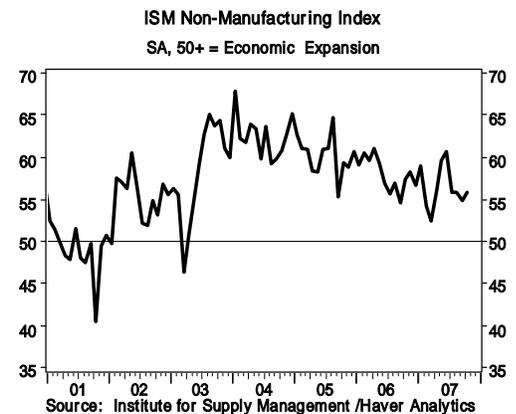


OCTOBER IS M NON-MANUFACTURING INDEX

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- The ISM non-manufacturing business barometer (a measure of production growth in the services sector) increased to 55.8 in October from 54.8 in September. The consensus expected a decline to 54.0. Levels above 50 signal expansion and levels below 50 signal contraction in the services sector.
- On the positive side, the new orders index increased to 55.7 from 53.4 and the index for new export orders rose to 56.0 from 50.0 in September.
- On the negative side, the backlog of orders fell to 43.5 from 47.0 in September and the employment index, while still above 50, declined to 51.8 from 52.7.
- The prices paid component declined to 63.5 in October from 66.1 in September.

Implications: The U.S. service sector got stronger in October. The ISM Non-Manufacturing Index at 55.8 is consistent with our view that the U.S. economy is growing at a 3% annual rate in the fourth quarter. Combined with Friday's Labor Department report, which showed an October payroll increase of 166,000, there is little evidence that the so-called "credit crunch" is causing significant economic weakness. The pain in the housing industry is being offset by strength in other sectors.



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Oct-07	Sep-07	Aug-07	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	55.8	54.8	55.8	55.5	57.1	57.4
New Orders	55.7	53.4	57.0	55.4	55.5	55.8
Employment	51.8	52.7	47.9	50.8	52.3	51.8
Prices	63.5	66.1	58.6	62.7	63.6	52.6
Supplier Deliveries (NSA)	50.0	50.5	50.5	50.3	50.4	54.5
Inventory Change (NSA)	49.5	50.0	57.0	52.2	54.2	53.0
Orders Backlog (NSA)	43.5	47.0	50.0	46.8	48.0	51.5
Imports (NSA)	55.5	51.0	55.0	53.8	54.8	57.5

Source: Institute for Supply Management