

JUNE ISM NON-MANUFACTURING INDEX

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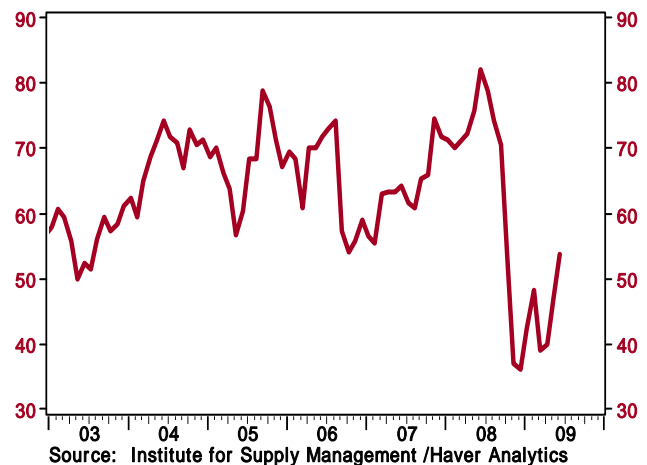
- The ISM Non-Manufacturing composite index increased to 47.0 in June from 44.0 in May, better than the consensus expected increase to 46.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The major components of the composite index mostly increased in June. The business activity, new orders, and employment indexes all increased to their highest levels since September. The supplier deliveries index declined.
- The prices paid index increased to 53.7 in June, the highest since September, from 46.9 in May.

Implications: Today's ISM report was excellent news about the path of the economy. The overall index beat expectations, rising 3 points to 47.0, the highest level since the financial panic started in September 2008 with the collapse of Lehman Brothers. We expect the overall index to head above 50.0 in the next few months. The details of today's report were even more impressive. The business activity component of the index increased 7.4 points to 49.8, one of the five largest monthly increases in the 12-year history of the index. The employment and new orders indexes increased 4.4 and 4.2 points, respectively. The index for new export orders was also strong, increasing 7.5 points to 54.5. This is consistent with our view that the depreciation of the dollar over the past several years will continue to decrease the size of the US trade deficit. The weakest parts of the report were supplier deliveries and inventories. We expect the downward inventory cycle to end very soon however, meaning inventories go from a major drag on the economy to a major positive contributor. Meanwhile, on the inflation front, the prices paid index hit 53.7 in June, showing inflation is starting to percolate in the services sector as monetary velocity continues to revive.

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



ISM: Nonmfg: Prices Index
SA, 50+ = Econ Expand



Source: Institute for Supply Management /Haver Analytics

Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Jun-09	May-09	Apr-09	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	47.0	44.0	43.7	44.9	43.3	48.8
Business Activity	49.8	42.4	45.2	45.8	44.3	50.7
New Orders	48.6	44.4	47.0	46.7	43.5	48.7
Employment	43.4	39.0	37.0	39.8	37.2	45.2
Supplier Deliveries (NSA)	46.0	50.0	45.5	47.2	48.2	50.5
Prices	53.7	46.9	40.0	46.9	45.1	82.1

Source: Institute for Supply Management