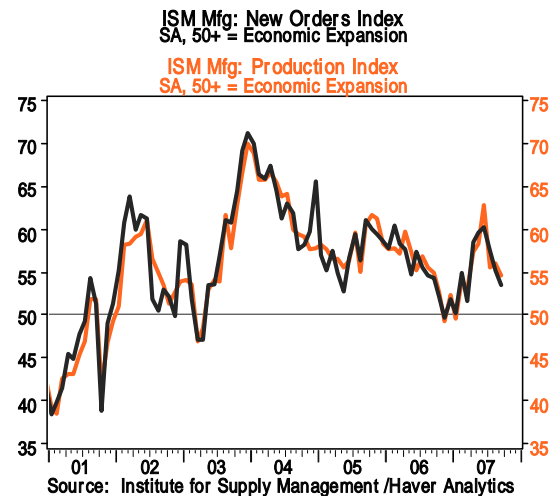
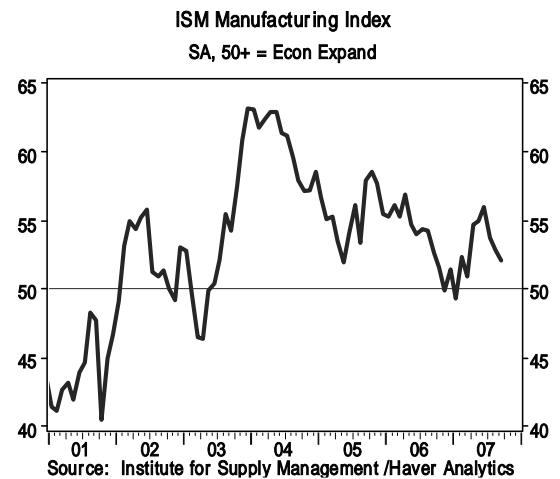


## SEPTEMBER ISM MANUFACTURING INDEX

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- The ISM Manufacturing index declined to 52.0 in September from 52.9 in August. The consensus expected a decline to 52.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The components of the overall index were mixed, with lower readings for production, new orders, and new export orders. The indexes increased for employment, supplier deliveries, and the backlog of orders.
- The prices paid index declined to 59.0 from 63.0, but remains at an elevated level.

**Implications:** Today's ISM index suggests continued moderate growth in the manufacturing sector. The component levels for production and new orders remained above 50, signaling expansion. For the third quarter as a whole, the overall index averaged 52.9, which the Institute for Supply Management says is consistent with real GDP growing at a 3.4% annual rate. This is well above the growth rate most economists expect for Q3 but in line with our forecast. There is little evidence so far that problems in the credit market are denying the economy the fuel it needs to grow.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Sep-07	Aug-07	Jul-07	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Business Barometer</b>	<b>52.0</b>	52.9	53.8	52.9	54.1	52.7
<i>New Orders</i>	<b>53.4</b>	55.3	57.5	55.4	57.4	54.2
<i>Production</i>	<b>54.6</b>	56.1	55.6	55.4	57.5	54.9
<i>Inventories</i>	<b>41.6</b>	45.4	48.5	45.2	45.5	47.1
<i>Employment</i>	<b>51.7</b>	51.3	50.2	51.1	51.6	49.6
<i>Supplier Deliveries</i>	<b>51.9</b>	50.0	52.0	51.3	50.7	54.1
<i>Order Backlog (NSA)</i>	<b>51.0</b>	50.5	52.0	51.2	52.3	46.5
<i>Prices Paid (NSA)</i>	<b>59.0</b>	63.0	65.0	62.3	66.5	61.0
<i>New Export Orders</i>	<b>54.5</b>	57.0	56.5	56.0	56.7	55.3

Source: National Association of Purchasing Management