



## Economics Group

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### ISM Non-Manufacturing Signals Service Sector Growth

**The ISM Non-Manufacturing index came in at 54.3 in July—a stronger number than the consensus had expected, but we still expect slower growth in the second half of the year.**

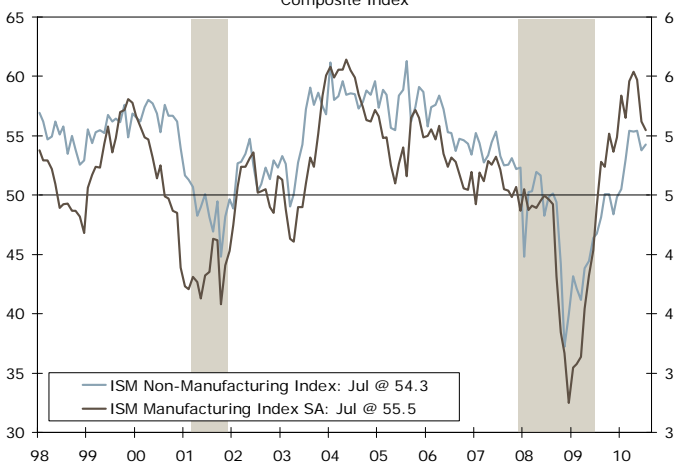
#### Good Report, but Slower Growth Still Ahead

- In a separate release earlier this week, ISM manufacturing also came in above expectations. In combination, these purchasing manager surveys suggest that the economy will continue to grow, albeit at a slower pace later this year.
- In a welcome positive signal for jobs, the employment component returned to expansion territory, marking only the second month above 50 since the recession began.

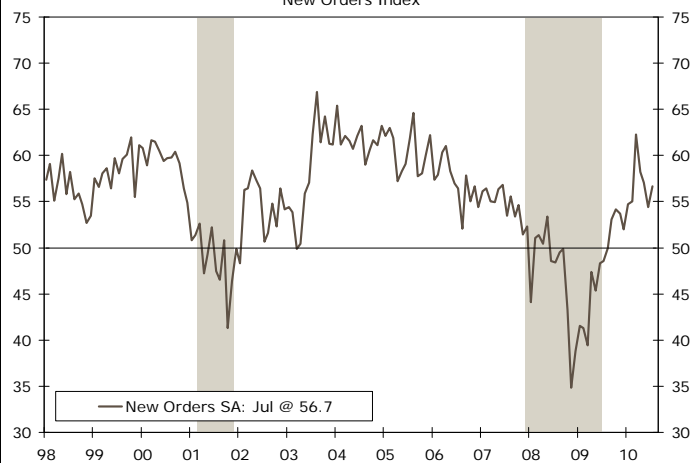
#### Recovery Will Continue in Second Half at Slower Pace

- The new orders component strengthened to 56.7 in July from 54.4 in June suggesting the recovery in the service sector still has some legs. Inventory change and supplier deliveries, however, both expanded at a more gradual pace.
- The Non-Manufacturing Business Activity index slipped to its slowest growth pace since February—consistent with our view for slower growth, but no double dip in the second half of 2010.

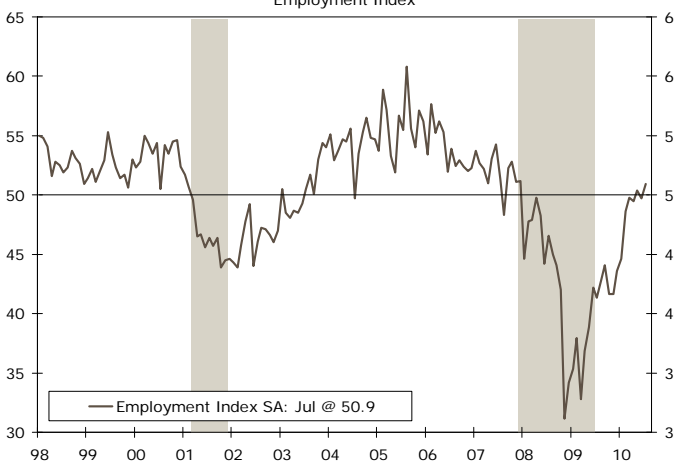
ISM Manufacturing & Non-Manufacturing  
Composite Index



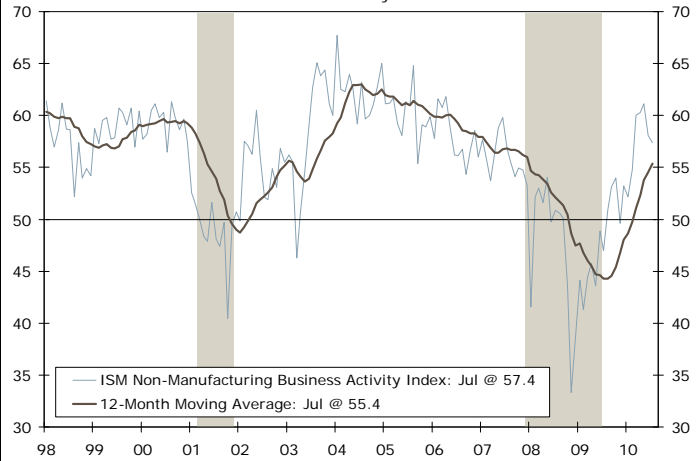
ISM Non-Manufacturing New Orders  
New Orders Index



ISM Non-Manufacturing Employment  
Employment Index



ISM Non-Manufacturing Business Activity  
Business Activity Index



Source: Institute for Supply Management and Wells Fargo Securities, LLC

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