

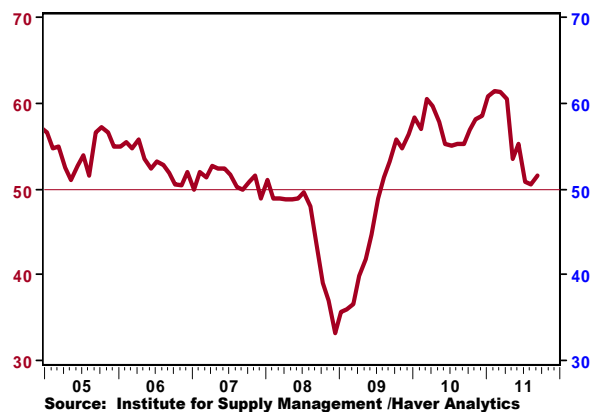
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September ISM Manufacturing Index

- The ISM manufacturing index rose to 51.6 in September from 50.6 in August, easily beating the consensus expected decline to 50.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mostly higher in September. The production index rose to 51.2 from 48.6 and the employment index increased to 53.8 from 51.8. The new orders index was unchanged at 49.6 and the supplier deliveries index rose to 51.4 from 50.6.
- The prices paid index rose to 56.0 in September from 55.5 in August.

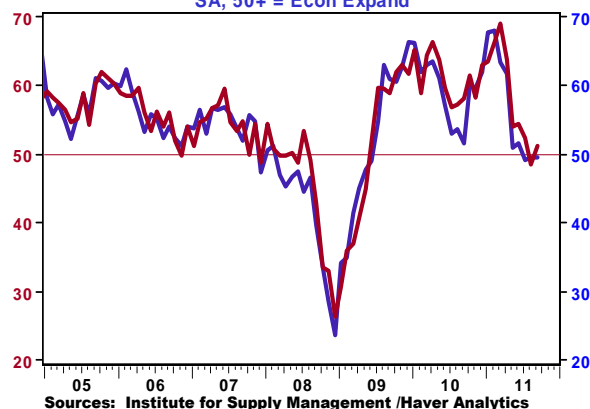
Implications: Today's reports on manufacturing and construction show absolutely no sign of recession. Not only did the ISM manufacturing index beat consensus expectations, but it climbed to its highest level in three months. The September index reading of 51.6 shows that growth in the manufacturing sector is accelerating, not declining. An index level of 51.6 correlates with 3.2% real GDP growth according to the Institute for Supply Management, which publishes the report. Given recent market volatility and fears of potential defaults in Europe, many regional manufacturing surveys have been beaten down. But like today's ISM report (and Friday's Chicago PMI), we expect these manufacturing surveys to bounce back, as they often reflect sentiment rather than real business activity during times of uncertainty. In other news this morning, construction spending increased 1.4% in August, easily beating consensus expectations of a 0.2% decline. Including revisions to prior months, construction spending was up 1.2%. The largest gain in August came from state and local construction, particularly high schools and bridges. Home building rose due to both single-family construction and home improvements. A gain in commercial construction was led by power plants.

ISM Mfg: PMI Composite Index
 SA, 50+ = Econ Expand



ISM Mfg: Production Index
 SA, 50+ = Econ Expand

ISM Mfg: New Orders Index
 SA, 50+ = Econ Expand



Institute for Supply Management Index	Sep-11	Aug-11	Jul-11	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	51.6	50.6	50.9	51.0	53.7	55.3
New Orders	49.6	49.6	49.2	49.5	52.1	51.6
Production	51.2	48.6	52.3	50.7	54.1	58.1
Inventories	52.0	52.3	49.3	51.2	51.7	56.0
Employment	53.8	51.8	53.5	53.0	56.7	56.9
Supplier Deliveries	51.4	50.6	50.4	50.8	54.1	53.8
Order Backlog (NSA)	41.5	46.0	45.0	44.2	48.8	46.5
Prices Paid (NSA)	56.0	55.5	59.0	56.8	66.8	70.5
New Export Orders	53.5	50.5	54.0	52.7	54.8	54.5

Source: National Association of Purchasing Management