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Data Watch

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NOVEMBER ISM NON-MANUFACTURING INDEX

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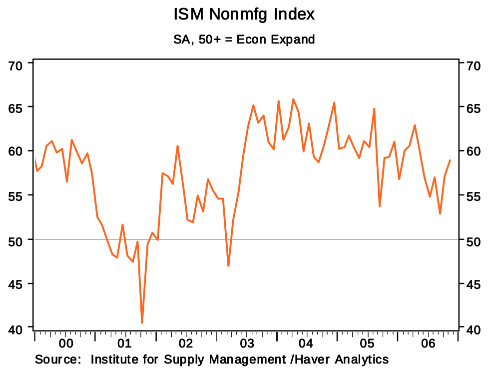
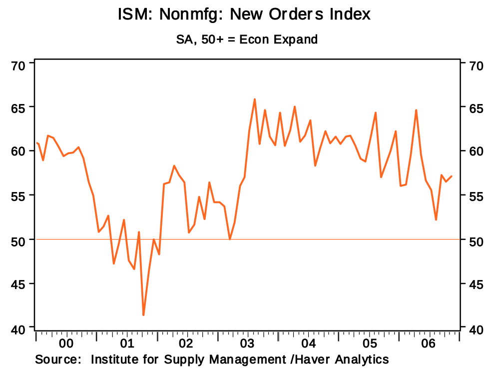
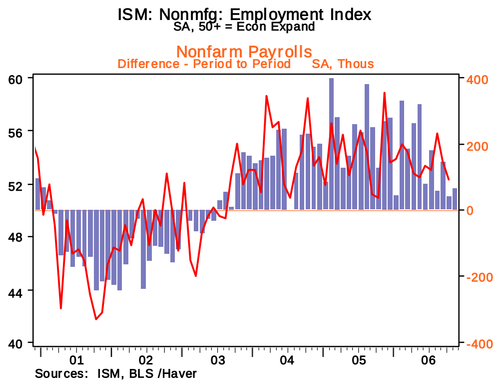
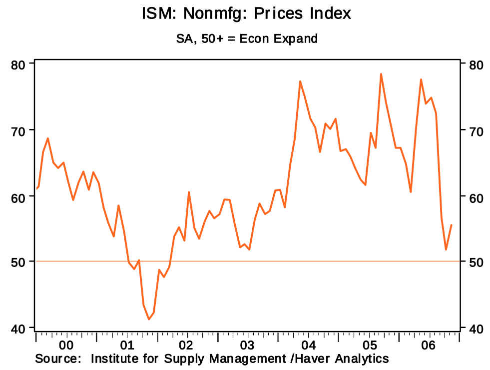
- The ISM non-manufacturing business barometer (a measure of growth in the services sector) increased to 58.9 in November (the highest level in six months) from 57.1 in October. This beat the consensus forecast, which expected a drop to 55.5
- The new orders component increased to 57.1 from 56.5 while employment increased to 51.6 from 51.0. The employment index has been above 50 for 41 consecutive months.
- The prices paid component increased from 51.9 in October to 55.6 in November.









Implications: Once again the ISM non-manufacturing index exceeded expectations. Despite a slowdown in housing and autos, the service sector is rebounding from some slight weakness in Q3 - the ISM non-manufacturing index averaged 58.0 in October and November, which was above the Q3 average of 54.9. This good news supports our view that real GDP growth will be stronger in Q4 than in Q3, and the US economy will enter 2007 with solid momentum. At present, the economy is making a transition from big-ticket interest-sensitive items like automobiles and homes – "comfort food" for US consumers – to the purchases people typically make in a normal interest-rate environment. It's also worth pointing out that the recent lull in growth has coincided with a shift away from sectors of the economy (manufacturing and construction) that are easy to measure toward sectors that generate outputs that are harder to measure (services). With strong gains in productivity, record corporate profits, and continued investment, the economy remains in good shape despite weakness in housing and autos.

Non-Manufacturing ISM Index *seasonally adjusted unless indicated*	**Nov-06**	**Oct-06**	**Sep-06**	**3-mo moving avg**	**6-mo moving avg**	**Yr ago level**
Business Barometer	58.9	57.1	52.9	56.3	56.3	59.3
New Orders	57.1	56.5	57.2	56.9	55.9	60.0
Employment	51.6	51.0	53.6	52.1	52.4	56.7
Prices	55.6	51.9	56.7	54.7	64.2	70.8
Supplier Deliveries ***(not seasonally adjusted)***	50.0	54.5	54.0	52.8	53.8	60.5
Inventory Change ***(not seasonally adjusted)***	51.5	53.0	50.5	51.7	51.8	54.0
Orders Backlog ***(not seasonally adjusted)***	54.5	51.5	53.0	53.0	53.3	54.0
Imports ***(not seasonally adjusted)***	59.5	57.5	55.0	57.3	58.0	56.5

Source: Institute for Supply Management