

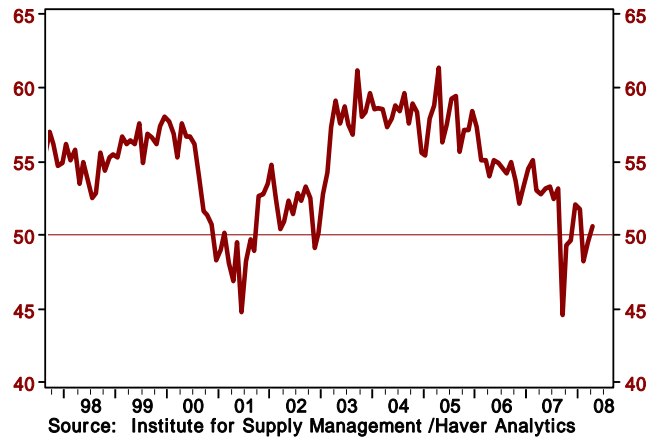
AUGUST ISM NON-MANUFACTURING INDEX

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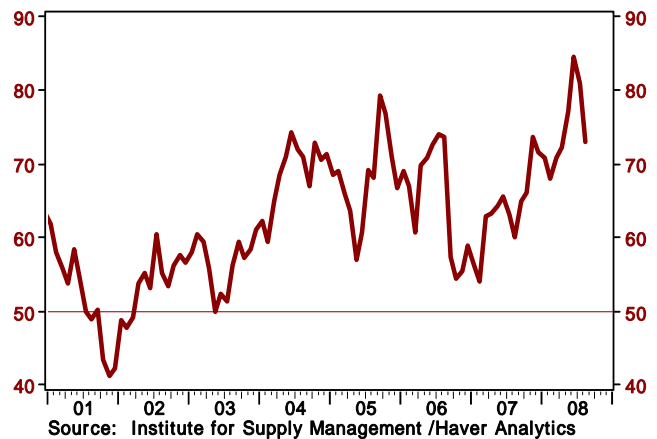
- The ISM non-manufacturing composite index increased to 50.6 in August from 49.5 in July. The consensus expected no change of 49.5. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The components of the composite index were mixed. The indexes for business activity, new orders and supplier deliveries increased. The index for employment declined.
- The prices paid index declined to a still extremely elevated 72.9 in August. This level still continues to signal higher inflation.

Implications: The ISM non-manufacturing index has risen for two consecutive months, and in August stood above its six month average. Like its sibling the ISM manufacturing index, it reflects an economy that appears to be steadily improving. Historically, the ISM indices have been trustworthy sources of economic information. However, we have noticed that during times of uncertainty, say in the aftermath of 9-11 or Hurricane Katrina, these indices often swoon, reflecting emotion, not real economic activity. This seems to have occurred in the past year as news of financial market turmoil made headlines day after day. As a result, in times like these, we view these data more like consumer confidence figures, which have been weaker than the underlying strength in the economy. The good news is that headline fatigue seems to be waning. Today's ISM report, when combined good news on productivity growth in Q2, reflect an economy that is nowhere near a recession.

ISM Nonmanufacturing: NMI Composite Index
SA, 50+=Increasing



ISM Non-Manufacturing: Prices Paid Index
SA, 50+ = Economic Expansion



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Aug-08	Jul-08	Jun-08	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	50.6	49.5	48.2	49.4	50.3	52.8
Business Activity	51.6	49.6	49.9	50.4	51.3	56.3
New Orders	49.7	47.9	48.6	48.7	50.0	55.8
Employment	45.4	47.1	43.8	45.4	47.1	48.6
Supplier Deliveries (NSA)	55.5	53.5	50.5	53.2	52.6	50.5
Prices	72.9	80.8	84.5	79.4	76.4	60.1

Source: Institute for Supply Management