

DAILY GLOBAL COMMENTARY

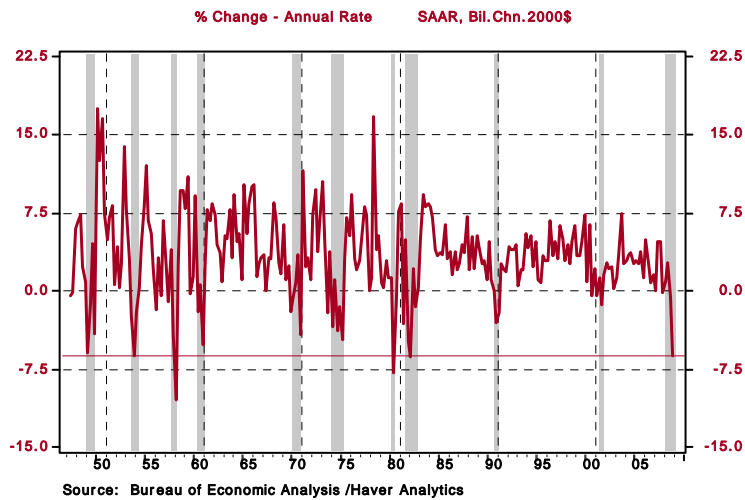
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Decline in Economic Activity Larger Than Advance GDP Estimate February 27, 2009

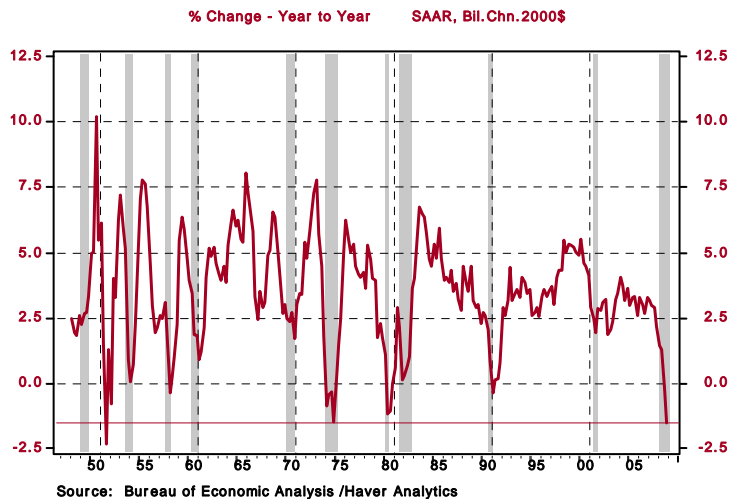
Real gross domestic product (GDP) declined at an annual rate of 6.2% in the final three months of 2008, which is a significantly larger drop compared with the advance estimate of a 3.8% contraction. As chart 1 indicates, the size of the decline in the fourth quarter matches very few instances in the post-war period.

Chart 1
Real Gross Domestic Product



All major components of GDP were revised down in the preliminary report, excluding residential investment expenditures (-22.2% vs. -23.6% in advance estimate). The largest downward revision was from inventories (-\$19.9 billion vs. \$6.2 billion). Consumer spending fell at an annual rate of 4.3% in the fourth quarter (advance estimate was -3.5%) putting the year-over-year decline at 1.6%, the largest decline since the third quarter of 1951.

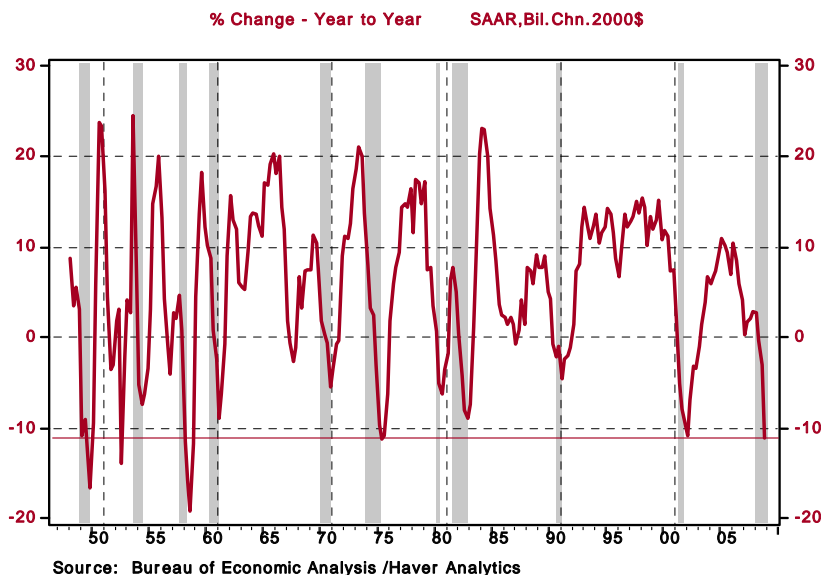
Chart 2
Real Personal Consumption Expenditures



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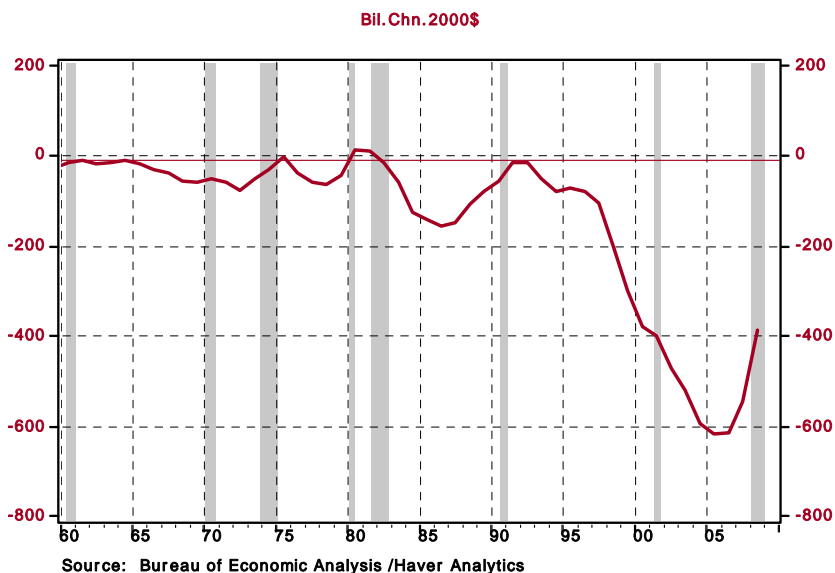
Equipment and software spending dropped at an annual rate of 28.8%, with the year-to-year decline at 11.2%, the largest drop since the third quarter of 1975 (see chart 3).

Chart 3
Real Private Nonresidential Investment: Equipment & Software



Exports and imports of goods and services dropped at a faster clip than the advance estimate. The trade deficit in 2008 was \$388.2 billion, a sharp reduction from a high of \$616.6 billion in 2005 (see chart 4).

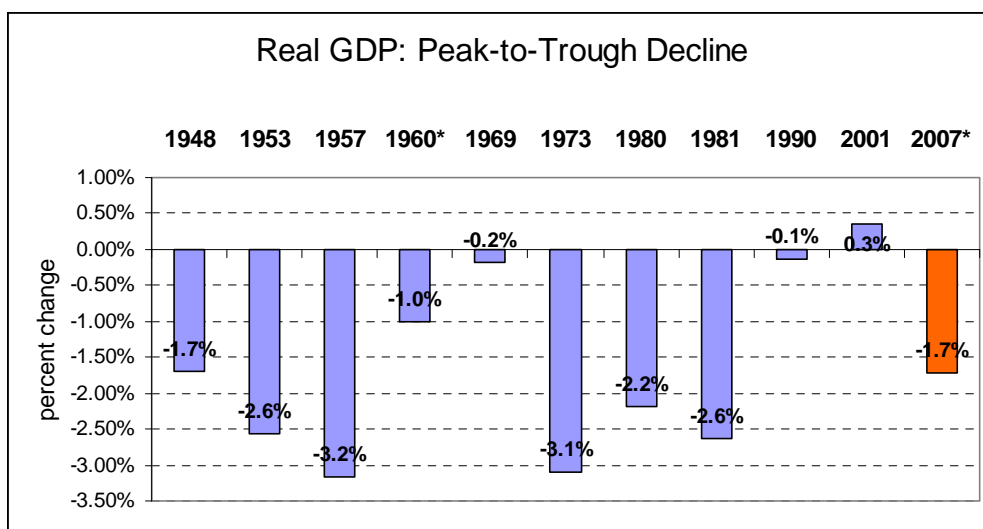
Chart 4
Real Net Exports of Goods & Services



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From a historical perspective, real GDP has declined 1.7% from the peak value in 2008:Q2, which is different from the National Bureau of Economic Research (NBER) date of December 2007 as the peak of the business cycle. The NBER's dating coincides with real GDP peak for nearly all business cycles with the exception of the recessions which began in 1960 and 2007. The 2007 and 2008 are subject to more revisions in the future which could result in the GDP peak estimate coinciding with the NBER's dates. For chart 5, in regards to the computation of the decline in real GDP for the 1960 and 2007 recessions, the peak quarters are slightly different from the NBER dates. The main message from chart 5 is that if the current economic downturn ends in the third quarter of 2009 as we expect, the drop in real GDP is likely to exceed the median GDP decline of 1.9% seen during recessions in the post-war period.

Chart 5



Labeled by start year of recession

* - 1960 and 2007 recessions have real GDP peaks that are different from the NBER assigned peak of business cycle

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Real GDP 2008:Q4 Preliminary Estimate

	(2000 chained dollars)				Percent Change (SAAR)			
	08:2 Final	08:3 Final	08:4 Advance	08:4 Preliminary	from prior quarter			
					08:2 Fin	08:3 Fin	08:4 Adv	08:4 Prel.
GDP	11727.4	11712.4	11599.4	11525.0	2.8	-0.5	-3.8	-6.2
CONSUMPTION	8341.3	8260.6	8186.9	8169.9	1.2	-3.8	-3.5	-4.3
DURABLE GOODS	1228.3	1180.1	1107.7	1108.6	-2.8	-14.8	-22.4	-22.1
NONDURABLE GOODS	2420.7	2376.3	2332.8	2319.4	3.9	-7.1	-7.1	-9.2
SERVICES	4712.1	4711.3	4731.6	4728.1	0.7	-0.1	1.7	1.4
INVESTMENT	1702.0	1703.7	1648.5	1607.3	-11.5	0.4	-12.3	-20.8
FIXED INVESTMENT	1754.9	1731.1	1636.4	1630.3	-1.7	-5.3	-20.1	-21.3
NONRESIDENTIAL	1431.8	1425.7	1352.2	1343.9	2.5	-1.7	-19.1	-21.1
STRUCTURES	340.5	348.4	346.9	343.1	18.5	9.7	-1.8	-5.9
EQUIPM. & SOFTWARE	1074.7	1054.0	971.5	968.2	-5.0	-7.5	-27.8	-28.8
RESIDENTIAL	369.6	353.7	330.7	332.2	-13.3	-16.0	-23.6	-22.2
CHG. BUS. INVENT.	-50.6	-29.6	6.2	-19.9				
NET EXPORTS	-381.3	-353.1	-356.4	-372.9				
EXPORTS	1544.7	1556.1	1472.8	1454.8	12.3	3.0	-19.7	-23.6
IMPORTS	1926.0	1909.1	1829.2	1827.6	-7.3	-3.5	-15.7	-16.0
GOVERNMENT (C & I)	2058.9	2088.1	2097.7	2096.3	3.9	5.8	1.9	1.6
FEDERAL	785.0	810.8	822.3	824.1	6.6	13.8	5.8	6.7
DEFENSE	528.1	550.4	553.3	554.7	7.3	18.0	2.1	3.1
OTHER	256.3	259.5	268.4	268.8	5.0	5.1	14.5	15.1
STATE AND LOCAL	1274.4	1278.7	1277.2	1274.2	2.5	1.3	-0.5	-1.4
DISP. PERS. INC.	8914.6	8689.1	8760.4	8769.6	11.9	-8.8	3.3	3.4
FINAL SALES	11778.8	11739.2	11588.0	11547.3	4.4	-1.3	-5.1	-6.4
GROSS DOMESTIC PURCHASES	12153.0	12084.1	11932.3	11908.3	1.3	-2.3	-4.9	-5.7
PRICE DEFLATORS:								
GDP CHAIN TYPE	122.0	123.1	123.1	123.3	1.1	3.9	-0.1	0.5
GDP EX. FOOD & ENERGY					1.5	3.0	0.7	0.4
PCE CHAIN TYPE	121.5	123.0	121.3	121.5	4.3	5.0	-5.5	-5.0
PCE EX. FOOD & ENERGY	116.8	117.5	117.6	117.7	2.2	2.4	0.6	0.8

Key Interest Rates

	2/27/2009	1-wk. change, bps	4-wk. change, bps	1-yr. change, bps
3-month Libor	1.26	1	8	-180
2-year U.S. Treasury note yield	1.01	5	7	-64
10-year U.S. Treasury note yield	3.03	25	16	-50

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Highlights of Next Week

Date	Economic Indicator	TNT	Consensus	Previous
3/2/2009	Personal Income (Jan.)	-0.3%	-0.2%	-0.2%
	Personal Consumption Exp. (Jan.)	0.3%	0.4%	-1.0%
	ISM Manufacturing (Feb.)		33.8	35.6
	Construction outlays (Jan.)		-1.5	-1.4%
3/3/2009	Auto sales (Feb.) mln.		9.4	9.6
3/4/2009	ISM Non-Manufacturing (Feb.)		41.0	42.9
3/5/2009	Initial claims ('000s)		650	-667
	Productivity (2008:Q4)		1.50%	3.2%
	Factory Orders (Jan.)		-3.5%	-3.9%
3/6/2009	Unemployment rate (Feb.)	7.8%	7.9%	7.6%
	Payroll employment ('000s)	-600	-648	-598

Global Economic Data

	Real GDP		CPI		Unemployment Rate			Central Bank Rate		
	SAAR, yoy %		NSA, yoy%		%	year-ago	%	year-ago		
United States	-0.8	Q3-08	0.0	Dec-08	7.6	Jan-09	4.9	0.13	Jan-09	3.00
Euro-Area	-1.2	Q3-08	1.1	Dec-08	8.2	Jan-09	7.3	2.00	Jan-09	4.00
Japan	-4.6	Q3-08	0.0	Jan-09	4.1	Jan-09	3.8	0.10	Jan-09	0.50
UK	-1.9	Q3-08	3.0	Dec-08	3.8	Jan-09	2.5	1.50	Jan-09	5.50
Australia	1.9	Q3-08	3.7	Q3-08	4.8	Jan-09	4.1	4.25	Jan-09	6.75
Canada	0.5	Q3-08	1.1	Dec-08	7.2	Jan-09	5.8	1.00	Jan-09	4.00
China	6.8	Q4-08	0.9	Dec-08	4.2	Q4-08	4	1.14	Dec-08	1.89
India	5.4	Q3-08	10.4	Dec-08	--	--	--	4.00	Jan-09	6.00
New Zealand	-1.4	Q3-08	3.4	Q3-08	4.6	Q4-08	3.4	3.50	Jan-09	8.25
Norway	0.8	Q3-08	2.2	Dec-08	2.9	Q4-08	2.5	3.00	Jan-09	5.25
Singapore	-4.0	Q3-08	3.0	Dec-08	2.6	Q4-08	1.7	0.27	Jan-09	1.72
South Korea	-3.6	Q3-08	3.7	Jan-09	3.4	Jan-09	3.1	2.50	Jan-09	5.00
Sweden	-4.4	Q3-08	1.3	Dec-08	6.8	Jan-09	6.0	2.00	Jan-09	4.00
Switzerland	1.7	Q3-08	0.1	Dec-08	2.9	Jan-09	2.6	0.53	Jan-09	2.65
Taiwan	-7.9	Q3-08	0.0	Jan-09	5.3	Jan-09	3.9	1.50	Jan-09	3.38
Thailand	-4.3	Q3-08	-0.4	Jan-09	1.7	Dec-08	1.2	2.50	Jan-09	3.75
* UK - Claimant Count Unemployment Rate										
* Thailand - GDP Non-Seasonally Adjusted										
* EA-13, UK, Sweden - Harmonized Unemployment										

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Historical US Economic Data

	Jan-09	Dec-08	Nov-08	Oct-08	Sep-08	Aug-08	Jul-08	Jun-08	May-08	Apr-08	Mar-08	Feb-08
Payroll Employment (000)	-598	-577	-597	-380	-321	-175	-128	-161	-137	-160	-122	-144
% Change, Year Ago *	-2.5	-2.2	-1.6	-1.1	-0.7	-0.4	-0.3	-0.2	-0.1	0.2	0.3	0.5
Unemployment Rate (%)	7.6	7.2	6.8	6.6	6.2	6.2	5.8	5.6	5.5	5.0	5.1	4.8
Avg. Hourly Earnings (% Chg.)	0.3	0.4	0.3	0.4	0.2	0.4	0.3	0.3	0.3	0.2	0.4	0.3
% Change, Year Ago	3.9	4.0	3.9	3.9	3.6	3.8	3.5	3.6	3.7	3.8	3.9	3.8
PPI (% Chg.)	0.8	-1.9	-2.5	-2.7	-0.1	-0.5	1.3	1.3	1.5	0.2	0.9	0.4
% Change, Year Ago *	-1.0	-0.9	0.4	5.2	8.8	9.7	9.9	9.1	7.3	6.4	6.7	6.5
CPI (% Chg.)	0.3	-0.8	-1.7	-0.8	0.0	0.0	0.7	0.9	0.5	0.2	0.4	0.2
% Change, Year Ago *	0.0	0.1	1.1	3.7	4.9	5.4	5.6	5.0	4.2	3.9	4.0	4.0
ISM Diffusion Index (%)	35.6	32.9	36.6	38.7	43.4	49.3	49.5	49.5	49.3	48.6	49.0	48.8
Industrial Production (% Chg.)	-1.8	-2.4	-1.2	1.6	-4.1	-1.3	0.0	0.1	-0.2	-0.5	-0.2	-0.3
% Change, Year Ago	-10.0	-8.2	-5.9	-4.3	-6.2	-2.0	-0.7	-0.1	0.2	0.4	1.5	1.6
Capacity Utilization (%)	72.0	73.3	75.2	76.1	75.0	78.3	79.4	79.6	79.6	79.9	80.4	80.7
Nondefense Cap. Goods ex Aircraft												
- Orders (% Chg.)	-5.4	-5.8	1.1	-6.7	-3.4	-2.3	0.3	1.6	-0.3	3.1	-1.0	-0.9
% Change, Year Ago *	-20.2	-14.6	-7.9	-7.2	0.1	-0.2	6.6	3.4	3.4	2.6	-1.1	8.8
- Shipments (% Chg.)	-6.6	0.0	-1.3	-3.7	1.7	-2.1	0.3	0.6	0.2	1.0	0.8	-1.3
% Change, Year Ago *	-11.1	-4.7	-5.2	-2.2	2.7	-1.6	6.1	2.0	2.7	3.7	1.0	6.1
Retail Sales (% Chg.)	1.0	-3.0	-2.4	-3.4	-1.6	-0.7	-0.6	0.1	0.8	0.2	0.5	-0.9
% Change, Year Ago	-9.0	-8.6	-10.0	-4.0	0.1	-0.4	4.1	1.4	2.5	3.7	0.3	7.0
Real Personal Consumption (% Chg.)												
% Change, Year Ago		-0.5	0.3	-0.6	-0.5	-0.1	-0.6	-0.2	0.2	0.1	0.3	-0.2
Personal Income (% Chg.)												
% Change, Year Ago		-1.7	-1.2	-1.1	-0.6	-0.2	0.2	1.1	1.4	1.3	1.5	1.2
Personal Income (% Chg.)												
% Change, Year Ago		-0.2	-0.4	-0.1	0.0	0.3	-0.8	0.1	1.8	0.0	0.4	0.2
% Change, Year Ago		1.4	2.1	2.9	3.3	3.8	3.9	5.3	5.6	4.0	3.9	4.1
New Home Sales (SAAR, mn)	0.31	0.34	0.38	0.40	0.43	0.45	0.51	0.50	0.52	0.54	0.51	0.57
% Change, Year Ago *	-47.7	-45.5	-40.0	-43.9	-34.0	-36.7	-36.8	-38.4	-38.0	-41.0	-38.8	-29.4
Existing Home Sales (SAAR, mn)	4.49	4.74	4.54	4.94	5.10	4.93	4.99	4.90	4.95	4.85	4.92	4.95
% Change, Year Ago *	-7.6	0.3	-17.0	-1.9	6.8	-15.0	-11.3	-16.7	-16.3	-15.7	-22.5	-19.4
Housing Starts (SAAR, mn)	0.47	0.56	0.66	0.77	0.82	0.85	0.95	1.09	0.98	1.00	0.99	1.11
% Change, Year Ago *	-57.3	-44.4	-46.5	-40.7	-27.2	-37.0	-32.2	-25.6	-32.8	-34.0	-33.6	-24.0
International Trade (Bils \$)												
		-39.9	-41.6	-57.2	-57.1	-59.4	-61.6	-59.2	-60.5	-61.9	-57.5	-62.0
	Q4-08	Q3-08	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06	Q3-06	Q2-06	Q1-06
Real GDP, Chain Weighted, SAAR	-6.2	-0.5	2.8	0.9	-0.2	4.8	4.8	0.0	1.5	0.8	2.7	4.8
% Change, Year Ago	-0.8	0.7	2.1	2.5	2.3	2.8	1.8	1.3	2.4	2.4	3.2	3.1
Chain-Weighted Price Index, SAAR	0.5	3.9	1.1	2.6	2.8	1.5	2.0	4.1	2.2	2.8	2.7	3.5
% Change, Year Ago	2.0	2.6	2.0	2.3	2.6	2.5	2.8	2.9	2.8	3.2	3.5	3.4
Nominal GDP, SAAR	-5.8	3.4	4.1	3.5	2.3	6.4	6.9	4.3	3.7	3.6	5.5	8.6
% Change, Year Ago	1.2	3.3	4.1	4.7	4.9	5.3	4.6	4.3	5.3	5.7	6.8	6.6
Employment Cost Index (%)	0.5	0.7	0.7	0.7	0.8	0.8	0.9	0.8	0.8	1.0	0.9	0.6
% Change, Year Ago	2.6	2.9	3.1	3.3	3.3	3.3	3.3	3.5	3.3	3.3	3.0	2.8
Productivity Nonfarm, SAAR	3.2	1.5	3.6	2.6	0.8	5.8	4.1	0.0	0.2	-2.1	1.8	2.5
% Change, Year Ago	2.7	2.2	3.2	3.3	2.7	2.5	0.5	0.0	0.6	0.3	1.7	1.3
Unit Labor Costs, Nonfarm, SAAR	1.8	2.6	-2.6	1.2	4.5	-2.4	-3.2	4.9	9.1	4.1	-1.1	2.6
% Change, Year Ago	0.7	1.4	0.1	0.0	0.9	2.0	3.7	4.2	3.6	2.6	2.2	2.9

Source: Haver Analytics

* NSA

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