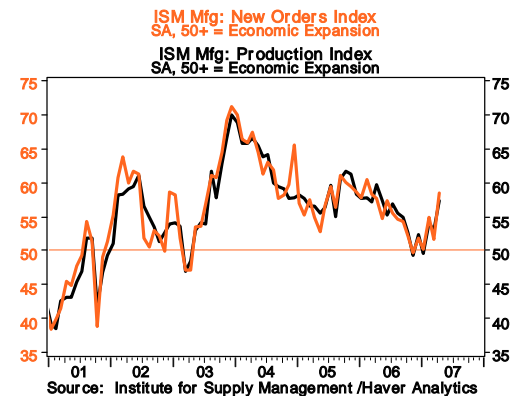
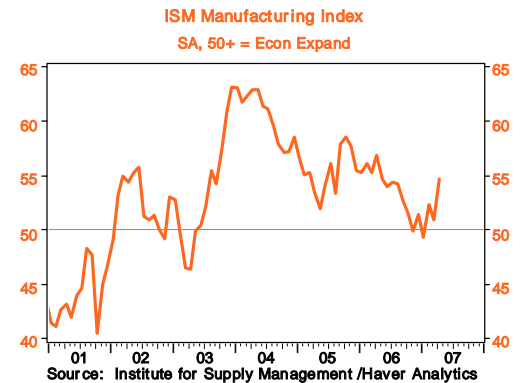


## APRIL ISM MANUFACTURING INDEX

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- The ISM Manufacturing index increased to 54.7 in April from 50.9 in March. The consensus expected a slight gain to 51.0. (Readings higher than 50 signal expansion.)
- The activity-related components of the index showed widespread strength. The index for production rose to 57.3, the highest in twelve months; the index for new orders jumped to 58.5, the highest in fourteen months; the employment index increased to 53.1, the highest in eight months; the orders backlog index went to 54.5, highest in twelve months; and the new export orders measure rose to 57.0, the highest in six months.
- The prices paid index increased to 73.0 from 65.5, the fourth consecutive rise, indicating rising inflation in the manufacturing sector.

**Implications:** Today's ISM index report suggests solid economic growth and rising inflation. The components of the index showed healthy activity in April and signal strength ahead as the inventories index dropped further below 50. The Institute for Supply Management says an overall index of 54.7 corresponds historically with real GDP growth of about 4%. Our forecast for the second quarter of 2007 is 3%, with somewhat faster growth in the second half of the year. Today's report on pending home sales in March shows a drop of 4.9% versus February, suggesting weak sales of existing homes in April (existing home sales are counted at closing.) However, housing starts have started falling at a slower pace, suggesting home building will be less of a drag on real GDP growth in Q2 than the one percentage point it took off growth in Q1.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Apr-07	Mar-07	Feb-07	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Business Barometer</b>	<b>54.7</b>	50.9	52.3	52.6	51.4	56.9
<b>New Orders</b>	<b>58.5</b>	51.6	54.9	55.0	52.8	57.6
<b>Production</b>	<b>57.3</b>	53.0	54.1	54.8	52.6	59.8
<b>Inventories</b>	<b>46.3</b>	47.5	44.6	46.1	46.0	50.7
<b>Employment</b>	<b>53.1</b>	48.7	51.1	51.0	50.1	55.1
<b>Supplier Deliveries</b>	<b>50.2</b>	51.3	50.8	50.8	51.9	57.2
<b>Order Backlog (NSA)</b>	<b>54.5</b>	47.0	51.5	51.0	48.0	57.0
<b>Prices Paid (NSA)</b>	<b>73.0</b>	65.5	59.0	65.8	58.6	71.5
<b>New Export Orders</b>	<b>57.0</b>	55.5	54.0	55.5	55.0	53.4

Source: National Association of Purchasing Management