

## Economics Group

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### ISM Non-Manufacturing: Highest Reading in Over Four Years

**The ISM non-manufacturing survey rose sharply in December to 57.1, the highest reading since May 2006. The increase was driven by improvement in business activity and new orders. Price pressures persist.**

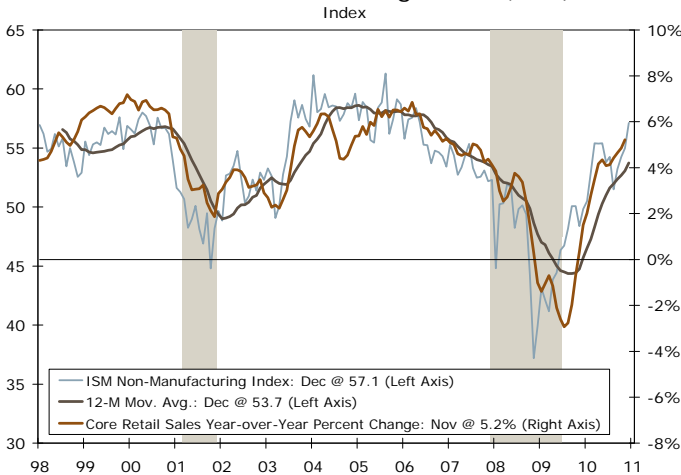
#### Composite Index Increases More Than Expected

- The headline composite index increased 2.1 points to 57.1, the highest reading in over four years. Given the significant improvement in the headline index, retail sales will likely continue to show strength in the coming report.
- Within the composite index, 14 of 18 industries reported increased activity in November which is a vast improvement from the seven industries indicating growth a year ago.

#### Employment Remains in Expansion Territory

- While the employment component fell 2.2 points to 50.5, it remains in expansion territory. In contrast, the ADP employment report showed a strong increase of 297K jobs. Despite ADP's limited history of data and somewhat spotty forecasting record, the greatest amount ADP has over predicted nonfarm payrolls is by 159K in July 2004. Our Dec. nonfarm employment forecast remains at an increase of 156K jobs.

ISM Non-Manufacturing Index (NMI)



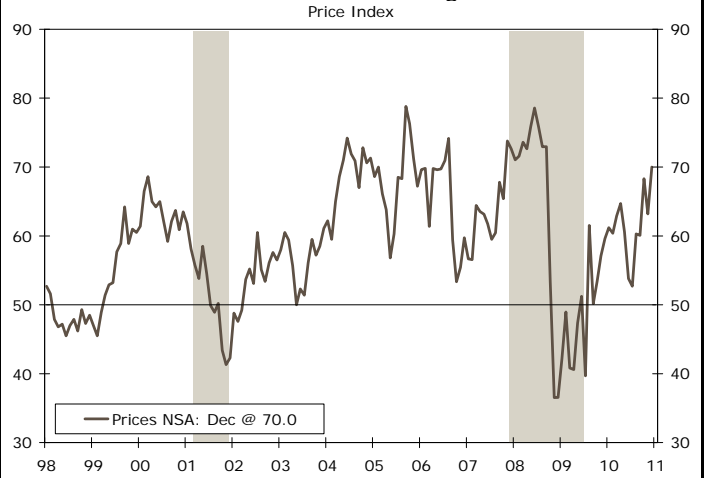
ISM Non-Manufacturing Employment



ISM Non-Manufacturing New Orders



ISM Non-Manufacturing Index



## Wells Fargo Securities, LLC Economics Group

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