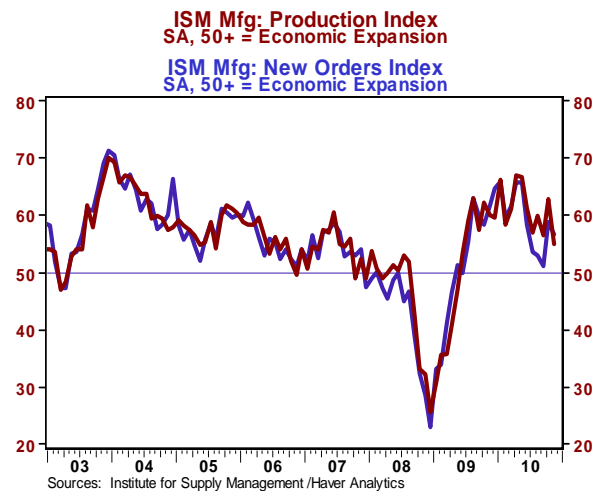
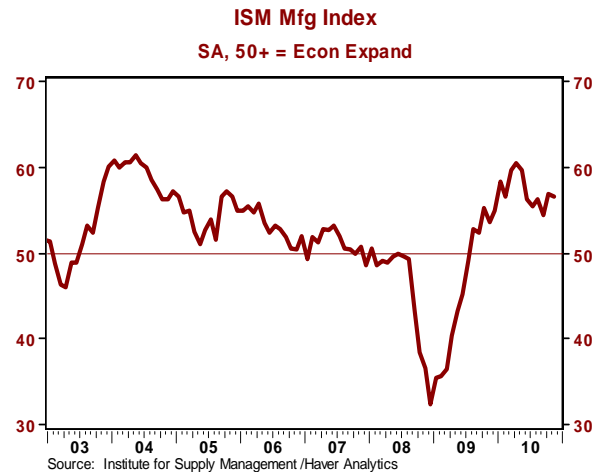


# NOVEMBER ISM MANUFACTURING INDEX

Chief Economist – Brian S. Wesbury  
Senior Economist – Robert Stein, CFA

- The ISM Manufacturing index ticked down slightly to 56.6 in November from 56.9 in October, but still beat the consensus expected decline to 56.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in November but all remain above well above 50.0, signaling continued growth. The supplier deliveries index increased to 57.2 from 51.2. The production index fell to 55.0 from 62.7, and the new orders index declined to 56.6 from 58.9. The employment index also fell slightly to 57.5 from 57.7.
- The prices paid index declined to 69.5 in November from 71.0 in October.

**Implications:** Manufacturing remained robust in November, coming in at a healthy level of 56.6, the second fastest rate in the past six months. The indexes for new orders, production, and employment all declined in November, but remain at high levels signaling growth. According to the Institute for Supply Management, which publishes the report, an overall index level of 56.6 is consistent with real economic growth at a 4.9% annual rate. On the inflation front, the prices paid index ticked down to 69.5 from an already elevated 71.0 in October. This reading shows that regardless of what the Federal Reserve is saying right now, inflation is likely to become a problem in the year ahead. In other news this morning, construction increased 0.7% in October, easily beating the consensus expected decline of 0.3%. Including downward revisions to prior months, construction still increased 0.1%. Beneath the headline gain were many large moves in the components of construction. Big gainers included home improvements, power plants (both private and public), and paving roads. Big losers included offices, general commercial structures (such as retail), manufacturing plants, and public high schools.



Institute for Supply Management Index	Nov-10	Oct-10	Sep-10	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
<b>Business Barometer</b>	<b>56.6</b>	56.9	54.4	56.0	56.0	53.7
<i>New Orders</i>	<b>56.6</b>	58.9	51.1	55.5	55.3	61.5
<i>Production</i>	<b>55.0</b>	62.7	56.5	58.1	58.8	60.2
<i>Inventories</i>	<b>56.7</b>	53.9	55.6	55.4	52.3	41.4
<b>Employment</b>	<b>57.5</b>	57.7	56.5	57.2	58.1	49.6
<i>Supplier Deliveries</i>	<b>57.2</b>	51.2	52.3	53.6	55.5	55.7
<i>Order Backlog (NSA)</i>	<b>46.0</b>	46.0	46.5	46.2	50.3	52.0
<i>Prices Paid (NSA)</i>	<b>69.5</b>	71.0	70.5	70.3	64.5	55.0
<i>New Export Orders</i>	<b>57.0</b>	60.5	54.5	57.3	56.7	56.0

Source: National Association of Purchasing Management