

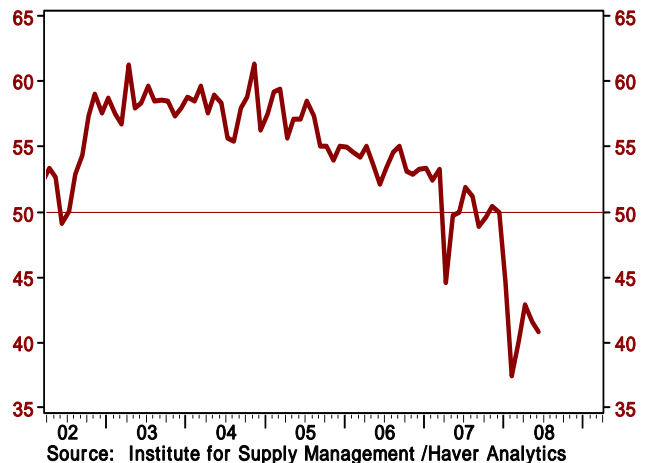
# MARCH ISM NON-MANUFACTURING INDEX

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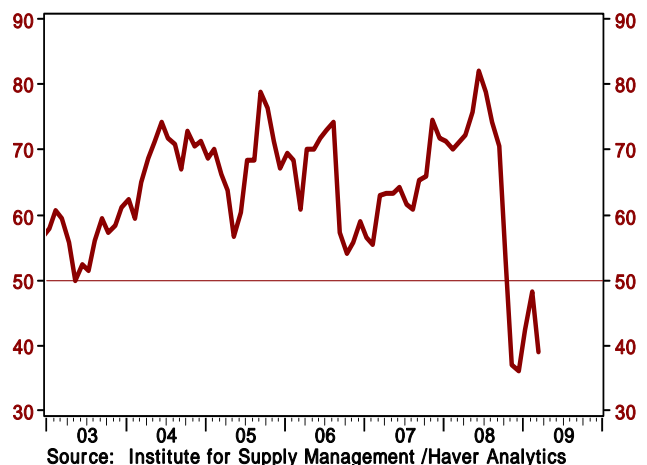
- The ISM Non-Manufacturing composite index declined to 40.8 in March from 41.6 in February. The consensus had expected a slight increase to 42.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major components of the composite index were mixed in March. The business activity index increased to 44.1 from 40.2 in February. The supplier deliveries index was unchanged at 48.0. The index for new orders declined 38.8 from 40.7 and the employment index fell to 32.3 from 37.3.
- The prices paid index declined to 39.1 in March from 48.1 in February.

**Implications:** The ISM Non-Manufacturing index declined slightly in March, but remained above levels seen late last year during the worst part of the recession. The most encouraging sign in today’s report was that the business activity index rebounded from last month’s decline. The reason the overall index fell in March can be fully attributed to the decline in the employment index, which was consistent with the data earlier today from the Labor Department. Both employment statistics are lagging indicators of economic performance. On the inflation front, the prices paid index dropped steeply in March to 39.1 from 48.1 in February. However, given all the liquidity the Federal Reserve is pumping into the financial system, we expect this to be temporary. Monetary velocity is reviving and has already started to translate the Fed’s liquidity injections into monthly gains in consumer prices. In the meantime, if price increases lag at the business level, this will give firms an opportunity to replenish profits in the months ahead, eventually boosting business investment and the demand for labor.

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



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



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Mar-09	Feb-09	Jan-09	3-month moving avg	6-month moving avg	Year-ago level
<b>Composite Index</b>	<b>40.8</b>	41.6	42.9	41.8	41.2	49.9
<b>Business Activity</b>	<b>44.1</b>	40.2	44.2	42.8	40.9	52.6
<b>New Orders</b>	<b>38.8</b>	40.7	41.6	40.4	40.0	50.6
<b>Employment</b>	<b>32.3</b>	37.3	34.4	34.7	35.2	47.3
<b>Supplier Deliveries (NSA)</b>	<b>48.0</b>	48.0	51.5	49.2	48.8	49.0
<b>Prices</b>	<b>39.1</b>	48.1	42.5	43.2	42.7	71.1

Source: Institute for Supply Management