

DAILY GLOBAL COMMENTARY

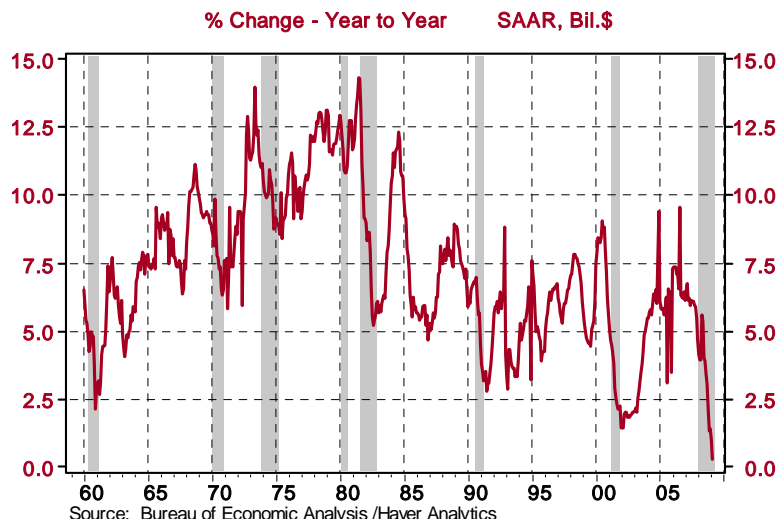
Northern Trust
 Global Economic Research
 50 South LaSalle
 Chicago, Illinois 60603
 northerntrust.com

Asha G. Bangalore
agb3@ntrs.com

Consumer Spending and Income Decline Raising Concern about Spending
April 30, 2009

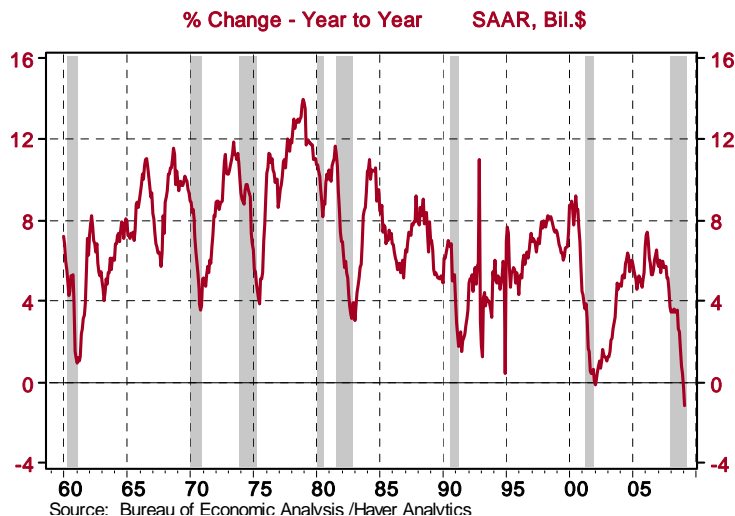
Personal income fell 0.3% in March following a 0.2% drop in February. Personal income has declined in five out of the last six months. It is more troubling to note that personal income on a year-to-year basis grew only 0.3% during March, the smallest gain since 1959 when record keeping began for this series (see chart 1).

Chart 1
 Personal Income



The wage and salary component of personal income dropped 0.46% in March, the fifth monthly decline in the last six months. On a year-to-year basis, this component turned negative in February (-0.3%) and fell further in March (-1.2%), which is also a new record in the history of this series (see chart 2).

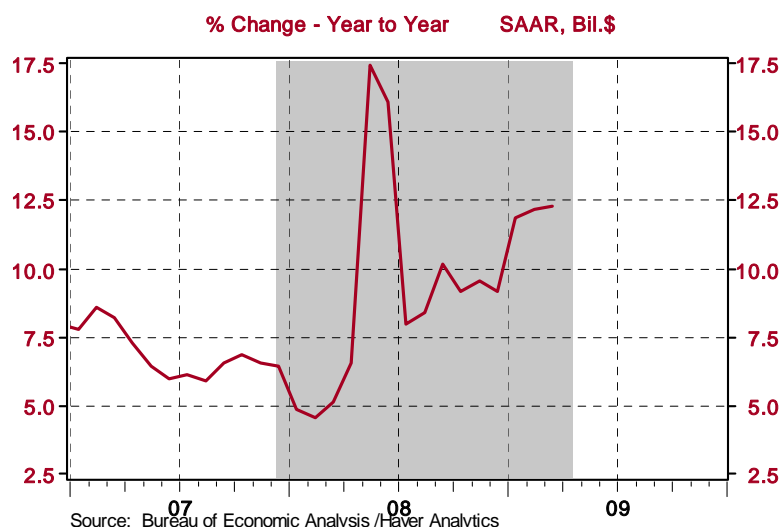
Chart 2
 Wage and Salary Disbursements



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.

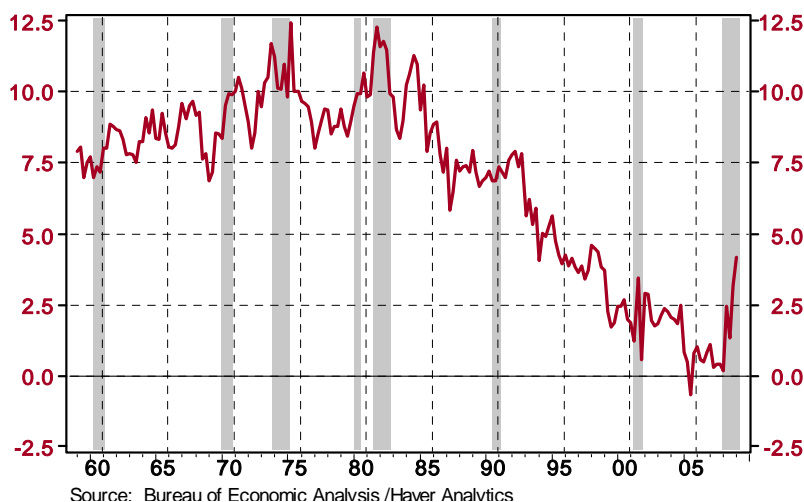
Transfer payments should show noticeable growth given the tax rebates of the fiscal stimulus package. Transfer payments increased 0.9% in February and March; more is expected in the months ahead as fiscal stimulus provisions kick in.

Chart 3
Personal Current Transfer Receipts



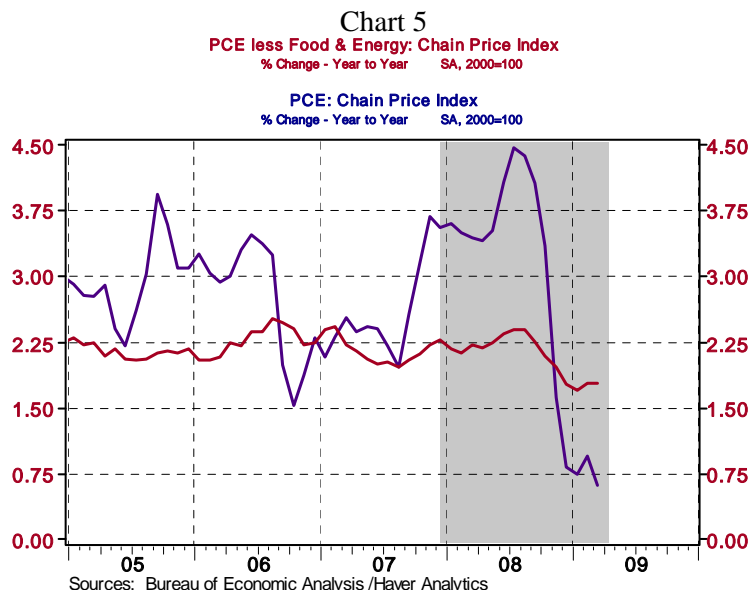
Consumer spending, after adjusting for inflation, fell 0.2% in March after upwardly revised gains of 0.9% and 0.1% in January and February, respectively. In light of the absence of support from income, a setback to consumer spending in the near term is almost certain. In the meanwhile, personal saving as a percent of disposable income increased to 4.2% in March from 4.0% in February, putting the quarterly average at 4.2%, the largest average seen since the third quarter of 1998 (see chart 4).

Chart 4
Personal Saving Rate
SAAR, %



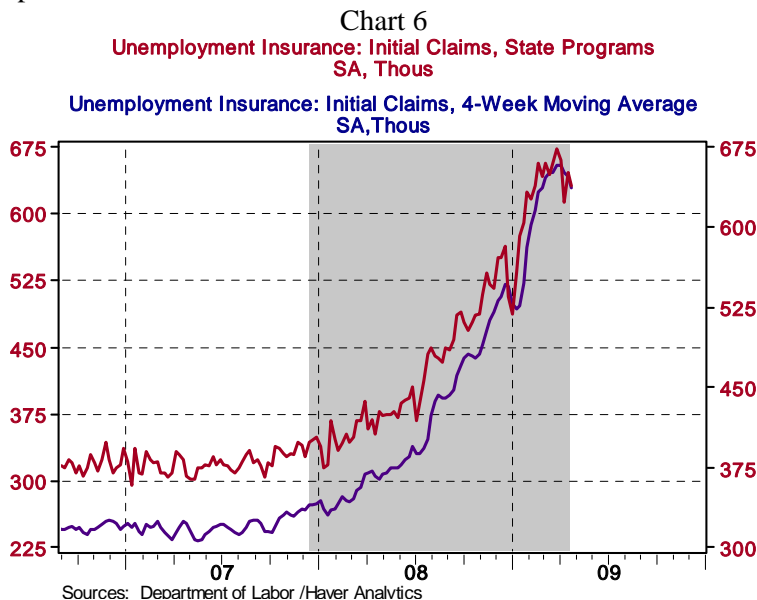
The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence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

The overall personal consumption expenditure price index held nearly steady in March, while the core personal consumption expenditure price index, which excludes food and energy, moved up 0.2%. On a year-to-year basis, both price indexes do not show an inflationary threat.



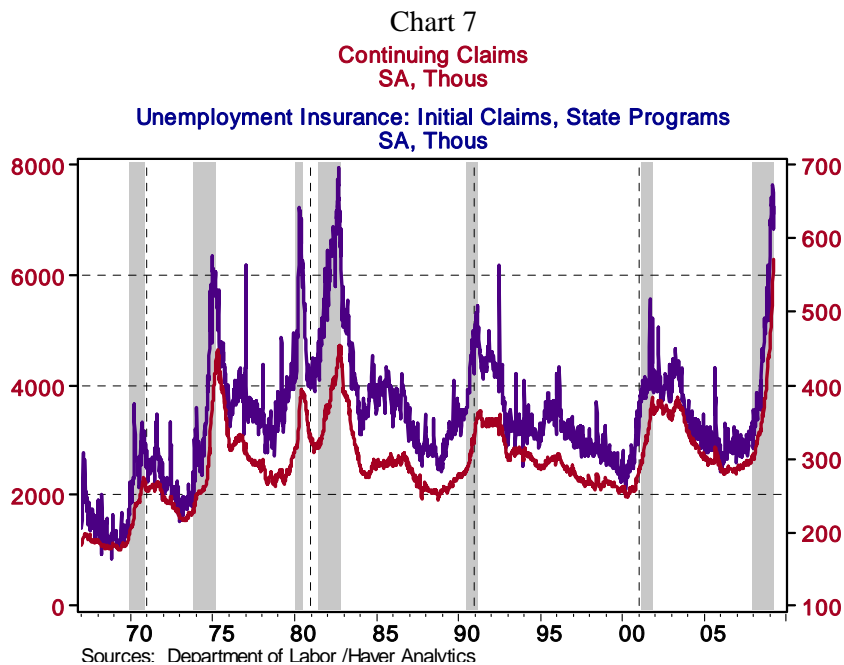
Initial Jobless Claims Declined but Continuing Claims Advanced

Initial jobless claims fell 14,000 to 631,000 during the week ended April 25, marking the third weekly decline in the last four weeks. The four-week moving average appears to have peaked in the week ended April 4.

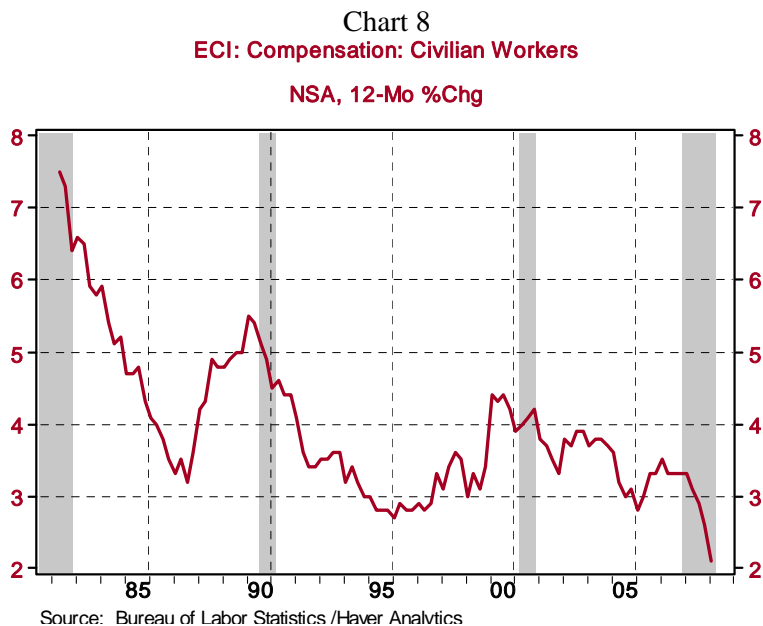


The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence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

Continuing claims, which lag initial claims by one week, rose 133,000 to a new record high of 6.271 million and the insured unemployment rate advanced to 4.7% from 4.6% in the prior week.



In other related news, the Employment Cost Index rose 0.3% in the first quarter, putting the year-to-year change at 2.1%. The decelerating trend of employment costs is noteworthy because it is not only the smallest increase on record (see chart 8) but also both components (wages and salaries and benefits) accounted for the decelerating trend in place (see chart 9).



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 9

ECI: Benefits: Civilian Workers
NSA, 12-Mo %Chg

ECI: Wages & Salaries: Civilian Workers
NSA, 12-Mo %Chg



Will the National Survey Confirm Results from Regional Surveys?

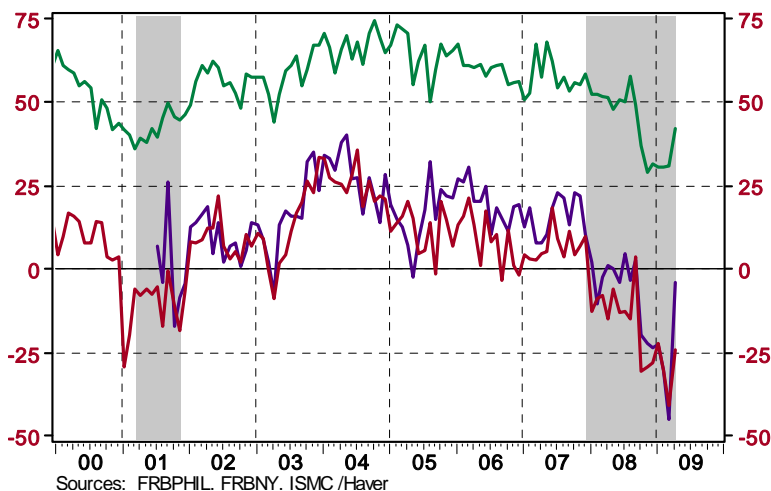
We are impatient to see the results of the ISM manufacturing survey of April to be published on May 1. The Chicago Purchasing Managers’ Survey reported an 11.2 point increase in the New Orders Index during April. The Philly Fed Survey and the Buffalo Fed Survey (Empire State) both posted impressive gains in the index tracking new orders (see chart 10).

Chart 10

Phila FRB Bus Outlook: New Orders, Current, Diffusion Index (SA, %)

Empire State Mfg: New Orders: Diffusion Index (SA, Net%)

Chicago Purchasing Mgrs Assn: New Orders Index (SA, 50+ = Econ Growth)



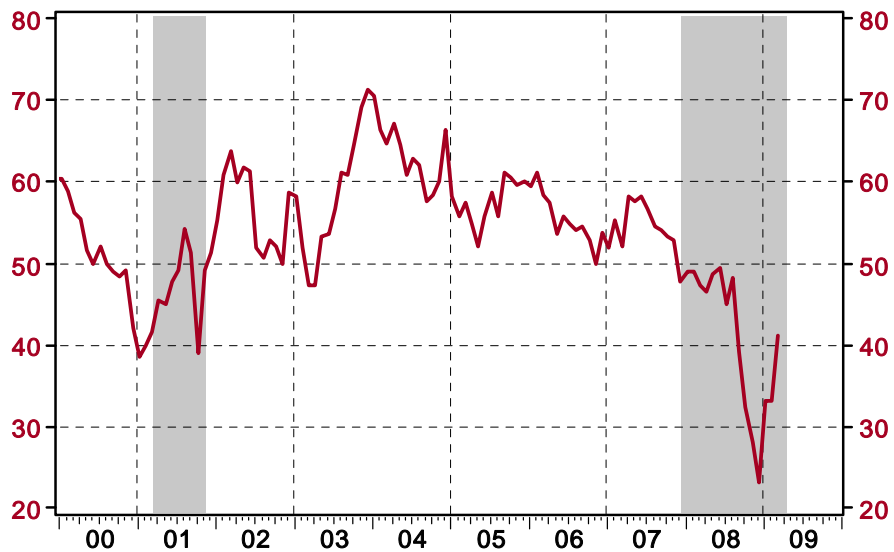
The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence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

The New Orders Index of the ISM Manufacturing Survey rose 8.1 points to 41.2 in March (see chart 11).

Chart 11

ISM Manufacturing: New Orders Index

SA, 50+=Increasing



Source: Institute for Supply Management /Haver Analytics

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.