

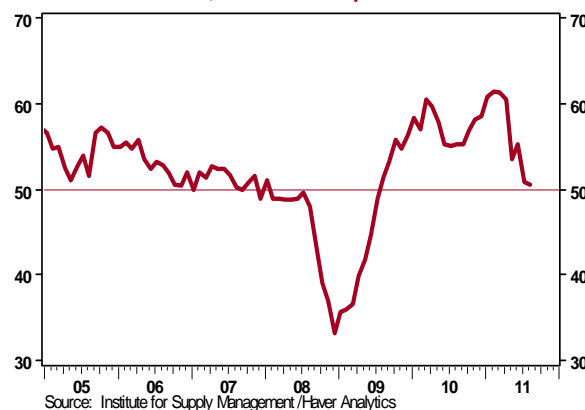
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August ISM Manufacturing Index

- The ISM manufacturing index declined slightly to 50.6 in August from 50.9 in July, coming in well above the consensus expected 48.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The major measures of activity were mixed in August. The supplier deliveries index rose to 50.6 from 50.4 and the new orders index increased to 49.6 from 49.2. The production index fell to 48.6 from 52.3 and the employment index fell to 51.8 from 53.5.
- The prices paid index declined to 55.5 in August from 59.0 in July.

Implications: Despite a small decline, the ISM manufacturing index easily beat consensus expectations for August and came in above 50, signaling continued growth. The report severely undermines the view held by some that we are in a double-dip recession. Regional surveys of manufacturing, such as the Philadelphia Fed index and Empire State index, have been beaten down lately by (misleading) headlines about a potential default on US Treasury securities, financial turmoil in Europe, and large swings in the stock market. As a result, expectations were for a soft ISM report. That would have been understandable given how these surveys sometimes reflect sentiment rather than actual levels of business activity. And yet the ISM held relatively firm. The manufacturing index has now shown growth for 25 consecutive months, and correlates with 2.8% real growth according to officials at the ISM. In other news this morning, construction declined 1.3% in July. However, including huge upward revisions to prior months, construction was up 2.2%. The upward revisions were due to both home building and commercial construction. The decline in July was led by fewer home improvements and less construction of public schools. In other recent news, the Case-Shiller index, a measure of home prices in the 20 largest metro areas around the country, declined 0.1% in June (seasonally-adjusted) and is down 4.5% versus a year ago.

ISM Mfg: PMI Composite Index
 SA, 50+ = Econ Expand



ISM Mfg: Production Index
 SA, 50+ = Econ Expand

ISM Mfg: New Orders Index
 SA, 50+ = Econ Expand



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Aug-11	Jul-11	Jun-11	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	50.6	50.9	55.3	52.3	55.3	55.2
New Orders	49.6	49.2	51.6	50.1	54.4	53.7
Production	48.6	52.3	54.5	51.8	57.0	57.2
Inventories	52.3	49.3	54.1	51.9	50.9	50.9
Employment	51.8	53.5	59.9	55.1	58.2	58.2
Supplier Deliveries	50.6	50.4	56.3	52.4	56.1	55.9
Order Backlog (NSA)	46.0	45.0	49.0	46.7	50.7	51.5
Prices Paid (NSA)	55.5	59.0	68.0	60.8	71.6	61.5
New Export Orders	50.5	54.0	53.5	52.7	55.2	55.5

Source: National Association of Purchasing Management