

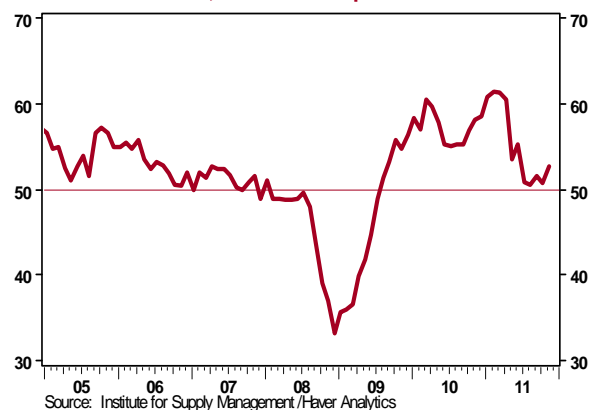
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Senior Economist
Strider Elass – Economic Analyst
Andrew Hull – Economic Analyst

November ISM Manufacturing Index

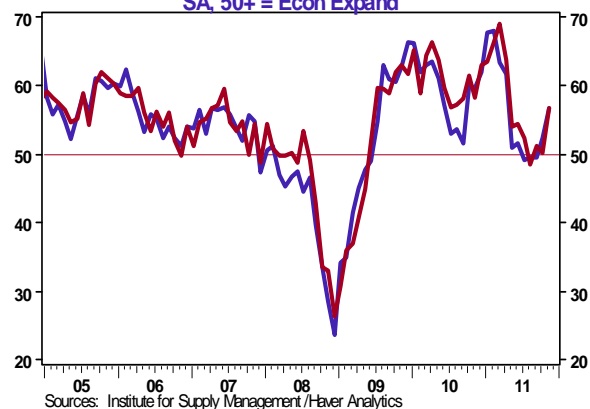
- The ISM manufacturing index increased to 52.7 in November from 50.8 in October, beating the consensus expected gain to 51.8. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in November, but most remain well above 50. The production index gained to 56.6 from 50.1 and the new orders index rose to 56.7 from 52.4. The employment index slipped to 51.8 from 53.5, while the supplier deliveries index also declined to 49.9 from 51.3.
- The prices paid index increased to 45.0 in November from 41.0 in October.

Implications: Very good reports today on manufacturing and construction. The manufacturing sector has now grown for 28 straight months and came in stronger than the consensus expected in November. Boding well for future months, new orders came in at a very strong 56.7, increasing for the second consecutive month after falling for three straight months before. The one sub-index that remains weak is inventories. The reluctance of manufacturers to accumulate inventories may stifle growth in the short term, but should add to growth in the future. On the inflation front, the prices paid index rose to 45.0 in November. A reading below 50 is a welcome sight, but we don't expect it to last. Monetary policy is very loose. In other news this morning, construction increased 0.8% in October and was up 1.4% including revisions to prior months. October growth in construction activity was led by home improvements, power plants, and office buildings. Upward revisions to past months show stronger home building and commercial construction. In other news this morning, new claims for unemployment insurance increased 6,000 last week to 402,000. The four-week moving average is 396,000 versus 440,000 in April/May. Continuing claims for regular state benefits rose 35,000 to 3.74 million. We anticipate that tomorrow's official Labor Department report will show private payrolls up 125,000 in November.

ISM Mfg: PMI Composite Index
 SA, 50+ = Econ Expand



ISM Mfg: Production Index
 SA, 50+ = Econ Expand
ISM Mfg: New Orders Index
 SA, 50+ = Econ Expand



Institute for Supply Management Index	Nov-11	Oct-11	Sep-11	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	52.7	50.8	51.6	51.7	52.0	58.2
New Orders	56.7	52.4	49.6	52.9	51.5	59.6
Production	56.6	50.1	51.2	52.6	52.2	58.2
Inventories	48.3	46.7	52.0	49.0	50.5	56.1
Employment	51.8	53.5	53.8	53.0	54.1	59.0
Supplier Deliveries	49.9	51.3	51.4	50.9	51.7	58.1
Order Backlog (NSA)	45.0	47.5	41.5	44.7	45.7	46.0
Prices Paid (NSA)	45.0	41.0	56.0	47.3	54.1	69.5
New Export Orders	52.0	50.0	53.5	51.8	52.3	57.0

Source: National Association of Purchasing Management