

WEEK IN REVIEW

May 12 – May 16, 2008

Northern Trust  
Global Economic Research  
50 South LaSalle  
Chicago, Illinois 60603  
northerntrust.com

Paul L. Kasriel  
[plk1@ntrs.com](mailto:plk1@ntrs.com)

Asha Bangalore  
[agb3@ntrs.com](mailto:agb3@ntrs.com)

**Federal Reserve Policy**

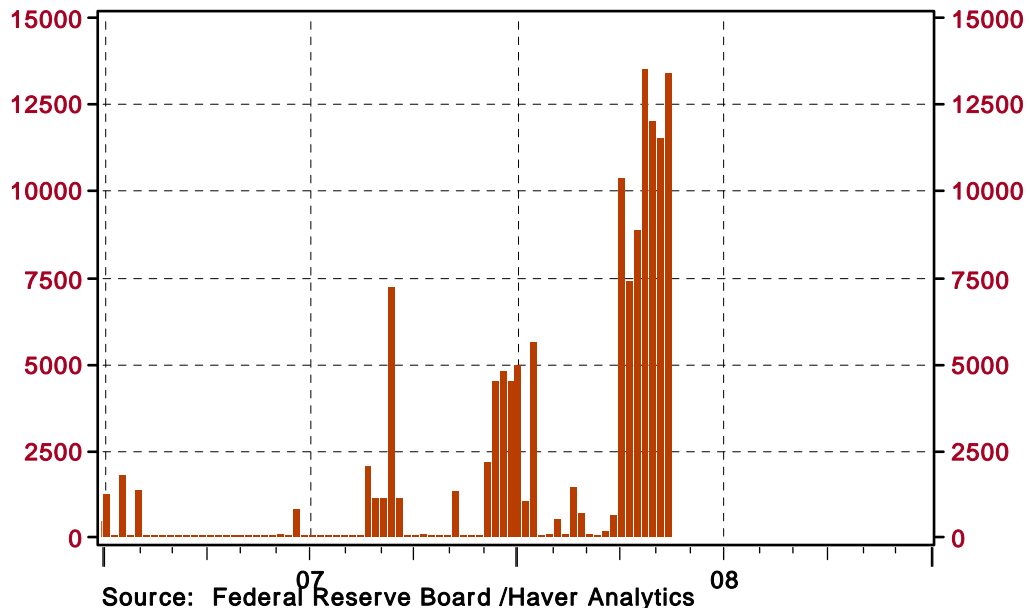
The minutes of the April 29-30 FOMC meeting with new economic projections of the Fed will be published on May 21. The new forecasts for GDP and inflation will point to the Fed’s view about the depth and duration of the current economic downturn.

A tally of Fed action in terms of funds made available through the discount window, TAF, and PDCF is significant. During the week ended August 22, 2007 to May 14, 2008, banks have borrowed \$121.422 billion through the discount window (see chart 1)

Chart 1

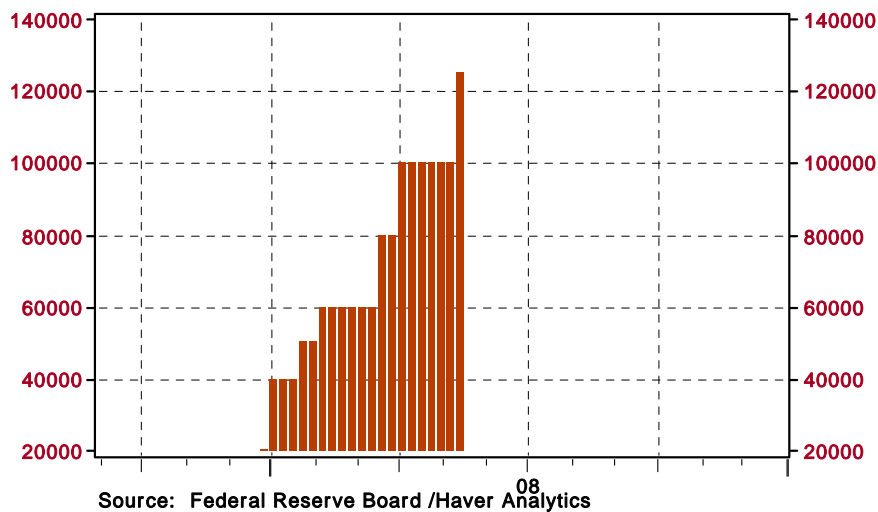
**Reserve Bank Credit: Primary Credit to Depository Institutions**

EOP, Mil.\$ (I)



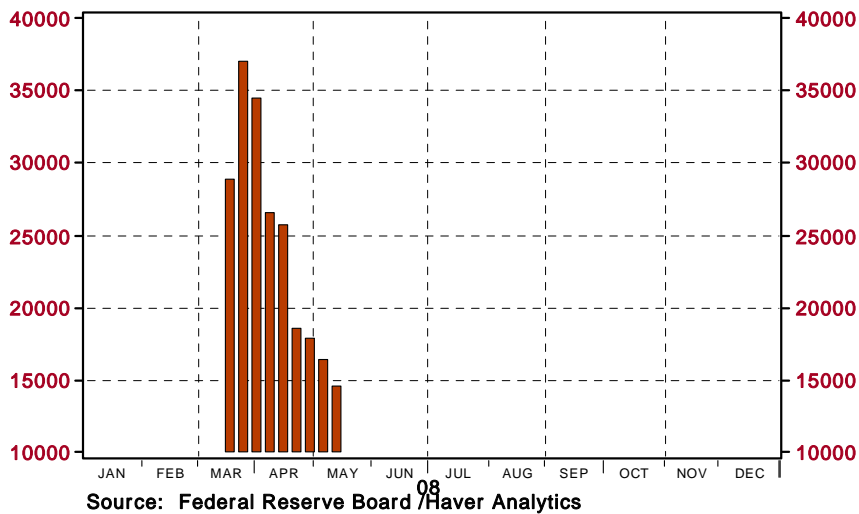
Funds made available through the Term Auction Facility through 21 auctions sum up to \$1.485 trillion (see chart 2).

Chart 2  
**Reserve Bank Credit: Term Auction Credit**  
 EOP, Mil.\$ (I)



Primary Dealers have borrowed \$219.475 billion during the nine weeks ended May 14 (see chart 3).

Chart 3  
**Reserve Bank Credit: Primary Dealer Credit Facility**  
 EOP, Mil.\$ (I)



The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

However, the year-to-year growth in the monetary base (currency + reserves) shows a decelerating trend since the financial market crisis commenced in August 2007 (see chart 4).

Chart 4  
**Monetary Base**



The spread between 3-month Libor and 3-month Treasury bill continues to show a narrowing trend, with about a 17 basis point reduction in the past week. But, the spread is still about 50 bps higher than levels that prevailed before August 2007 (see chart 5).

Chart 5  
**Spread: 3-Month Libor less 3-Month T Bill**  
 (I)



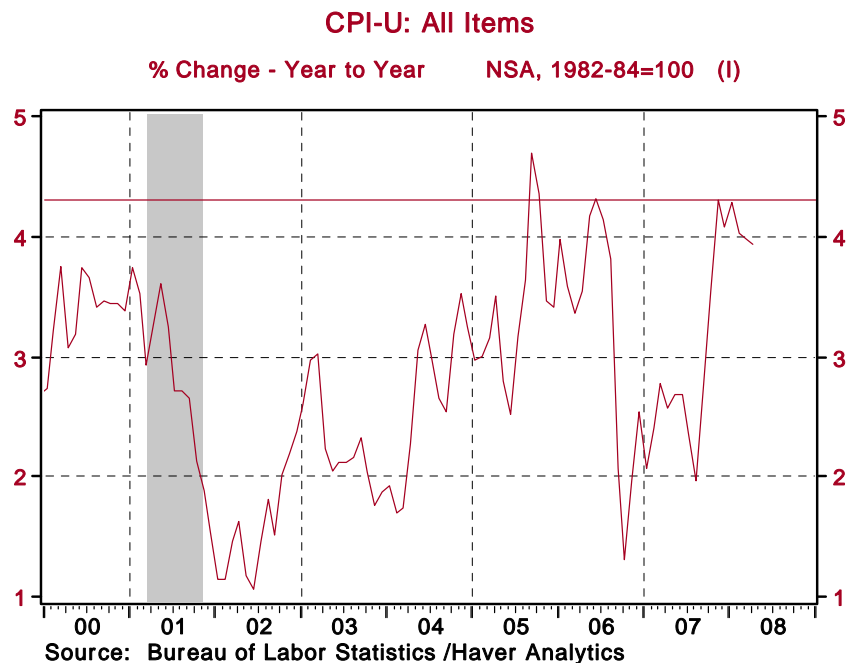
The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

## Consumer Price Index – April 2008

### Mild Moderation in Consumer Prices, With Some Aspects At Odds with Reality

The Consumer Price Index (CPI) rose 0.2% in April after a 0.3% increase in March. On a year-to-year basis, the CPI increased 3.94% in April, down from a recent high of a 4.31% year-to-year increase in November 2007 (see chart 6).

Chart 6



The energy price index held steady in April after a 1.9% jump in March. In an environment of rising energy prices, this reading raises many questions and calls for a clarification. As shown in chart 7, the “*seasonally adjusted energy price index*” was unchanged but the “*seasonally unadjusted energy price index*” moved up in the expected direction. The BLS adjusts for seasonal changes and typically “gasoline prices increase seasonally during the first five months of the year, with the largest increases occurring in March and April and decline seasonally for the remainder of the year.” Based on this information, the change in the energy price index during April was consistent with expected seasonal changes which led to a steady reading of the index.

---

The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

Chart 7  
 CPI-U: Energy  
 NSA, 1982-84=100

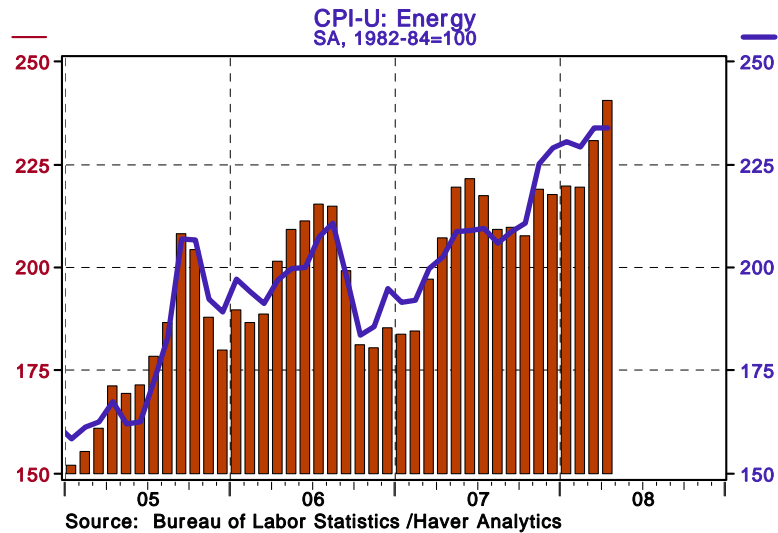
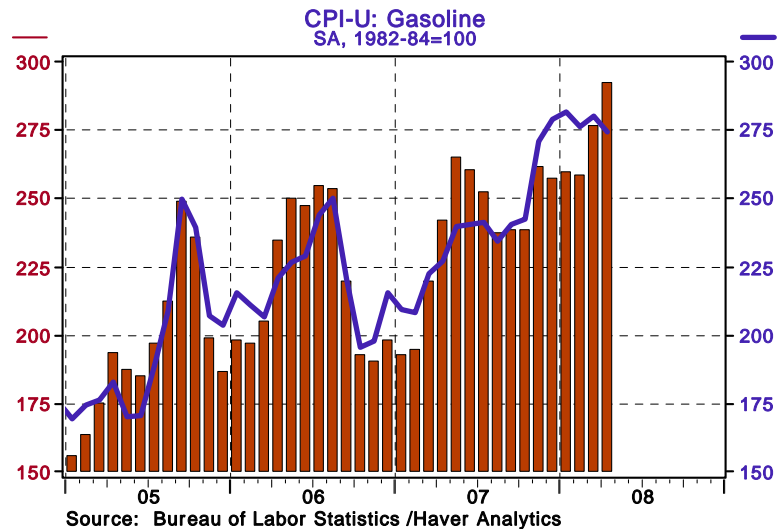


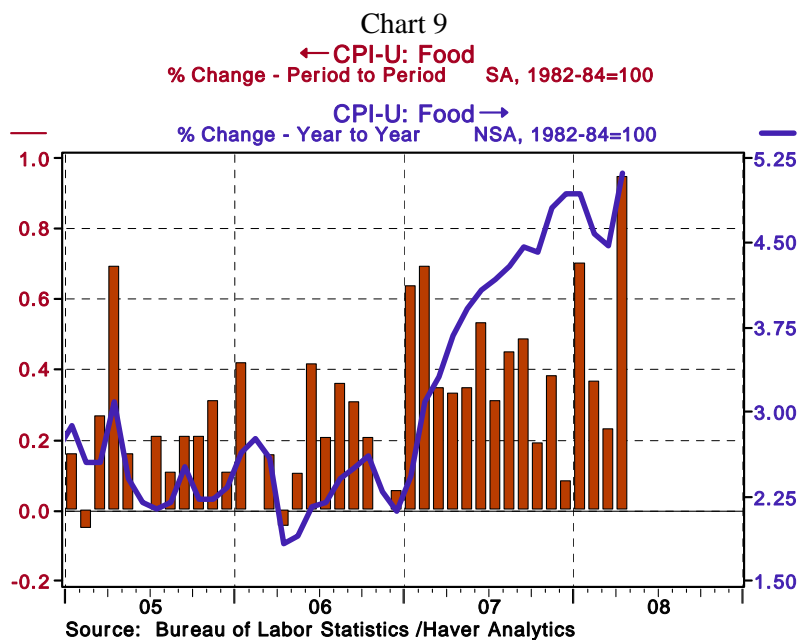
Chart 8 shows a similar picture for gasoline prices. On a *seasonally adjusted basis*, gasoline prices fell 2.00% in April but advanced 5.6% on a *seasonally unadjusted basis*. The price of gasoline in April was higher than in March and it is up nearly 21% from April 2007.

Chart 8  
 CPI-U: Gasoline  
 NSA, 1982-84=100

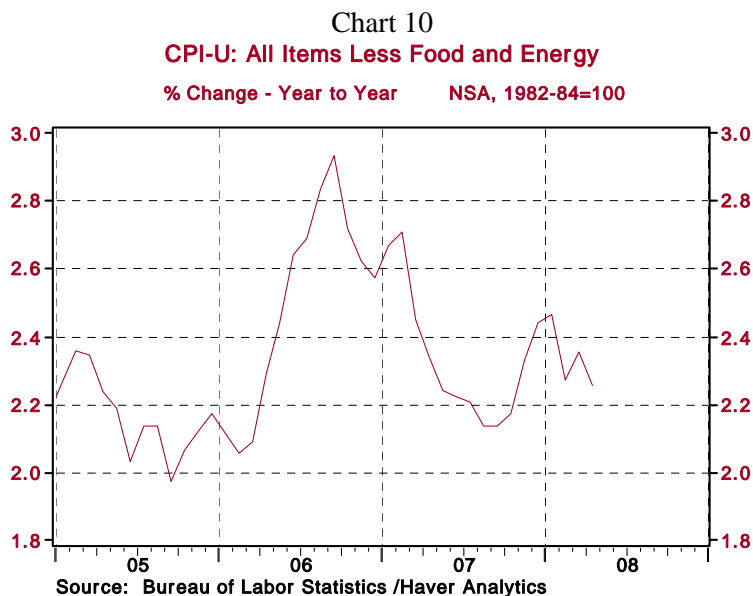


The food price index increased 0.9% in April and 5.1% on a year-to-year basis. The upward trend of food prices is problematic and it is certainly making a dent in household budgets.

The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.



Although it is not very meaningful to examine the CPI excluding food and energy prices, we do this as a matter of habit. The core CPI, which excludes food and energy prices, increased only 0.1% in April, after a 0.2% gain in March. On a year-to-year basis, the core CPI increased 2.35% in April compared with a 2.47% gain in January, which represents a noticeable deceleration in core inflation. Higher prices for clothing (+0.5%) reflecting rising import prices due to a weak dollar, shelter (+0.1%), medical care (+0.2%) and tobacco (+0.3%) more than offset lower prices for new (-0.2%) and used (-0.25%) cars, and a decline in hotel prices (-1.9%) among the core items.



The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

## Consumer Price Index – April 2008

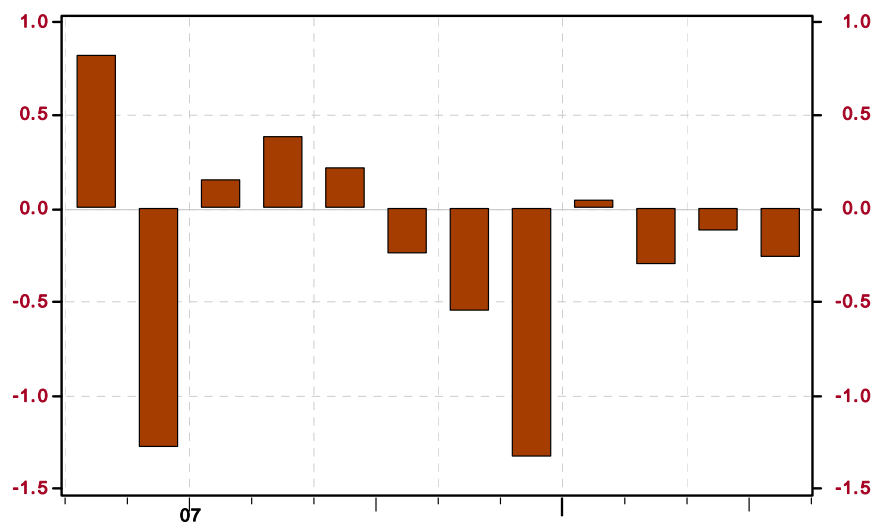
	% change	annualized % change			% change		
	prior month	year-to-date	3 mo. ago	6 mo. ago	Apr-08 yoy	Apr-07 yoy	Dec-07 yoy
<b>CPI - ALL ITEMS</b>	0.2	3.0	2.3	4.5	3.9	2.6	4.1
<b>CORE - ALL ITEMS LESS FOOD &amp; ENERGY (76.47)*</b>	0.1	1.8	1.2	2.2	2.3	2.3	2.4
<b>CPI ALL ITEMS LESS ENERGY (91.3)</b>	0.2	2.6	2.0	2.7	2.7	2.6	2.8
FOOD (13.83)	0.9	6.9	6.3	5.5	5.1	3.7	4.9
ENERGY (9.69)	0.0	6.3	5.6	23.1	15.9	2.9	17.4
SHELTER (32.6)	0.1	1.7	1.0	2.2	2.6	3.9	3.1
COMMODITIES (41.27)	0.1	2.2	0.8	6.0	4.8	1.4	5.2
COMMODITIES LESS FOOD & ENERGY (21.6)	0.0	0.0	-0.7	0.3	0.1	-0.5	0.1
SERVICES (58.7)	0.3	3.5	3.4	3.6	3.3	3.4	3.3
SERVICES LESS ENERGY SERVICES (54.87)	0.1	2.6	1.9	2.9	3.1	3.5	3.3
<b>FRB CLEVELAND MEDIAN CPI</b>	0.2	2.9	2.5	3.1	3.1	3.2	3.1

**Conclusion** – Both weak economic conditions and inflation are at the top of the list of priorities at the Federal Reserve. The good news is that the April report showed a moderation in inflation. At the same time, inflation adjusted retail sales fell 0.3% in April, following a string of declines. [The commodities price index from the CPI report is used to deflate retail sales.] As shown in chart 11, inflation adjusted retail sales have dropped for six out of the last seven months. The weakness seen in April and forecasts of consumer spending should translate into another quarterly decline in inflation adjusted retail sales. In the inflation-growth debate at the Fed, weak demand conditions should prevail over other considerations. However, the Fed is not expected to make changes to the federal funds rate in the near term. The FOMC is awaiting the lagged impact of the 325 bps reduction in the federal funds rate and the outcome of tax rebate checks before it acts.

Chart 11

### Nominal Retail Sales / CPI for Goods

% Change - Period to Period



The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

## Retail Sales - April 2008

### April Retail Sales – Decline in Auto Sales Is Important

Retail sales fell 0.2% in April following a 0.2% increase in the prior month. Excluding autos, retail sales rose 0.5% in April. Auto sales declined 2.8% in April. Unit auto sales, which are reflected in consumer spending in the GDP report, dropped to an annual rate of 14.46 million units from 15.3 million in March. If auto sales have to remain flat in the second quarter compared with the first quarter, sales of autos would have to average a 16.1 million pace in the May-June period. Year-to-date, auto sales have posted an average pace of 15.07 million units, implying that it is a tall order to expect a turn around in sales during May and June. This significant weakness in auto sales will play an important role in the final GDP tally. Also, the ICSC-UBS weekly retail sales surveys for the first two weeks of May show declines in sales of 0.1% and 1.0%, respectively. It is conceivable that consumer purchases will be substantially weaker in the second quarter compared with the 1.0% annualized gain seen in the first quarter. After adjusting for inflation, retail sales in April dropped 0.3% (see chart 11). In April, sales of gasoline (-0.4%) dropped but purchases of apparel (+7%), general merchandise (+0.5%), furniture (+0.1%) and building materials (+1.9%) advanced.

### Retail Sales – April 2008

	<u>February</u>	<u>March</u>	<u>April</u>	<u>08:Q1</u>	<u>08:Q2*</u>
	<u>quarterly change SAAR</u>				
<b>Total Retail Sales &amp; Food Service, % m-o-m</b>	-0.5	0.2	-0.2	0.3	-0.9
% change y-o-y	7.0	0.3	2.6		
<b>Ex-auto, % m-o-m</b>	-0.2	0.4	0.5	3.0	2.6
% change y-o-y	8.7	2.6	4.6		
<b>Ex- autos and gas % m-o-m</b>	0.0	0.2	0.6	0.9	2.9
% change y-o-y	6.6	0.5	2.8		
<b>Exc. Bldg. mat., auto, gas, % m-o-m</b>	0.0	0.4	0.4	2.2	2.8
% change y-o-y	7.3	1.9	3.0		

\* -annualized change based on April data

## Industrial Production – April 2008

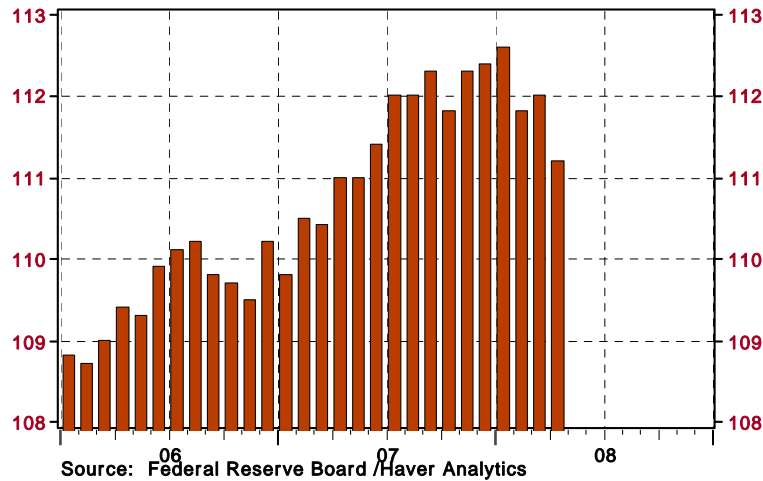
### Factory Sector’s Weakness – More Than Autos

Industrial production fell 0.7% in April, after a revised 0.2% gain in March (previously reported as a 0.3% increase) and a 0.7% decline in February. Industrial production is one of the four variables the National Bureau of Economic Research uses to date business cycles. This index has peaked in January 2008 as can be seen in chart 12. The hefty declines in February and April are part of the fundamentally weak economic profile of the U.S. economy at present.

---

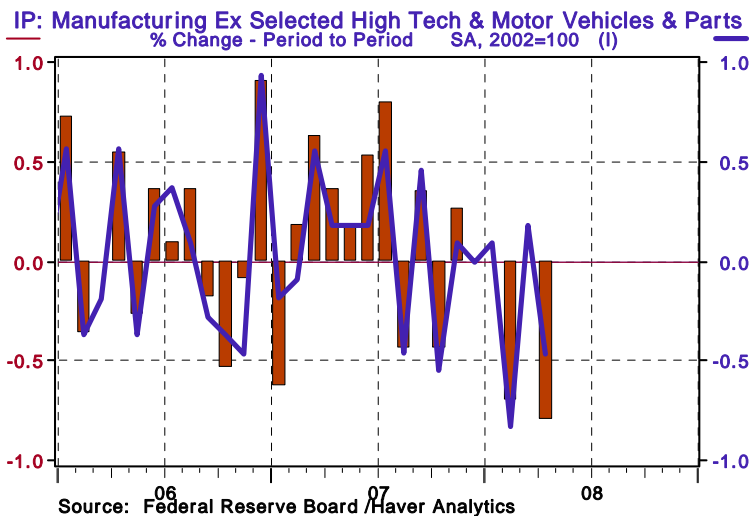
The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

Chart 12  
**Industrial Production Index**  
 SA, 2002=100



As a result of the weakness in production, total capacity utilization fell to 79.7% during April from 80.4% in the prior month. Factory production fell 0.8% in April, following a steady reading in March and a 0.7% decline in February. A strike and strike-related shortage of supplies were partly responsible for the 8.2% drop in motor vehicles and parts production. Excluding autos, factory production fell 0.4% in April. With the exception of information processing (+1.2%) and defense and space equipment (+1.6%), all other categories of factory production declined in April. Excluding high-tech and autos, factory production fell 0.5% in April. The overall tone of the April report suggested that production in the factory sector has shifted to a noticeably lower gear of operation.

Chart 13  
**Industrial Production: Manufacturing [SIC]**  
 % Change - Period to Period SA, 2002=100 (I)



The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

The operating rate of the factory sector declined to 77.5% in April, the lowest since November 2004. Rhetoric from the Fed has included concerns of resource utilization and the inflationary potential of this trend. In the past two months, there has been a significant increase in the unemployment rate and a large drop in the operating rate of the factory sector. Both of these developments are compelling pieces of evidence that pressures on resource utilization are easing rapidly.

Chart 14

**Capacity Utilization: Manufacturing [SIC]**

SA, Percent of Capacity (I)



Source: Federal Reserve Board /Haver Analytics

**Industrial Production – April 2008**

	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>	<u>Feb-08</u>	<u>Mar-08</u>	<u>Apr-08</u>
<b>Industrial Production*</b>	0.4	0.1	0.1	-0.7	0.2	-0.7
<b>Total Capacity Utilization</b>	81.1	81.0	81.0	80.3	80.4	79.7
<b>Manufacturing output*</b>	0.3	0.0	0.0	-0.7	0.0	-0.8
<b>Man. Capacity Utilization</b>	79.3	79.2	79.1	78.4	78.3	77.5
<b>Capacity Utilization ex. High-tech industries</b>	79.3	79.2	79.1	78.4	78.2	77.4
<b>High-tech industries - output*</b>	1.8	0.7	0.1	2.0	2.3	1.0
<b>Manufact. Ex high-tech output*</b>	0.1	0.0	0.0	-0.9	-0.2	-0.9

\* - percent change from prior month

The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

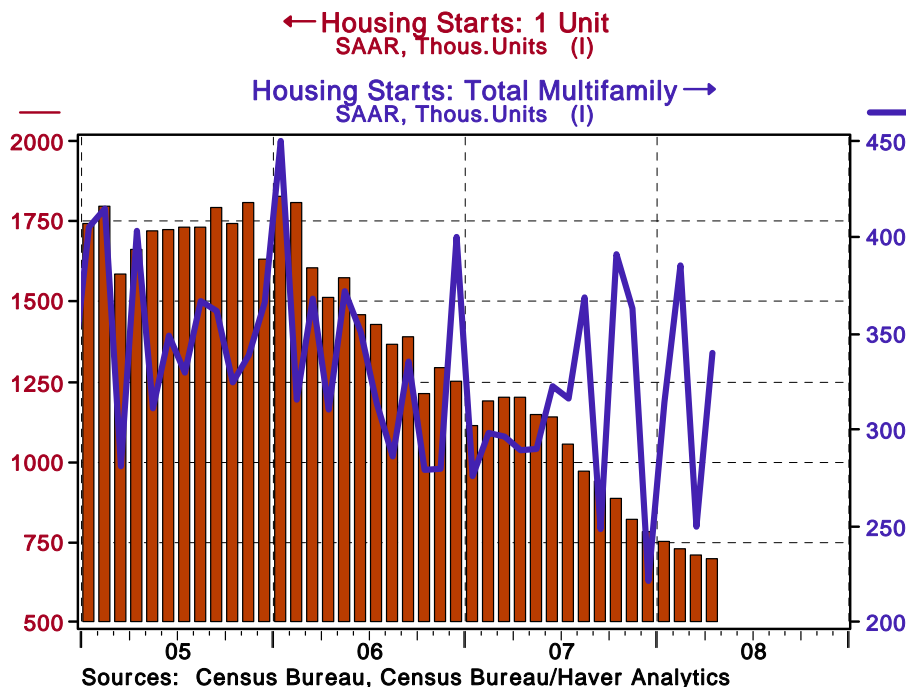
In other related factory sector news, results from the factory survey of the Federal Reserve Bank of Philadelphia underscores continued weakness in activity in the region's factories. Indexes tracking general business conditions (-15.6 vs. -24.9 in April), new orders (-3.7 vs. -18.8 in April), and employment (-1.0 vs. -11.0) were negative in May but increased from lower levels in April. The Empire State Manufacturing Survey of the Federal Reserve Bank of New York also points to soft conditions in the region's factories. The general business conditions index declined to -3.23 in May vs. 0.63 in April. The new orders index dropped to -0.46 from 0.06 in April. The national ISM factory survey of factories for May will be published on June 2.

### Housing Starts – April 2008

#### Housing Starts: Details More Revealing than Headlines

Construction of new homes increased 8.2% in April after a sharp 13.8% drop in March. (Housing starts in March were previously reported as an 11.7% drop). The headline for April housing starts is encouraging but it disguises the details to a certain extent about the distribution of activity between single-family and multi-family construction activity. The entire strength came from the 36% jump in starts of multi-family units. Construction of these units is largely volatile and should be viewed with care. Starts of new single-family units fell 1.7% to an annual rate 692,000 in April. Breaking ground for new homes has declined in every month since May 2007.

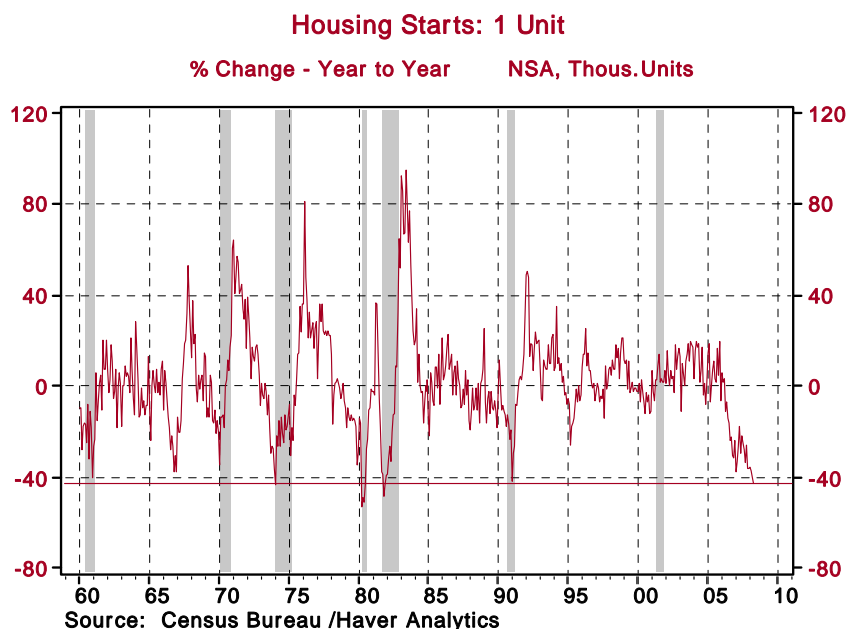
Chart 15



The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

On a year-to-year basis, single-family starts fell 42.8%, the largest drop since November 1981 (see chart 16). This decline is now larger than the magnitude of the drop that occurred in the 1990 recession.

Chart 16



On a regional basis, starts for new homes fell in the Northeast (-12.7%) but rose in the Midwest (+24.4%), South (+3.6%), and the West (+18.5%). Permits to build new single-family homes increased 4.0% to an annual rate of 646,000, a mildly bullish signal because it is the first gain since March 2007. On a year-to-year basis, permit issuance for new single-family homes dropped 36.8%, following a 48.2% drop in the prior month (the largest drop for the current cycle). The report also included a 6.8% increase in permits issued for new multi-family homes.

**Housing Starts**

	<u>Total</u> <u>(mil. units)</u>	<u>% change from</u> <u>previous month</u>	<u>Single-family</u> <u>(mil. units)</u>	<u>% change from</u> <u>previous month</u>	<u>Multi-family</u> <u>(mil. units)</u>	<u>% change from</u> <u>previous month</u>
<b>Oct-07</b>	1.275	7.6	0.884	-5.6	0.391	57.0
<b>Nov-07</b>	1.179	-7.5	0.816	-7.7	0.363	-7.2
<b>Dec-07</b>	1.000	-15.2	0.779	-4.5	0.221	-39.1
<b>Jan-08</b>	1.064	6.4	0.750	-3.7	0.314	42.1
<b>Feb-08</b>	1.107	4.0	0.722	-3.7	0.385	22.6
<b>Mar-08</b>	0.954	-13.8	0.704	-2.5	0.250	-35.1
<b>Apr-08</b>	1.032	8.2	0.692	-1.7	0.340	36.0

The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

## Consumer Sentiment Index – May 2008

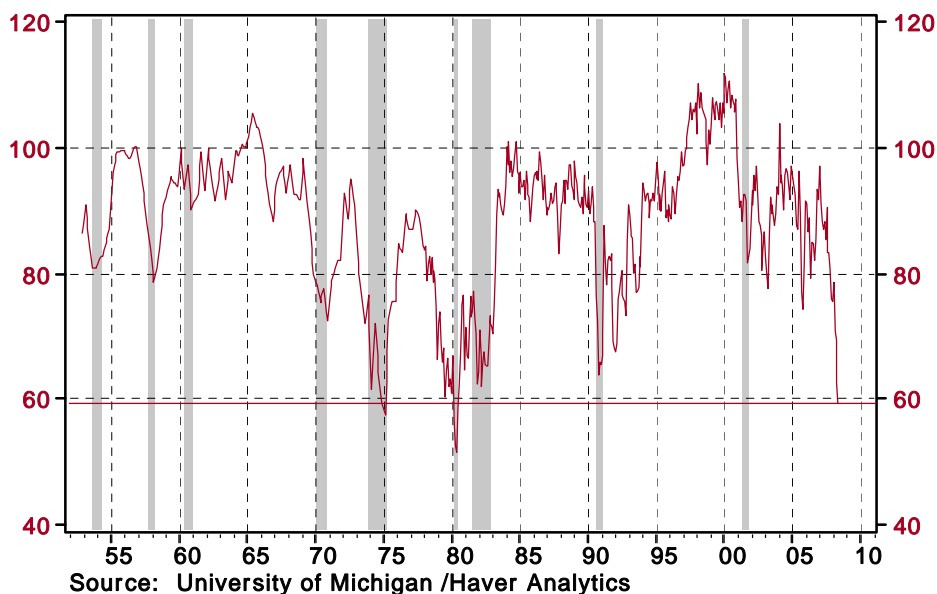
### Consumer Sentiment Index Posts a New Low for Current Cycle

The preliminary University of Michigan Consumer Sentiment Index declined to 59.5 in May (the lowest since June 1980) from 62.6 in April. The Current Conditions Index fell 5.3 points to 71.7. The Expectations Index declined to 51.7, the lowest since October 1979. The continued pessimism of consumers should not be surprising, given the grim news about the economy.

Chart 17

### University of Michigan: Consumer Sentiment

NSA, Q1-66=100 (I)



## NFIB Survey – April 2008

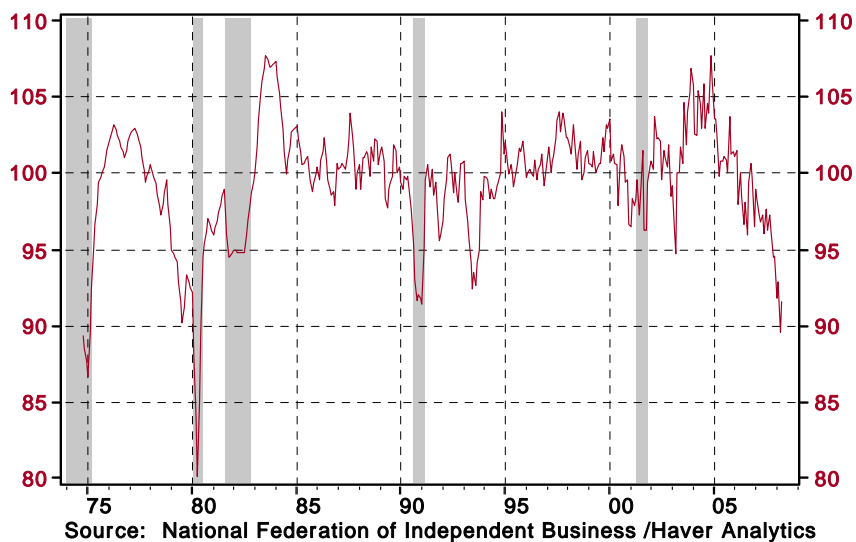
### Small Businesses Remain Gloomy About the Near Term

The NFIB survey for April shows a mild improvement in the outlook of small businesses but the level remains consistent with readings seen during recessions (see chart 18). The Small Business Optimism Index rose to 91.5 in April from 89.6 in March.

The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

Chart 18  
**NFIB: Small Business Optimism Index**

SA, 1986=100 (I)

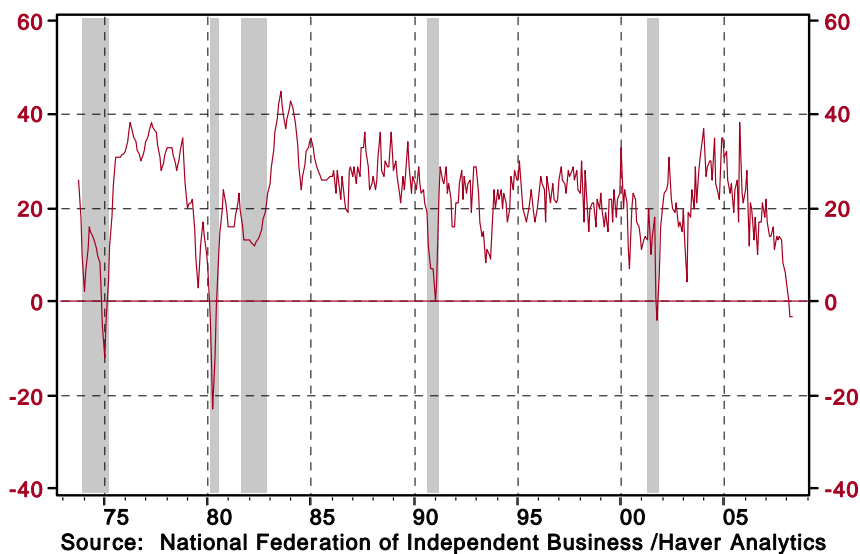


Expectations of sales in the next six months matched the response in March but was the lowest since October 2001 (see chart 19).

Chart 19

**NFIB: Percent Expecting Higher Real Sales in 6 Mos, Net**

SA, % (I)



The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

## Import Price Index – April 2008

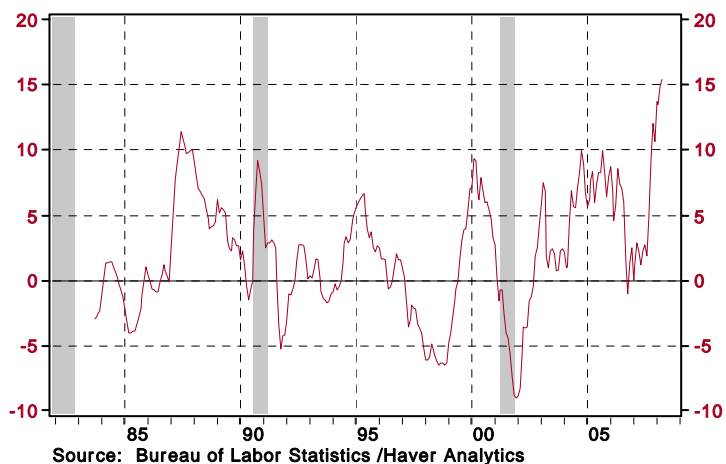
### Import Prices Post New Highs in April

The import price index increased 1.8% in April vs. a 2.9% jump in the prior month. The sharp gain in April reflects rising energy prices and higher prices for non-petroleum imports excluding fuel. On a year-to-year basis, the 15.4% increase of the import price index in April is the largest seen since record keeping began in 1982 (see chart 20)

Chart 20

#### Import Price Index: All Imports

% Change - Year to Year NSA, 2000=100 (I)

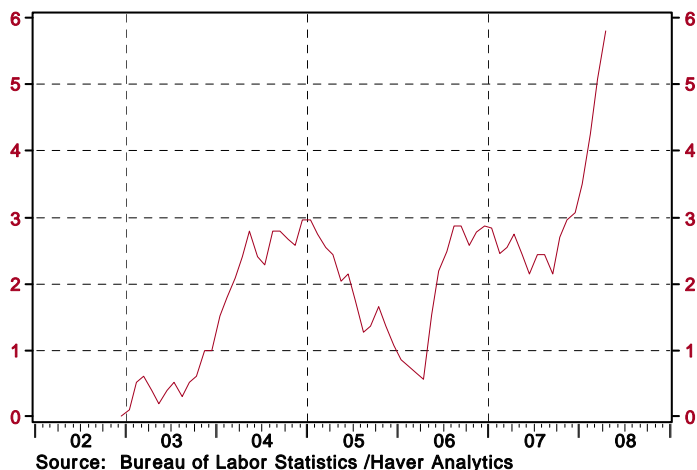


Import prices excluding fuel moved up 1.00% in April, following a similar gain in March. During the twelve months ended April, this import price index was up 5.8%, also the largest year-to-year increase in the short history of this series.

Chart 21

#### Import Price Index: All Imports Excluding Fuels

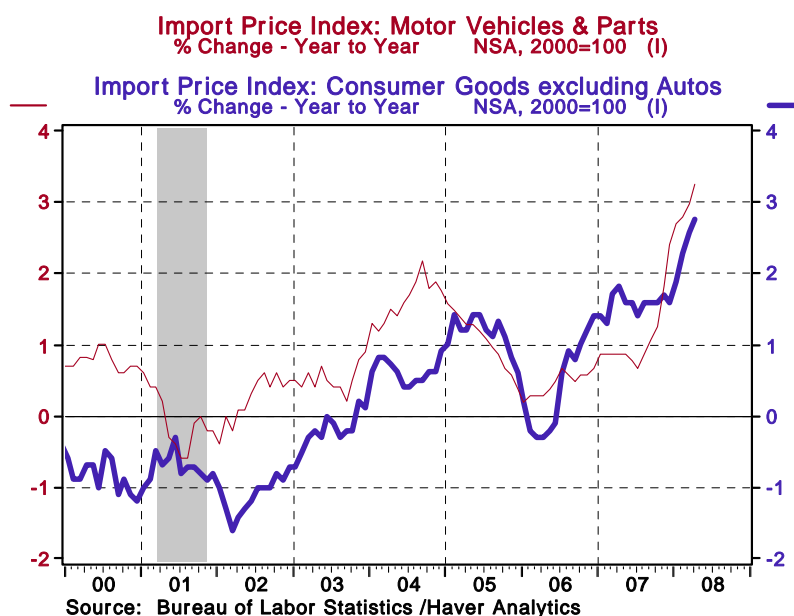
% Change - Year to Year NSA, Dec-01=100 (I)



The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

Among non-petroleum items, prices of imported consumer goods continue to advance (see chart 22) noticeably which is troubling for an inflation fighting Fed.

Chart 22



### Highlights for Next Week: Minutes of April 29-30 FOMC Meeting on May 22

1. **Leading Indicators** [May 19] – Interest rate spread, vendor deliveries, initial jobless claims, building permits, and stock prices advanced in April. Consumer expectations and the manufacturing workweek are expected to make negative contributions. Forecasts of money supply and orders of consumer durables and non-defense capital goods are used in the initial estimate. The index is likely to show a steady reading.  
**Consensus:** -0.1%
2. **Producer Price Index** [May 20] – The Producer Price Index for Finished Goods is expected to have risen 0.4% in April, reflecting higher food and energy prices. The core PPI is most likely to have risen 0.2%, matching the gain seen in March.  
**Consensus:** +0.4%, core PPI +0.2%.
3. **Existing Sales** [May 23] – Sales of existing homes are predicted to have declined to an annual rate of 4.85 million units in April from 4.93 million units in March.  
**Consensus:** 4.85 million vs. 4.93 million in March.

**Other reports – OFHEO Price Index** [May 22].

The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

## Key Interest Rates

	5/16/2008	1-wk. change, bps	4-wk. change, bps	1-yr. change, bps
3-month Libor	2.70	1	-21	-267
2-year U.S. Treasury note yield	2.44	19	25	-238
10-year U.S. Treasury note yield	3.84	7	7	-97

## Global Economic Data

	Real GDP		CPI		Unemployment Rate			Central Bank Rate		
	SAAR, yoy %		NSA, yoy%		% year-ago			% year-ago		
United States	2.5	Q4-07	3.9	Mar-08	5.0	Apr-08	4.5	2.00	Mar-08	5.25
Euro-Area	2.2	Q4-07	3.3	Mar-08	7.1	Mar-08	7.5	4.00	Apr-08	3.75
Japan	1.1	Q4-07	1.2	Mar-08	3.8	Mar-08	4.0	0.50	Apr-08	0.50
UK	2.8	Q4-07	3.0	Mar-08	2.5	Apr-08	2.8	5.00	Apr-08	5.25
Australia	3.9	Q4-07	4.2	Q4-07	4.2	Apr-08	4.4	7.25	Apr-08	6.25
Canada	2.9	Q4-07	1.4	Mar-08	6.1	Apr-08	6.2	3.00	Apr-08	4.25
China	10.6	Q1-08	8.5	Mar-08	4.0	Q4-07	4.2	2.31	Apr-08	2.43
India	8.4	Q4-07	7.9	Mar-08	--	--	--	6.00	Apr-08	6.00
New Zealand	2.8	Q4-07	3.4	Q4-07	3.6	Q1-08	3.7	8.25	Apr-08	7.75
Norway	4.8	Q4-07	3.1	Mar-08	2.5	Q4-07	4.0	5.50	Apr-08	4.00
Singapore	5.5	Q4-07	6.7	Mar-08	2.0	Q1-08	2.8	0.99	Apr-08	2.31
South Korea	5.6	Q4-07	4.1	Apr-08	3.2	Apr-08	3.4	5.00	Apr-08	4.50
Sweden	2.6	Q4-07	3.4	Mar-08	5.9	Mar-08	6.4	4.25	Apr-08	3.25
Switzerland	3.6	Q4-07	2.3	Mar-08	2.6	Apr-08	2.9	2.81	Apr-08	2.35
Taiwan	6.4	Q4-07		Apr-08	3.9	Mar-08	3.9	3.50	Apr-08	2.88
Thailand	5.8	Q4-07	6.2	Apr-08	1.3	Mar-08	1.4	3.50	Apr-08	4.50

\* UK - Claimant Count Unemployment Rate  
 \* Thailand - GDP Non-Seasonally Adjusted  
 \* EA-13, UK, Sweden - Harmonized Unemployment

The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

## Historical US Economic Data

	Apr-08	Mar-08	Feb-08	Jan-08	Dec-07	Nov-07	Oct-07	Sep-07	Aug-07	Jul-07	Jun-07	May-07
Payroll Employment (000)	-20	-81	-83	-76	41	60	140	81	74	57	107	162
% Change, Year Ago *	0.3	0.4	0.6	0.7	0.8	0.9	1.0	1.0	1.0	1.1	1.3	1.3
Unemployment Rate (%)	5.0	5.1	4.8	4.9	5.0	4.7	4.8	4.7	4.7	4.7	4.6	4.5
Avg. Hourly Earnings (% Chg.)	0.1	0.3	0.3	0.3	0.3	0.3	0.1	0.3	0.2	0.3	0.4	0.3
% Change, Year Ago	3.4	3.7	3.7	3.7	3.7	3.8	3.8	4.1	4.0	4.1	4.1	4.1
PPI (% Chg.)		1.1	0.3	1.0	-0.4	2.6	0.5	0.5	-0.8	0.5	0.1	0.6
% Change, Year Ago *		6.9	6.4	7.4	6.3	7.3	6.1	4.4	2.3	4.2	3.3	3.9
CPI (% Chg.)	0.2	0.3	0.0	0.4	0.4	0.9	0.3	0.4	0.0	0.2	0.3	0.5
% Change, Year Ago *	3.9	4.0	4.0	4.3	4.1	4.3	3.5	2.8	2.0	2.4	2.7	2.7
ISM Diffusion Index (%)	48.6	48.6	48.3	50.7	48.4	50.0	50.4	50.5	51.2	52.3	53.4	52.8
Industrial Production (% Chg.)	-0.7	0.2	-0.7	0.1	0.1	0.4	-0.4	0.3	0.0	0.6	0.3	0.0
% Change, Year Ago	0.2	1.4	1.1	2.6	2.1	2.5	1.9	2.2	1.6	1.7	1.4	1.5
Capacity Utilization (%)	79.7	80.4	80.3	81.0	81.0	81.1	80.8	81.3	81.2	81.4	81.0	80.9
Nondefense Cap. Goods ex Aircraft												
- Orders (% Chg.)		-1.2	-0.9	-0.8	4.5	0.0	-2.2	-0.2	0.3	1.5	-1.3	-1.4
% Change, Year Ago *		-1.3	8.8	5.3	0.3	-4.8	-3.5	-7.0	-1.8	-2.5	-4.2	-2.8
- Shipments (% Chg.)		1.4	-1.3	-0.4	1.1	0.6	-1.6	1.2	1.8	-0.5	-1.0	1.2
% Change, Year Ago *		1.6	6.1	6.2	1.2	0.0	1.7	-0.4	-1.1	-2.3	-1.7	-1.8
Retail Sales (% Chg.)	-0.2	0.2	-0.5	0.6	-0.9	1.2	0.0	0.7	0.2	0.4	-1.1	1.6
% Change, Year Ago	2.6	0.3	7.0	4.7	2.5	6.4	6.3	2.8	4.0	3.5	3.4	5.5
Real Personal Consumption (% Chg.)		0.1	0.0	0.1	-0.1	0.3	0.1	0.2	0.4	0.3	0.1	0.1
% Change, Year Ago		2.0	1.6	2.0	2.2	2.8	2.7	3.2	3.2	2.5	2.9	2.9
Personal Income (% Chg.)		0.3	0.5	0.3	0.4	0.3	0.2	0.4	0.4	0.5	0.4	0.4
% Change, Year Ago		4.0	4.6	4.9	5.6	5.9	6.1	6.4	6.4	6.3	5.9	6.3
New Home Sales (SAAR, mn)		0.53	0.58	0.61	0.61	0.63	0.73	0.69	0.70	0.80	0.80	0.86
% Change, Year Ago *		-36.3	-30.9	-33.3	-38.0	-36.6	-23.0	-33.8	-31.8	-18.1	-25.5	-22.5
Existing Home Sales (SAAR, mn)		4.93	5.03	4.89	4.91	5.02	5.06	5.11	5.50	5.76	5.75	5.93
% Change, Year Ago *		-22.7	-19.4	-23.2	-23.2	-17.8	-18.7	-22.5	-12.1	-6.1	-13.4	-10.1
Housing Starts (SAAR, mn)	1.03	0.95	1.11	1.06	1.00	1.18	1.28	1.19	1.34	1.37	1.46	1.44
% Change, Year Ago *	-31.9	-35.9	-24.0	-25.5	-38.7	-22.9	-11.9	-32.4	-17.4	-20.5	-19.0	-28.2
International Trade (Bils \$)		-58.2	-61.7	-59.0	-57.9	-62.4	-57.6	-56.9	-56.7	-58.9	-60.0	-60.3
	<b>Q1-08</b>	<b>Q4-07</b>	<b>Q3-07</b>	<b>Q2-07</b>	<b>Q1-07</b>	<b>Q4-06</b>	<b>Q3-06</b>	<b>Q2-06</b>	<b>Q1-06</b>	<b>Q4-05</b>	<b>Q3-05</b>	<b>Q2-05</b>
Real GDP, Chain Weighted, SAAR	0.6	0.6	4.9	3.8	0.6	2.1	1.1	2.4	4.8	1.2	4.5	2.8
% Change, Year Ago	2.5	2.5	2.8	1.9	1.5	2.6	2.4	3.2	3.3	2.9	3.2	3.0
Chain-Weighted Price Index, SAAR	2.6	2.4	1.0	2.6	4.2	1.7	2.4	3.5	3.4	3.5	3.5	2.6
% Change, Year Ago	2.2	2.6	2.4	2.7	2.9	2.7	3.2	3.5	3.2	3.4	3.3	3.0
Nominal GDP, SAAR	3.2	3.0	6.0	6.6	4.9	3.8	3.4	6.0	8.4	4.8	8.1	5.5
% Change, Year Ago	4.7	5.1	5.3	4.7	4.5	5.4	5.6	6.8	6.7	6.3	6.6	6.1
Employment Cost Index (%)	0.7	0.8	0.8	0.9	0.8	0.8	1.0	0.9	0.6	0.8	0.7	0.6
% Change, Year Ago	3.3	3.3	3.3	3.3	3.5	3.3	3.3	3.0	2.8	3.1	3.0	3.2
Productivity Nonfarm, SAAR	2.2	1.8	6.0	2.7	1.3	1.4	-1.6	1.3	2.2	-1.5	4.5	0.5
% Change, Year Ago	3.2	2.9	2.8	1.0	0.6	0.8	0.1	1.6	1.4	1.7	2.2	1.4
Unit Labor Costs, Nonfarm, SAAR	2.2	2.8	-2.5	-1.3	5.0	10.7	3.1	-1.3	4.5	4.3	1.3	1.0
% Change, Year Ago	0.2	0.9	2.8	4.3	4.3	4.2	2.6	2.2	2.8	1.6	1.7	2.5

Source: Haver Analytics

\* NSA

The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.