

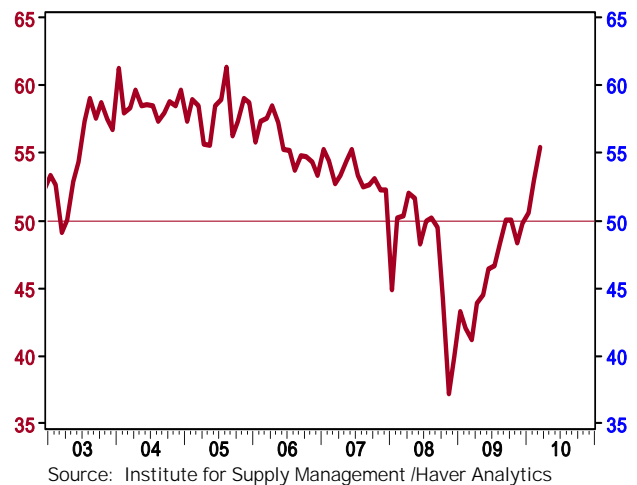
# MARCH ISM NON-MANUFACTURING INDEX

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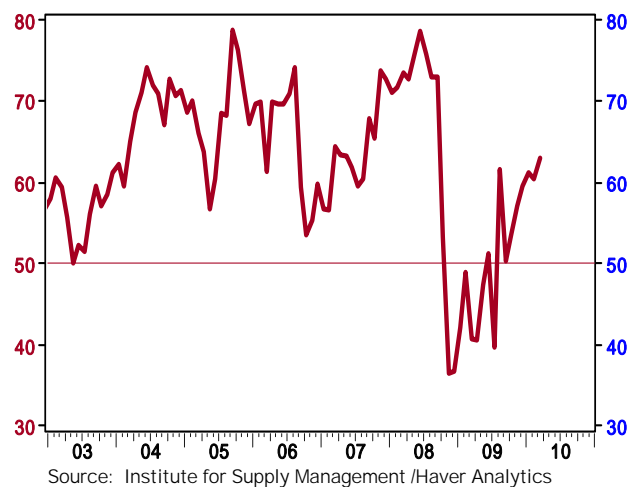
- The ISM Non-Manufacturing composite index spiked up to 55.4 in March, easily beating the consensus expected increase to 54.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The key sub-indexes were mostly up in March, some substantially. The business activity index increased to 60.0 from 54.8, the new orders index rose to 62.3 from 55.0, and the employment index rose to 49.8 from 48.6. The supplier deliveries index fell to 49.5 from 53.5.
- The prices paid index rose to 62.9 in March, the highest since Lehman Brothers collapsed, from 60.4 in February.

**Implications:** Not only is the manufacturing sector booming, but the rest of the economy is getting back to normal growth, too. The ISM Services index hit 55.4 in March, its highest level in almost four years. The business activity index, which has an even stronger statistical link with real GDP growth than the overall index, rose to 60.0, and the new orders index rose to 62.3 in March, both multi-year highs. On the inflation front, the prices paid index rose to 62.9, the highest level since Lehman Brothers collapsed and, along with other data, suggesting a large increase in producer prices in March. In other news this morning, pending home sales, which measure contracts on existing homes, increased 8.2% in February, much better than the consensus expected. In other recent news, autos and light trucks were sold at an 11.8 million annual rate in March, up 21% versus a year ago and the fastest pace since September 2008 (with the exception of the expiration of cash-for-clunkers in August 2009). This suggests a blow-out positive report next week on overall retail sales in March. The same can't be said for the construction sector, which continued to be the economy's weakest link. Construction fell 1.3% in February and declined an even larger 4.3% including downward revisions to prior months. The declines in February were widespread but led by residential improvements and street paving (which was probably influenced by record snowstorms on the East Coast).

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>	Mar-10	Feb-10	Jan-10	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Composite Index</b>	55.4	53.0	50.5	53.0	51.2	41.2
<b>Business Activity</b>	60.0	54.8	52.2	55.7	54.0	44.5
<b>New Orders</b>	62.3	55.0	54.7	57.3	55.3	39.4
<b>Employment</b>	49.8	48.6	44.6	47.7	45.0	32.8
<b>Supplier Deliveries (NSA)</b>	49.5	53.5	50.5	51.2	50.5	48.0
<b>Prices</b>	62.9	60.4	61.2	61.5	59.1	40.8

Source: Institute for Supply Management