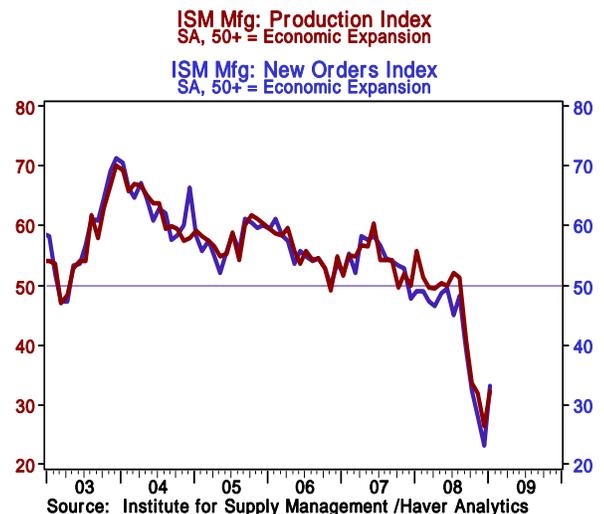
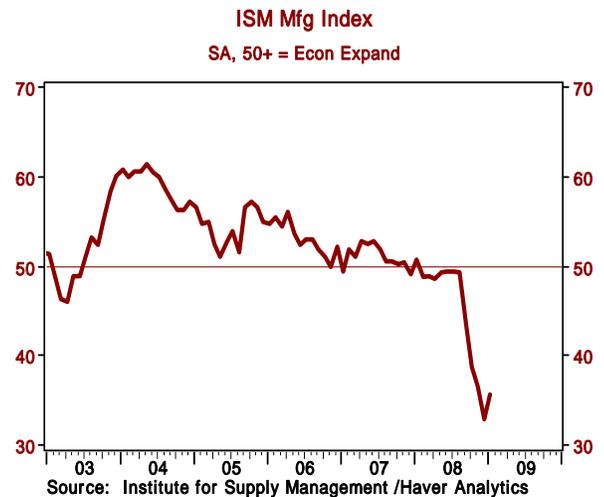


# JANUARY ISM MANUFACTURING INDEX

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- The ISM Manufacturing index increased to 35.6 in January from 32.9 in December. The consensus had expected a slight decline to 32.6. (Levels higher than 50 signal expansion; levels below 50 signal contraction).
- The output components of the overall index bounced from December lows. The index for new orders increased to 33.2 from 23.1; the production index increased to 32.1 from 26.3; and the employment index remained the same at 29.9.
- The prices paid index increased to 29.0 from 18.0, its first increase since June.

**Implications:** The US manufacturing sector continued to contract in January, but at a slower rate than in December. The sub-indexes for both production and new orders bounced from December levels, when they hit the lowest points ever recorded (dating back to 1948). The level of the index should continue to move upward, but will likely remain below 50 for at least the next few months as companies work off excess inventories. In other news this morning, construction fell 1.4% in December, a slightly larger decline than the consensus expected. As usual, weakness was most acute in the building of new homes. The building of business-related buildings fell overall but with lots of variation by sector. Building increased in the manufacturing and communication sectors but declined for power plants, offices, and retail. Government construction fell due to less paving of highways and roads. Construction was also revised down for October/November, suggesting real GDP growth in the fourth quarter is more likely to be revised down rather than up from the original estimate of -3.8% (released on Friday).



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Jan-09	Dec-08	Nov-08	3-month moving avg	6-month moving avg	Year-ago level
<b>Business Barometer</b>	<b>35.6</b>	32.9	36.6	35.0	39.4	50.8
<b>New Orders</b>	<b>33.2</b>	23.1	28.1	28.1	34.0	48.9
<b>Production</b>	<b>32.1</b>	26.3	32.0	30.1	36.1	55.7
<b>Inventories</b>	<b>37.5</b>	39.6	40.1	39.1	42.3	48.3
<b>Employment</b>	<b>29.9</b>	29.9	34.3	31.4	36.2	47.9
<b>Supplier Deliveries</b>	<b>45.3</b>	45.7	48.6	46.5	48.5	53.1
<b>Order Backlog (NSA)</b>	<b>29.5</b>	23.0	27.0	26.5	31.3	44.0
<b>Prices Paid (NSA)</b>	<b>29.0</b>	18.0	25.5	24.2	40.0	76.0
<b>New Export Orders</b>	<b>37.5</b>	35.5	41.0	38.0	44.0	58.5

Source: National Association of Purchasing Management

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