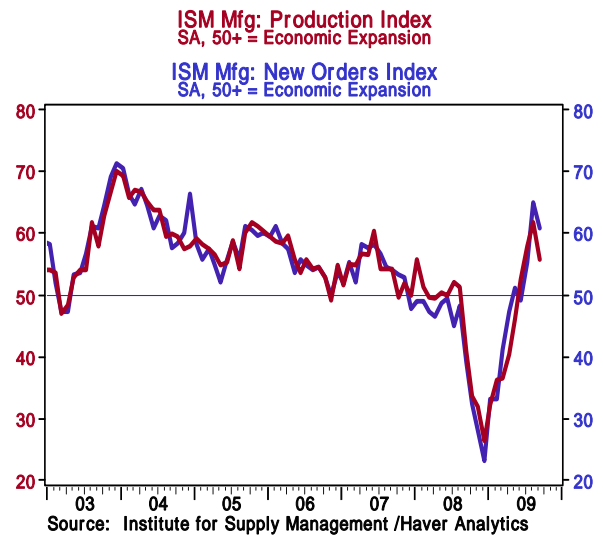
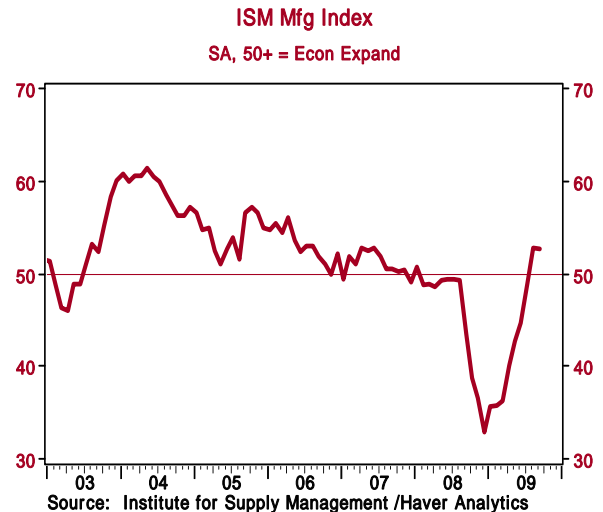


SEPTEMBER ISM MANUFACTURING INDEX

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- The ISM Manufacturing index declined to 52.6 in September from 52.9 in August. The consensus expected an increase to 54.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- Most of the output components of the overall index declined in September, although most remained above 50.0. The new orders index fell to 60.8 from 64.9, the production index decreased to 55.7 from 61.9, and the employment index dropped to 46.2 from 46.4. The supplier deliveries index increased to 58.0 from 57.1.
- The prices paid index declined to 63.5 in September from 65.0 in August.

Implications: The ISM Manufacturing index fell short of consensus expectations, but remained above 50, signaling expansion. Given the depth of the recession and how low the overall index was several months ago, the fact that the index is above 50 for two straight months is a very positive sign. An average of 52.8 over the past two months is the highest since 2006. We expect the index to continue to show growth in the manufacturing sector in the months ahead. According to the Institute for Supply Management, an index reading of 52.6 is consistent with an annual rate of real GDP growth of 3.6%. Although the prices paid index fell in September, it remained at elevated levels suggesting that inflation will become a greater problem in the year ahead. In other news this morning, construction increased 0.8% in August versus a consensus expected decline of 0.2%. However, public construction and business construction were revised down substantially for prior months. The strength in August was largely due to improvements to existing homes. In addition, the construction of new single-family homes increased for the third straight month, signaling the end of the long bust in home building that started in 2006. Meanwhile, pending home sales (a measure of contracts on existing homes) soared 6.4% in August. This suggests a major rebound in existing home sales in September.



Institute for Supply Management Index	Sep-09	Aug-09	Jul-09	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	52.6	52.9	48.9	51.5	47.0	43.4
New Orders	60.8	64.9	55.3	60.3	54.8	39.2
Production	55.7	61.9	57.9	58.5	52.4	41.0
Inventories	42.5	34.4	33.5	36.8	34.6	44.0
Employment	46.2	46.4	45.6	46.1	41.3	40.9
Supplier Deliveries	58.0	57.1	52.0	55.7	52.1	51.8
Order Backlog (NSA)	53.5	52.5	50.0	52.0	48.7	35.0
Prices Paid (NSA)	63.5	65.0	55.0	61.2	51.5	53.5
New Export Orders	55.0	55.5	50.5	53.7	50.4	52.0

Source: National Association of Purchasing Management

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