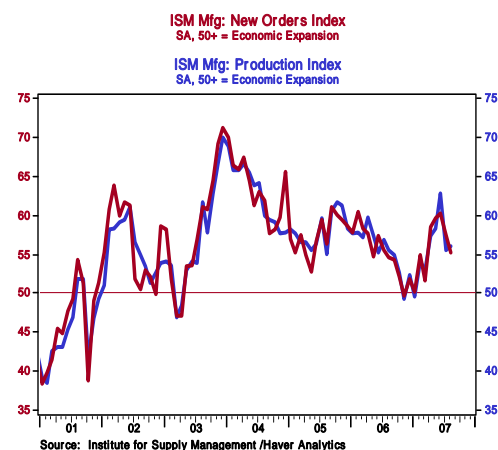
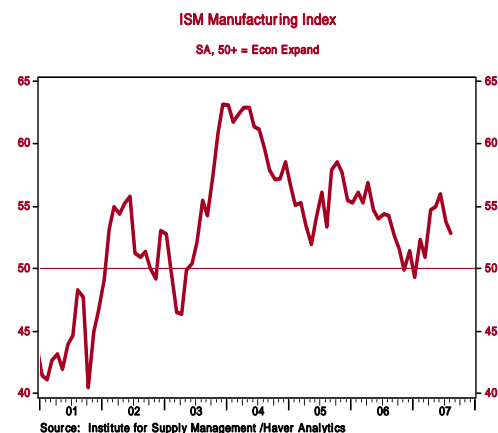


AUGUST ISM MANUFACTURING INDEX

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- The ISM Manufacturing index declined to 52.9 in August from 53.8 in July. The consensus expected a decline to 53.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The components of the overall index were mixed, with higher readings for production, employment, and new export orders and lower readings for new orders, inventories, and supplier deliveries.
- The prices paid index declined to 63.0 from 65.0, but remains at an elevated level.

Implications: Today's ISM index report suggests the manufacturing sector expanded in August but not at as rapid a pace as in April through July. It's important to note that despite the decline in the overall index the component levels for production and new orders remained well above 50, signaling robust growth. According to the Institute for Supply Management the 52.9 reading for August is consistent with real GDP growing at a 3.4% annual rate. In other news this morning, construction fell 0.4% in July. All of the decline was due to residential building, which was down 15.6% versus a year ago. Business construction and government construction (particularly school building) increased 0.4% and 0.8%, respectively. These data are consistent with our view that real GDP is growing at a 3% annual rate in the third quarter.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Aug-07	Jul-07	Jun-07	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	52.9	53.8	56.0	54.2	53.9	54.3
New Orders	55.3	57.5	60.3	57.7	57.1	54.6
Production	56.1	55.6	62.9	58.2	57.2	55.5
Inventories	45.4	48.5	45.3	46.4	46.5	49.8
Employment	51.3	50.2	51.1	50.9	51.1	53.9
Supplier Deliveries	50.0	52.0	49.7	50.6	50.6	54.9
Order Backlog (NSA)	50.5	52.0	53.5	52.0	51.7	51.5
Prices Paid (NSA)	63.0	65.0	68.0	65.3	67.6	73.0
New Export Orders	57.0	56.5	56.0	56.5	56.8	55.7

Source: National Association of Purchasing Management