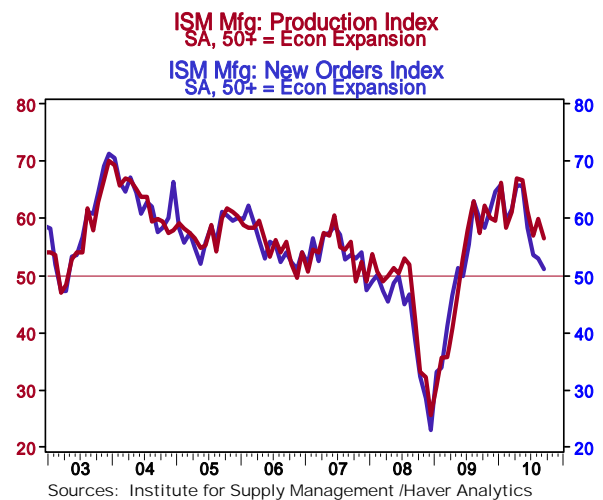
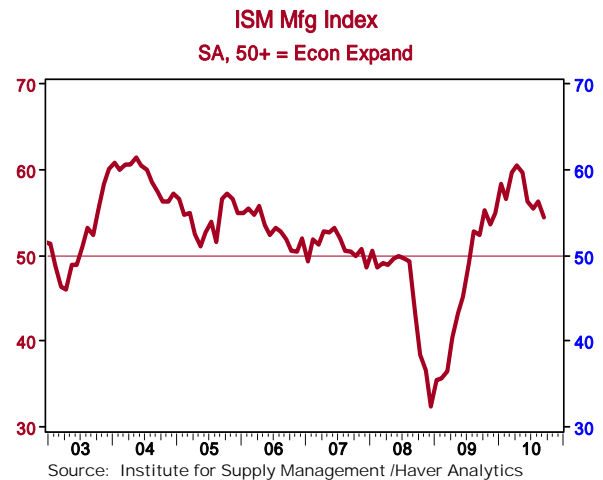


# SEPTEMBER ISM MANUFACTURING INDEX

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- The ISM Manufacturing index declined to 54.4 in September from 56.3 in August, falling just short of the consensus expected drop to 54.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were down in September but all are above 50.0, signaling continued growth. The employment index declined to 56.5 from 60.4 and the production index dipped to 56.5 from 59.9. The supplier deliveries index fell to 52.3 from 56.6, and the new orders index declined to 51.1 from 53.1.
- The prices paid index surged to 70.5 in September from 61.5 in August.

**Implications:** Manufacturing continued to grow in September, although not quite as quickly as in August. According to the Institute for Supply Management, which publishes the ISM report, an overall index level of 54.4 is consistent with real economic growth at a 4.2% annual rate. The sub-indexes of the report also continue to show growth. The employment index remains strong at 56.5, suggesting job growth continues in the manufacturing sector. The bad news in today's report was on inflation, where the prices paid index surged to 70.5. With gold and commodity prices signaling the Federal Reserve is too easy, we expect this reading of inflation to move higher in the months ahead. In other news this morning, construction increased 0.4% in August, beating the consensus expected decline of 0.4%. Including upward revisions to prior months, construction was up 0.8% in August. The increase in August was all due to government construction, led by paving roads as well as building bridges and sewage/waste plants. New housing construction declined sharply while home improvements surged. Commercial construction declined, led by power plants and retail structures.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Sep-10	Aug-10	Jul-10	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Business Barometer</b>	54.4	56.3	55.5	55.4	57.1	52.4
<i>New Orders</i>	51.1	53.1	53.5	52.6	57.9	59.9
<i>Production</i>	56.5	59.9	57.0	57.8	61.4	57.5
<i>Inventories</i>	55.6	51.4	50.2	52.4	49.7	41.2
<b>Employment</b>	56.5	60.4	58.6	58.5	58.6	46.5
<i>Supplier Deliveries</i>	52.3	56.6	58.3	55.7	57.8	56.8
<i>Order Backlog (NSA)</i>	46.5	51.5	54.5	50.8	54.4	53.5
<i>Prices Paid (NSA)</i>	70.5	61.5	57.5	63.2	67.0	63.5
<i>New Export Orders</i>	54.5	55.5	56.5	55.5	57.6	55.0

Source: National Association of Purchasing Management