

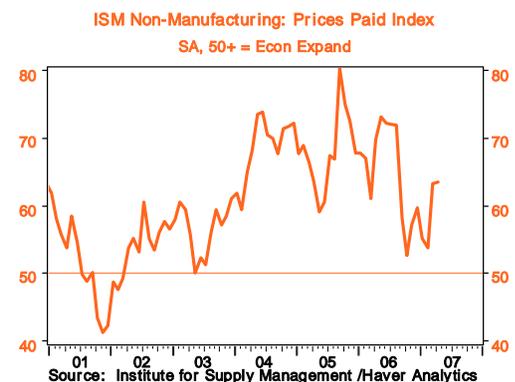
## APRIL ISM NON-MANUFACTURING INDEX

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- The ISM non-manufacturing business barometer (a measure of production growth in the services sector) increased to 56.0 in April from 52.4 in March. The consensus expected a smaller gain to 53.0. (Readings above 50 signal expansion.)
- The new orders index increased to 55.5 in April, the highest level in three months, from 53.8 in March. The employment component rose to 51.9 from 50.8.
- The prices paid component ticked up to 63.5, the highest level in eight months.



**Implications:** Following in the footsteps of Tuesday's upside surprise in the ISM manufacturing index, today's strong ISM non-manufacturing index suggests the economy is accelerating out of the temporary slowdown of the past year. Both ISM reports signal faster growth and higher inflation. In other news this morning, claims for unemployment benefits suggest continued strength in the labor market. New claims for jobless benefits fell to 305,000 last week, the second lowest level since last summer. Continuing claims for jobless benefits fell 93,000 versus a gain of 59,000 the week before. Trouble is, the one-week spike in continuing claims was the same week used for the April employment report (to be released tomorrow morning). Largely based on that one-week spike, we anticipate tomorrow's employment report will show payroll gains of only 50,000 for April. However, March gains were originally reported at 180,000 and the tendency has been for original payroll estimates to be revised upward substantially. And with the spike in continuing claims already unwound, we expect strong payroll numbers for May.



<b>Non-Manufacturing ISM Index</b> <i>Seasonally Adjusted Unless Noted</i>	<b>Apr-07</b>	<b>Mar-07</b>	<b>Feb-07</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>Year-ago level</b>
<b>Business Barometer</b>	<b>56.0</b>	52.4	54.3	54.2	56.1	61.1
<b>New Orders</b>	<b>55.5</b>	53.8	54.8	54.7	55.2	61.6
<b>Employment</b>	<b>51.9</b>	50.8	52.2	51.6	52.0	56.9
<b>Prices</b>	<b>63.5</b>	63.3	53.8	60.2	58.8	69.8
<b>Supplier Deliveries (NSA)</b>	<b>51.0</b>	50.0	52.5	51.2	51.3	54.5
<b>Inventory Change (NSA)</b>	<b>52.0</b>	52.0	50.5	51.5	51.1	59.0
<b>Orders Backlog (NSA)</b>	<b>50.0</b>	52.5	47.0	49.8	50.2	54.0
<b>Imports (NSA)</b>	<b>52.5</b>	50.0	54.0	52.2	55.0	57.0

Source: Institute for Supply Management