

MEMORANDUM

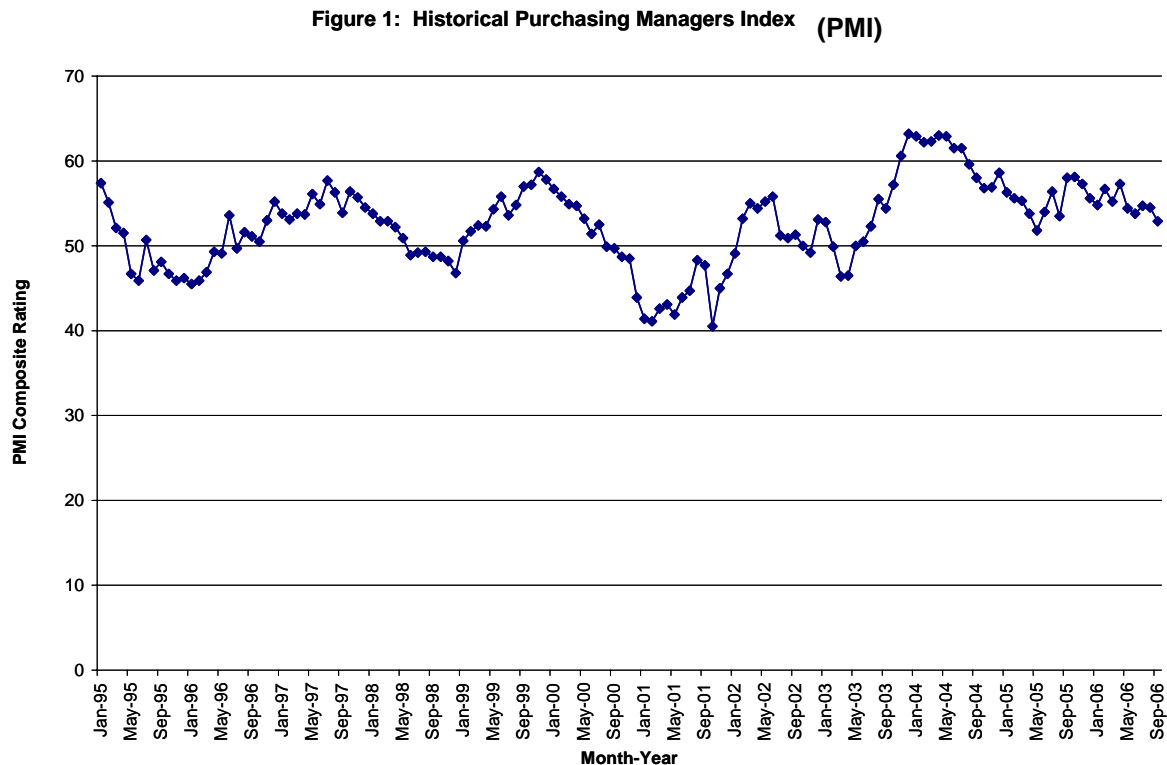
Date: October 26, 2006

Subject: Purchasing Mangers Index

To: Professor Ford

From: Chris Bolanos

- 1) Figure 1 is a graph of the Purchasing Managers Series since 1995 by month. The data used was acquired from Institute for Supply Management website on October 26, 2006.



- 2) The mean PMI rating from January 1995 to September 2006 is ~52.6. The median, or typical, rating of the series is 53.1. In the beginning of 1996 ratings began to increase, but spiked down near the beginning of 1998, but began a strong rise until about October 1999. In October 1999 a sharp decline dropped the PMI down to over ten year lows. This decline could easily be tied to the terrorist attacks of 9-11. After some volatility, the beginning of 2004 showed over ten year highs, which has declined since then. The past two years has had volatility, but has a flattening trend.
- 3) Currently, we are remaining above the 50 rating, meaning a period of economic expansion. The past two years have been up and down a bit, but never dipped below the 50 mark, meaning we have been expanding the entire time. In addition, the trend appears to be flattening out, which would indicate an even expansion, lacking in surges. It would be safe to say we are in an expansionary period, but are very near the important rating of 50, which means the possibility of economic recession is a real concern.