

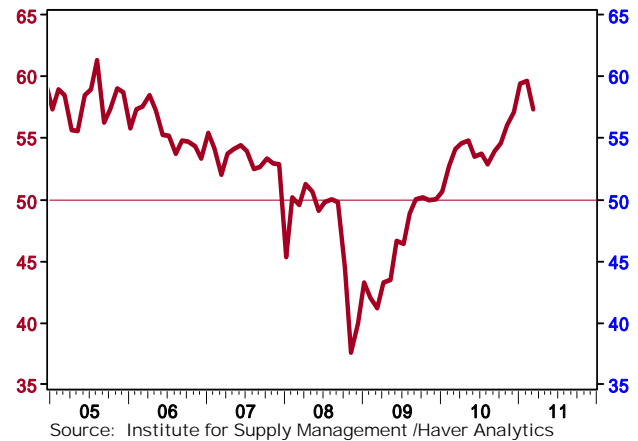
# MARCH ISM NON-MANUFACTURING INDEX

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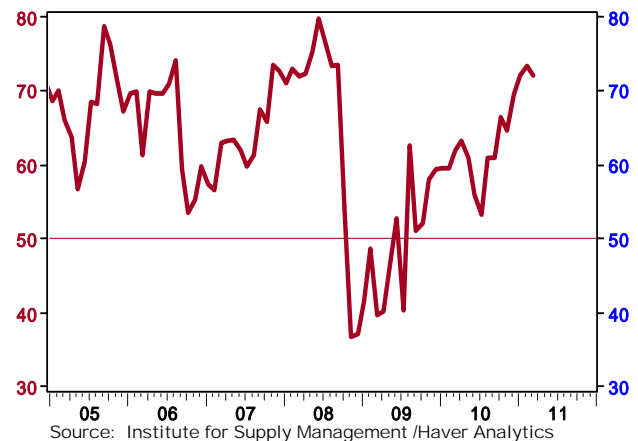
- The ISM non-manufacturing composite index declined to 57.3 in March from 59.7 in February, weaker than the consensus expected dip to 59.5. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The key sub-indexes were lower in March than in February, but all remain at levels indicating robust economic growth. The business activity index declined to 59.7 from 66.9 and the employment index slipped to 53.7 from 55.6. The new orders index fell slightly to 64.1 from 64.4 and the supplier deliveries index fell to 51.5 from 52.0.
- The prices paid index dropped to a still high 72.1 in March from 73.3 in February.

**Implications:** Today’s ISM services report fell short of expectations for March. However, at 57.3 – well above the dividing line between expansion and contraction – the level of the overall index is telling us the service sector of the economy is still growing rapidly. The index has been solidly above 50 for 16 consecutive months now. The sub-indexes of the report tell a similar story. All of them fell in March but remain solidly above 50. The business activity index, which has a strong correlation with real GDP growth, fell to 59.7 from 66.9 in February, and the new orders index fell to 64.1 from 64.4 in February. On the inflation front, the prices paid index fell to a still very high 72.1 from 73.3. Excluding last month, the prices paid index is at the highest level since the financial panic began in 2008. We expect this measure of price inflation to remain high as the Federal Reserve clings to its overly loose monetary policy. In other recent news, autos and light trucks were sold at a 13.1 million annual rate in March. This is a decline of 2.4% versus February, but sales are still up 11.8% compared to a year ago. We expect auto sales to remain in a rising trend as the labor market keeps improving and consumers’ financial obligations (debt service and other monthly payments) are the lowest share of income since 1995.

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-11	Feb-11	Jan-11	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Composite Index</b>	<b>57.3</b>	59.7	59.4	58.8	57.4	54.1
<b>Business Activity</b>	<b>59.7</b>	66.9	64.6	63.7	62.0	58.1
<b>New Orders</b>	<b>64.1</b>	64.4	64.9	64.5	61.7	61.0
<b>Employment</b>	<b>53.7</b>	55.6	54.5	54.6	53.7	47.9
<b>Supplier Deliveries (NSA)</b>	<b>51.5</b>	52.0	53.5	52.3	52.0	49.5
<b>Prices</b>	<b>72.1</b>	73.3	72.1	72.5	69.7	62.0

Source: Institute for Supply Management

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