

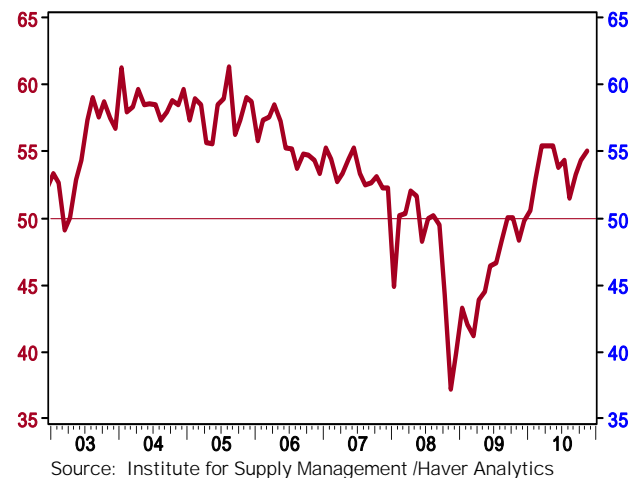
NOVEMBER ISM NON-MANUFACTURING INDEX

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

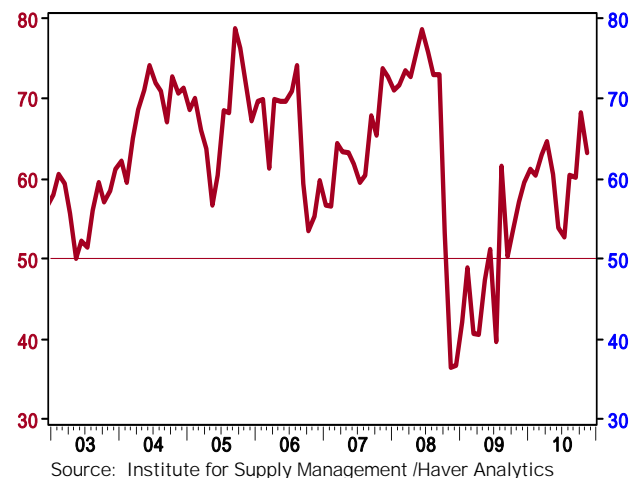
- The ISM non-manufacturing composite index rose to 55.0 in November from 54.3 in October, beating the consensus expected gain to 54.8. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- Most key sub-indexes were higher in November, and all remain at levels indicating economic growth. The new orders index increased to 57.7 from 56.7, the employment index rose to 52.7 from 50.9, and the supplier deliveries index rose to 52.5 from 51.0. The business activity index fell to a still strong 57.0 from 58.4 last month.
- The prices paid index fell to 63.2 in November from 68.3 in October.

Implications: The service sector rebound continues after the Summer swoon, with today's report beating expectations for the third month in a row. The ISM non-manufacturing index increased to 55.0 from 54.3 in October, showing that economic growth is continuing to accelerate into the end of the year. The most encouraging detail in the report was the employment index, which reached its highest level in over three years. The new orders index rose to 57.7 from 56.7 in October as well, which means the outlook for the service sector looks bright. On the inflation front, the prices paid index fell to 63.2 from 68.3 in October. Despite this drop, the index remains at elevated levels. In other recent news, automakers sold cars and light trucks at a 12.3 million annual rate in November. This is faster than the 12.1 million the consensus expected and 13% higher than a year ago. On the housing front, pending home sales – contracts on existing homes – soared 10.4% in October, the largest percentage increase for any month on record (dating back to 2001). This suggests existing home sales, which are counted at closing, will rebound sharply in November.

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



ISM: Nonmfg: Prices Index
SA, 50+ = Econ Expand



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Nov-10	Oct-10	Sep-10	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Composite Index	55.0	54.3	53.2	54.2	53.7	48.4
Business Activity	57.0	58.4	52.8	56.1	56.4	49.6
New Orders	57.7	56.7	54.9	56.4	55.5	53.7
Employment	52.7	50.9	50.2	51.3	50.4	41.7
Supplier Deliveries (NSA)	52.5	51.0	55.0	52.8	52.4	48.5
Prices	63.2	68.3	60.1	63.9	59.7	57.1

Source: Institute for Supply Management