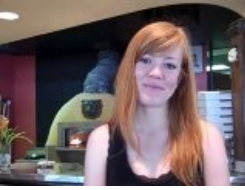


## US SERVICE INDUSTRY EXPANDS AT THE SLOWEST PACE SINCE JANUARY OF 2010



In the month of November, the service industries in the US expanded at the slowest pace since January of 2010 as employment cooled, a sign that improvement in the biggest part of the economy will be uneven. The Tempe, Arizona-based group said yesterday that the Institute for Supply Management's non-manufacturing index unexpectedly fell to 52 last month from 52.9 in October. The median forecast in the Bloomberg News survey called for a gain to 53.9. Fifty is the diving line between expansion and contraction. Falling home prices, slow wage growth and limited job gains may make it very difficult for households to sustain the pace of spending after the holiday shopping season. For companies, Europe's debt crisis and a lack of clarity on the US budget deficit and taxes remain obstacles to investment and in hiring. "The economy continues to muddle along at a moderate pace," said Richard DeKaser, who is the deputy chief economist at Parthenon Group Inc. in Boston, who also projected a reading of 51.5. "The economic fundamentals are reasonably strong but are being stymied by the elevated uncertainty." Stocks rose, adding to the best weekly gain since 2009, as Germany and France pushed for a new European Union treaty to try and combat the debt crisis. At the close in New York, the Standard & Poor's 500 Index (SPX) climbed 1 percent to 1,257.08. A slow economy in European remains a risk for American companies. European services and manufacturing output contracted more in the month of November that was initially estimated. The London-based Markit Economics said today that a euro-area composite index, that is based on a survey of purchasing managers in both industries rose to 47 from 46.5 in October. That is less than an initial estimate of 47.2 on November 23 and the third monthly reading below 50, indicating contraction. Companies may struggle to sustain the sales as global economies weaken. China's official manufacturing PMI that was released last week fell to 49 in November from 50.4 in the previous month, the first contraction since February of 2009. UK manufacturing output also shrank last month. The financial crisis in the euro zone will weigh on the US economy through early 2012, Jan Hatzius, who is the chief economist for Goldman Sachs Group Inc., said during a conference call last week. The US economy will expand at a 1 percent annual pace during the first half of 2012, said Hatzius. He also said that the euro-area will contract 0.8 percent during 2012. The Commerce Department said yesterday that, in October, American factories received fewer orders for a second month. Bookings dropped 0.4 percent after a revised 0.1 percent decreased that was previously estimated as a gain. Estimates of the 79 economists in the Bloomberg survey for the ISM services report ranged somewhere from 51.5 to 55.