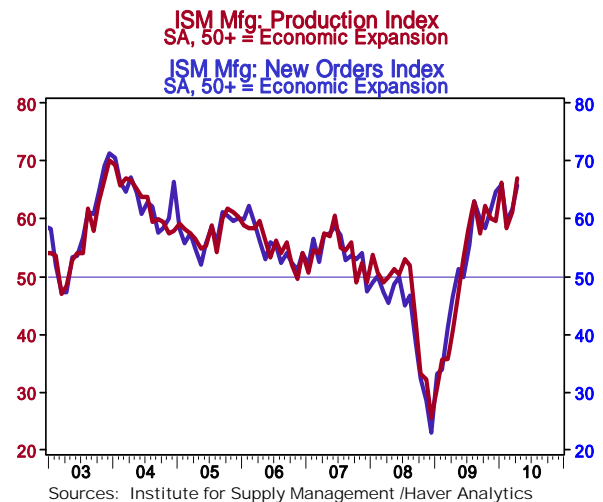
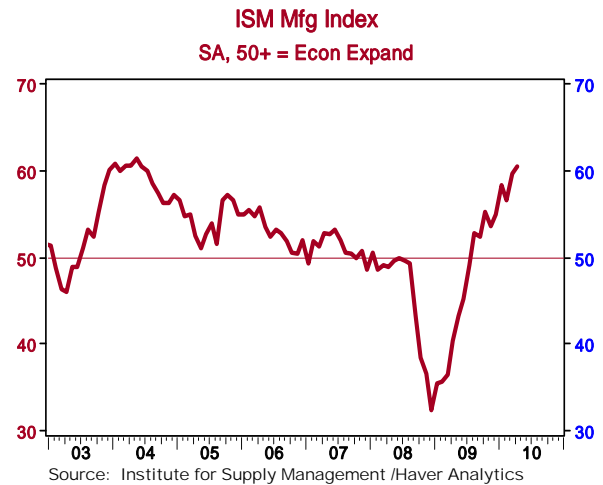


APRIL ISM MANUFACTURING INDEX

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- The ISM Manufacturing index increased to 60.4 in April from 59.6 in March, narrowly beating the consensus expected level of 60.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- Most of the major sub-components increased in April. New orders and production rose strongly in April, to 65.7 and 66.9, respectively. The employment index made a large gain to 58.5 from 55.1. The supplier deliveries index fell to 61.3 from 64.9, but is still well above 50, signaling a growing need to build out capacity.
- The prices paid index rose to 78.0 in April from 75.0 in March.

Implications: Today's report confirms the manufacturing sector continues to boom and the V-shaped recovery rolls on. The ISM manufacturing index rose to its highest level since 2004 and, according to the Institute for Supply Management, an index reading of 60.4 is consistent with real GDP growth of 6.2% annually. This bolsters our forecast that real GDP is growing at a 6% annual rate in Q2. Future prospects for manufacturing look promising as well, with the new orders index rising to 65.7. The supplier delivery index ticked down slightly to 61.3, yet remains elevated, indicating slow delivery times as suppliers have been caught off guard by the strength of the recovery. Unfortunately, the prices paid index shows inflation in the manufacturing sector. The index rose to 78.0, the highest level since the summer of 2008, when oil prices spiked dramatically. The Federal Reserve should be more focused on data such as these, not the unemployment rate, and should be lifting interest rates accordingly. In other news this morning, construction increased 0.2% in March, which was better than the small decline the consensus expected. However, all the increase was due to government, led by power facilities, paving roads, and building airport runways. Residential building declined 1.1%, due to a large drop in home improvements, which are volatile from month to month. Commercial construction declined 0.7%, led downward by power plants and communications facilities.



Institute for Supply Management Index	Apr-10	Mar-10	Feb-10	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	60.4	59.6	56.5	58.8	57.3	40.4
<i>New Orders</i>	65.7	61.5	59.5	62.2	63.2	46.5
<i>Production</i>	66.9	61.1	58.4	62.1	62.1	41.0
<i>Inventories</i>	49.4	55.3	47.3	50.7	47.2	33.7
<i>Employment</i>	58.5	55.1	56.1	56.6	53.8	35.0
<i>Supplier Deliveries</i>	61.3	64.9	61.1	62.4	60.0	45.9
<i>Order Backlog (NSA)</i>	57.5	58.0	61.0	58.8	55.8	40.5
<i>Prices Paid (NSA)</i>	78.0	75.0	67.0	73.3	67.8	32.0
<i>New Export Orders</i>	61.0	61.5	56.5	59.7	58.0	44.0

Source: National Association of Purchasing Management