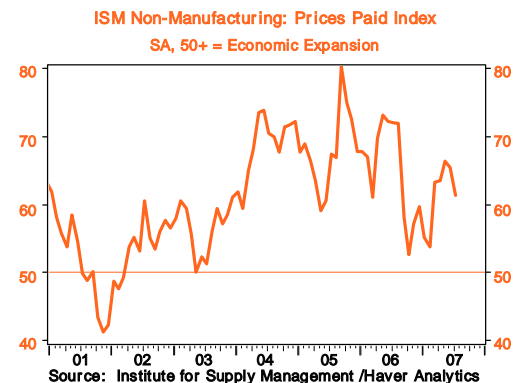
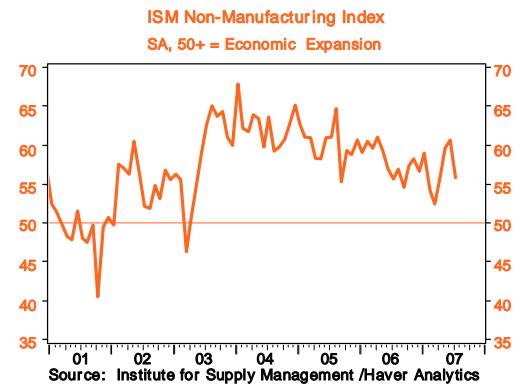


## JULY IS M NON-MANUFACTURING INDEX

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- The ISM non-manufacturing business barometer (a measure of production growth in the services sector) declined to 55.8 in July. The consensus expected a decline to 59.0 from the June level of 60.7. Levels above 50 signal expansion and levels below 50 signal contraction in the services sector.
- The overall index was driven down by a decline in the new orders component to 52.8, which is the lowest level since 2003, although still positive.
- The employment component declined to 51.7 after last month's rise to 55.0, which was the highest in a year.
- The prices paid component fell to 61.3 versus a level of 65.5 in June.

**Implications:** Although today's ISM report for the non-manufacturing sector was not as strong as last month's figure, it still signals healthy growth in the service sector. The overall business barometer index was above last year's level and the 3-month and 6-month moving averages for the index are strong. Today's data is consistent with our forecast that real GDP will grow at a 3% annual rate in the third quarter.



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Jul-07	Jun-07	May-07	3-month <i>moving ava</i>	6-month <i>moving ava</i>	Year-ago <i>level</i>
<b>Business Barometer</b>	<b>55.8</b>	60.7	59.7	58.7	56.5	55.7
<b>New Orders</b>	<b>52.8</b>	56.9	57.4	55.7	55.2	56.0
<b>Employment</b>	<b>51.7</b>	55.0	54.9	53.9	52.8	54.1
<b>Prices</b>	<b>61.3</b>	65.5	66.4	64.4	62.3	72.1
<b>Supplier Deliveries (NSA)</b>	<b>51.5</b>	50.5	49.5	50.5	50.8	54.5
<b>Inventory Change (NSA)</b>	<b>55.0</b>	52.5	61.0	56.2	53.8	53.0
<b>Orders Backlog (NSA)</b>	<b>53.0</b>	46.5	48.0	49.2	49.5	56.0
<b>Imports (NSA)</b>	<b>54.5</b>	57.5	55.5	55.8	54.0	60.5

Source: Institute for Supply Management