

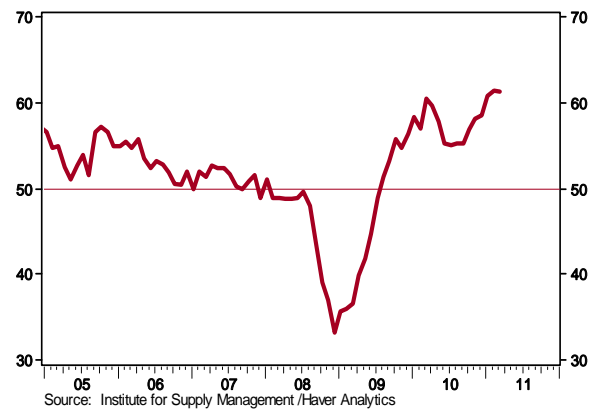
MARCH ISM MANUFACTURING INDEX

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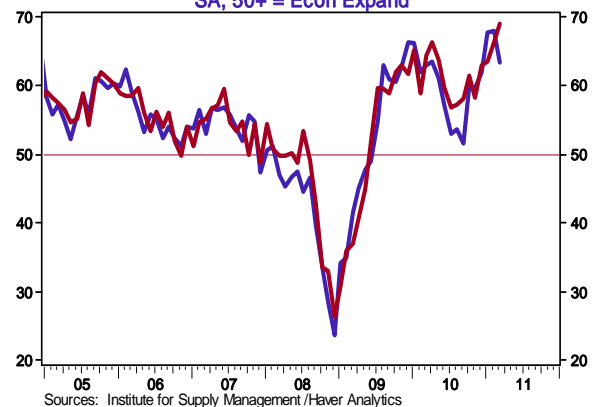
- The ISM Manufacturing index ticked down to 61.2 in March from 61.4 in February. The consensus expected a decline to 61.1. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in March, but all remain well above 50.0, signaling very strong growth. The supplier deliveries index increased to 63.1 from 59.4 and the production index increased to 69.0 from 66.3. The new orders index fell to 63.3 from 68.0 and the employment index also slipped to 63.0 from 64.5.
- The prices paid index increased to 85.0 in March from 82.0 in February.

Implications: Manufacturing is absolutely booming. With the exception of one month in 2004, the ISM index remains at levels last seen in 1983, when the economy was in the early stages of the huge 1980s recovery. The sub-indices all remain at very high levels signaling strength in the overall economy. The only bad news in today's report was on inflation, where the prices paid index rose to 85.0 from an already elevated 82.0 in February. The index is quickly approaching levels seen during the summer of 2008, when oil prices were spiking. The Fed's loose monetary policy continues to become more and more inappropriate as the recovery continues. In contrast to manufacturing, today's news on construction was not good. Total construction declined 1.4% in February and fell 3.9% including downward revisions to prior months. The decline in February was concentrated in home building. Government construction also fell, led by schools and water treatment plants. Commercial construction increased, led by power plants and manufacturing facilities. In other recent news, the Case-Shiller index, a measure of home prices for the 20 largest metro areas, declined 0.2% in January and is down 3.1% versus a year ago. The consensus expected a larger 0.4% decline in January.

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



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



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Mar-11	Feb-11	Jan-11	3-month moving avg	6-month moving avg	Year-ago level
Business Barometer	61.2	61.4	60.8	61.1	59.5	60.4
<i>New Orders</i>	63.3	68.0	67.8	66.4	63.4	62.9
<i>Production</i>	69.0	66.3	63.5	66.3	63.6	64.3
<i>Inventories</i>	47.4	48.8	52.4	49.5	51.6	54.7
<i>Employment</i>	63.0	64.5	61.7	63.1	60.8	55.8
<i>Supplier Deliveries</i>	63.1	59.4	58.6	60.4	58.0	64.1
<i>Order Backlog (NSA)</i>	52.5	59.0	58.0	56.5	51.4	58.0
<i>Prices Paid (NSA)</i>	85.0	82.0	81.5	82.8	76.9	75.0
<i>New Export Orders</i>	56.0	62.5	62.0	60.2	58.8	61.5

Source: National Association of Purchasing Management