

DAILY GLOBAL
COMMENTARY

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The ISM Manufacturing Survey Points to Imminent Economic Recovery, Possibly in 2009

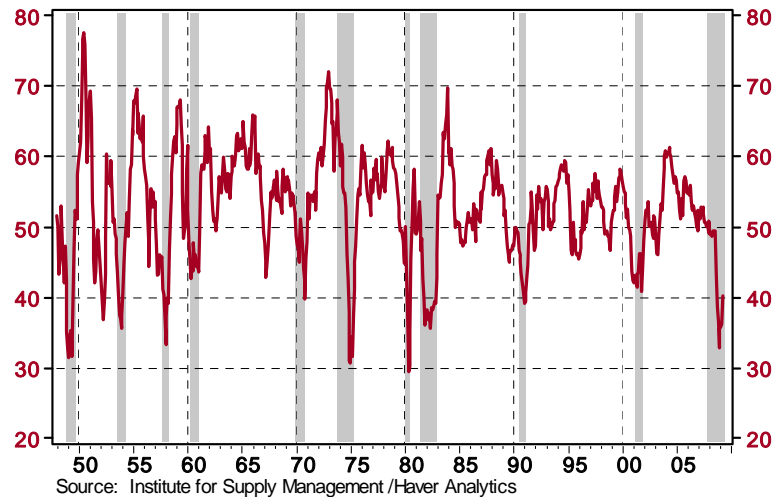
May 1, 2009

The April survey results of the ISM Manufacturing Survey results indicate that the factory sector is contracting but the pace of contraction has slowed significantly. The composite index (PMI) rose to 40.1 in April from 36.3 in March. Indexes below 50.0 denote a contraction in activity but indexes moving toward 50.0 imply a deceleration in the pace of factory activity. The cycle low for the composite index is the December 2008 reading of 32.9.

Chart 1

ISM Manufacturing: PMI Composite Index

SA, 50+=Increasing



Indexes tracking new orders, production, employment, supplier deliveries, inventories, backlogs, prices, exports, and imports advanced in April, but each of them still remains below 50.0.

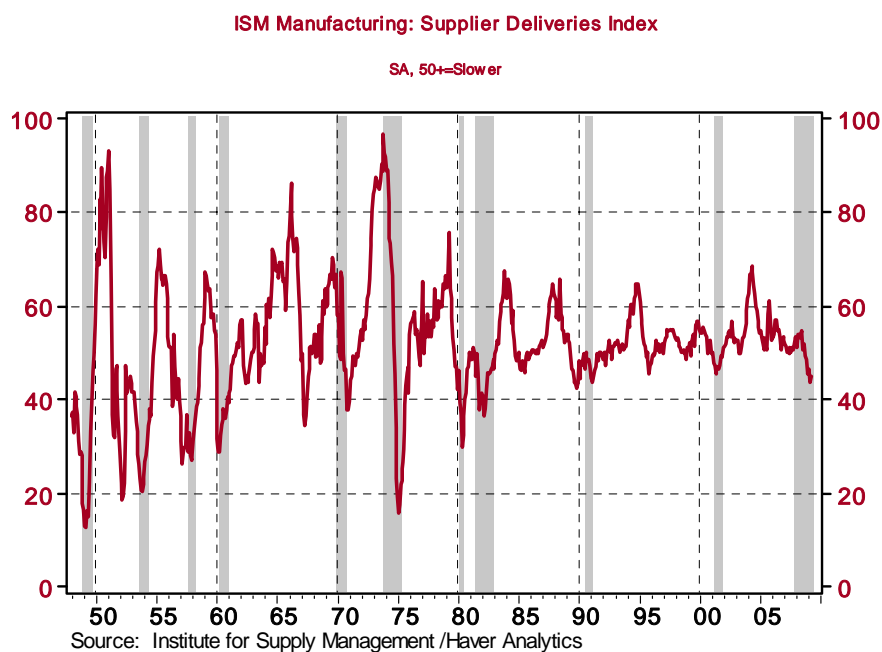
Table 1 ISM Manufacturing Survey – April 2009

	Nov-2008	Dec-2008	Jan-2009	Feb-2009	Mar-2009	Apr-2009
Composite Index	36.6	32.9	35.6	35.8	36.3	40.1
New Orders	28.1	23.1	33.2	33.1	41.2	47.2
Production	32.0	26.3	32.1	36.3	36.4	40.4
Employment	34.3	29.9	29.9	26.1	28.1	34.4
Vendor Deliveries	48.6	45.7	45.3	46.7	43.6	44.9
Inventories	40.1	39.6	37.5	37.0	32.2	33.6
Prices	25.5	18.0	29.0	29.0	31.0	32.0
Backlog of Orders	27.0	23.0	29.5	31.0	35.5	40.5
New Export Orders	41.0	35.5	37.5	37.5	39.0	44.0
Imports	37.5	39.0	36.5	32.0	33.0	42.0

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The important aspect of this survey is that the Supplier Deliveries Index is one of the components of the Index of Leading Economic Indicators, our preferred indicator that forewarns about turning points of a business cycle. The New Orders Index is another reliable leading indicator of the survey. Charts 2 and 3 show that the New Orders Index and Supplier Deliveries Index are both leading indicators of turning points of a business cycle. However, there is a variation in the number of months they lead the business cycle (see table 2). In the current cycle, the Supplier Deliveries Index appears to have established a trough in March 2009, while the tentative trough for the New Orders index appears to have occurred in December 2008. If history is a guide, the details of table 2 indicate that the horse race between these indexes is very close. The important conclusion we can draw from the historical comparison is that the trough of the current business cycle is most likely not too far way.

Chart 2



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Chart 3

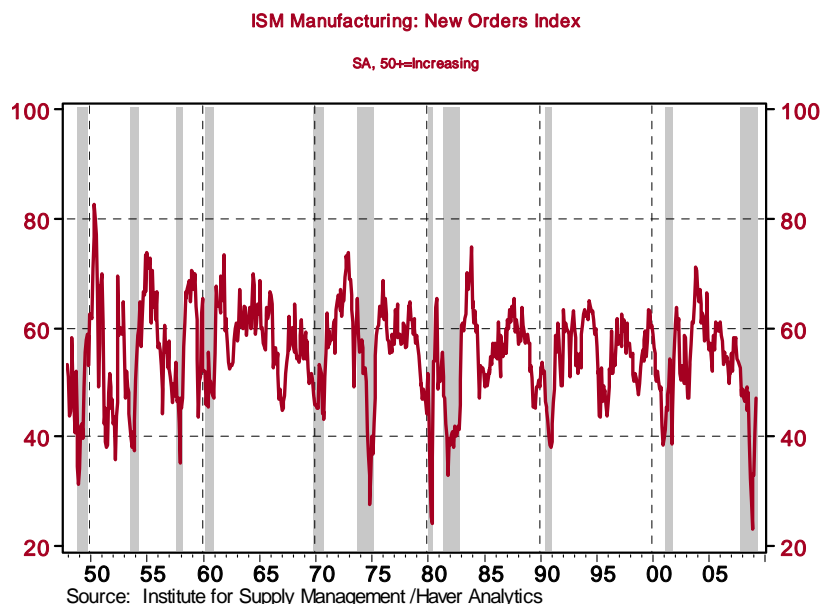


Table 2 Supplier Deliveries, New Orders, and PMI across Business Cycles

Business Cycles Peak to Trough	Cycle low		Trough of		Cycle low		Trough of		
	Date	Supplier Deliveries	Business cycle Lead (+)/Lag(-)	Date	New Orders	Business cycle Lead (+)/Lag(-)	Date	PMI	Business cycle Lead (+)/Lag(-)
Nov.1948 - Oct.1949	Mar-49	12.4	+7	Jan-49	31.4	+9	Feb-49	31.3	+8
Jul.1953 - May1954	Nov-53	20.2	+6	Dec-53	37.5	+5	Dec-53	35.6	+5
Aug.1957 - Apr.1958	Dec-57	27.3	+4	Jan-58	35.2	+3	Jan-58	33.4	+3
Apr.1960 - Feb.1961	Mar-60	28.9	+10	Jul-60	45.7	+7	May-60	42.6	+9
Dec.1969 - Nov.1970	Dec.-70	37.8	-1	Nov-70	43.3	0	Nov-70	39.7	0
Nov.1973 - Mar.1975	Feb-75	15.9	+1	Dec-74	27.9	+3	Jan-75	30.7	+2
Jan.1980 - Jul.1980	May-80	29.8	+2	Jun-80	24.2	+1	May-80	29.4	+2
Jul.1981 - Nov.1982	Mar-82	36.4	+8	Nov-81	32.8	+12	May-82	35.5	+6
Jul.1990 - Mar.1991	Mar-91	43.9	0	Jan-91	38.1	+2	Jan-91	39.2	+2
Mar.2001 - Nov.2001	May-2001	45.4	+6	Oct-01	38.9	+1	Oct-01	40.8	+1
Dec. 2007 - ???	Dec-08	45.7	???	Dec-08	23.1	???	Dec-08	32.9	???
	Jan-09	45.3		Jan-09	33.2		Jan-09	35.6	
	Feb-09	46.7		Feb-09	33.1		Feb-09	35.8	
	Mar-09	43.6		Mar-09	41.2		Mar-09	36.3	
	Apr-09	44.9		Apr-09	47.2		Apr-09	40.1	

Average number of months	4.3	4.3	3.8
Median number of months	5.0	3.0	2.5
Minimum lead in months	-1.0	0.0	0.0
Maximum lead in months	10.0	12.0	9.0

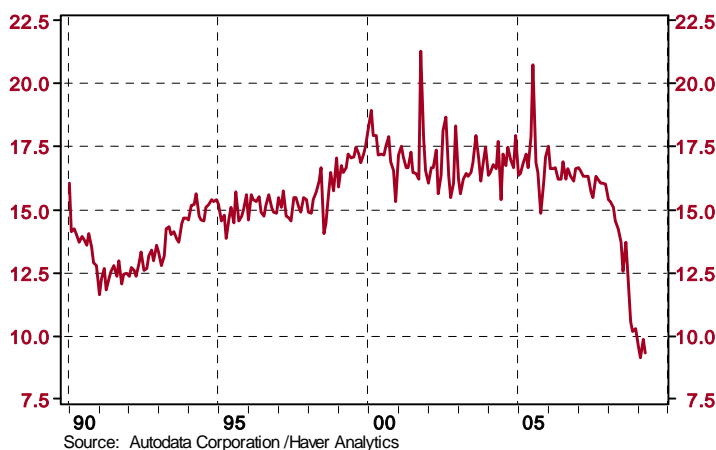
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Auto Sales Edged Down in April

Sales of auto fell to an annual of 9.3 million in April, down from 9.8 million in March. The April tally of car sales is consistent with forecasts of a decline in consumer spending in the second quarter.

Chart 4

Total Light Vehicle Retail Sales (Imported+Domestic)
SAAR, Mil. Units



Key Interest Rates

	5/1/2009	1-wk. change, bps	4-wk. change, bps	1-yr. change, bps
3-month Libor	1.00	-7	-16	-177
2-year U.S. Treasury note yield	0.91	-8	-5	-156
10-year U.S. Treasury note yield	3.18	15	27	-71

Next Week's Highlights

Chairman Bernanke testifies on May 5 at 10:00 AM ET and speaks on May 7 at 9:30 AM ET

Date	Economic Indicator	TNT	Consensus	Previous
5/4/2009	Construction outlays (Mar.)		-1.5%	-0.9%
	Pending Home Sales Index (Mar.)			
5/5/2009	ISM Non-Manufacturing (Apr.)		42.0	40.8
5/7/2009	Initial claims ('000s)		633	631
	Productivity (2009:Q1)		0.6%	-0.4%
5/8/2009	Unemployment rate (Feb.)	8.8%	8.9%	8.5%
	Payroll employment ('000s)	-575	-620	-633

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Global Economic Data

	Real GDP		CPI		Unemployment Rate			Central Bank Rate		
	SAAR, yoy %		NSA, yoy%		%		year-ago	%		year-ago
United States	-2.6	Q4-08	-0.4	Mar-09	8.5	Mar-09	5.1	0.13	Apr-09	2.00
Euro-Area	-1.5	Q4-08	0.6	Mar-09	8.9	Mar-09	7.2	1.25	Apr-09	4.00
Japan	-4.3	Q4-08	-0.3	Mar-09	4.8	Mar-09	3.8	0.10	Apr-09	0.50
UK	-2.0	Q4-08	2.9	Mar-09	4.5	Mar-09	2.4	0.50	Apr-09	5.00
Australia	0.3	Q4-08	2.5	Q4-08	5.7	Mar-09	4	3.00	Apr-09	7.25
Canada	-0.7	Q4-08	1.2	Mar-09	8.0	Mar-09	6.1	0.25	Apr-09	3.00
China	6.1	Q1-09	0.0	Mar-09	4.2	Q4-08	4.1	0.81	Mar-09	2.07
India	5.4	Q4-08	9.5	Mar-09	--	--	--	3.25	Apr-09	6.00
New Zealand	-2.3	Q4-08	3.0	Q4-08	4.7	Q4-08	3.8	2.50	Apr-09	8.25
Norway	0.8	Q4-08	2.5	Mar-09	2.8	Q4-08	2.7	2.00	Apr-09	5.50
Singapore	-4.0	Q4-08	1.6	Mar-09	3.2	Q1-09	1.9	0.19	Apr-09	0.99
South Korea	-4.4	Q4-08	3.6	Apr-09	3.7	Mar-09	3.1	2.00	Apr-09	5.00
Sweden	-4.4	Q4-08	0.2	Mar-09	7.7	Mar-09	5.9	0.50	Apr-09	4.25
Switzerland	-0.1	Q4-08	-0.4	Mar-09	3.3	Mar-09	2.5	0.40	Apr-09	2.81
Taiwan	-8.1	Q4-08	0.0	Mar-09	5.7	Mar-09	3.9	1.25	Apr-09	3.50
Thailand	-4.3	Q4-08	-0.9	Apr-09	1.7	Mar-09	1.3	1.75	Apr-09	3.50

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

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Historical US Economic Data

	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08	Nov-08	Oct-08	Sep-08	Aug-08	Jul-08	Jun-08	May-08
Payroll Employment (000)		-663	-651	-741	-681	-597	-380	-321	-175	-128	-161	-137
% Change, Year Ago *		-3.5	-3.1	-2.7	-2.2	-1.6	-1.1	-0.7	-0.4	-0.3	-0.2	-0.1
Unemployment Rate (%)		8.5	8.1	7.6	7.2	6.8	6.6	6.2	6.2	5.8	5.6	5.5
Avg. Hourly Earnings (% Chg.)		0.2	0.2	0.2	0.3	0.3	0.4	0.2	0.4	0.3	0.3	0.3
% Change, Year Ago		3.4	3.6	3.7	3.9	3.9	3.9	3.6	3.8	3.5	3.6	3.7
PPI (% Chg.)		-1.2	0.1	0.8	-1.8	-2.7	-2.6	-0.1	-0.5	1.3	1.3	1.5
% Change, Year Ago *		-3.5	-1.3	-1.0	-0.9	0.4	5.2	8.8	9.7	9.9	9.1	7.3
CPI (% Chg.)		-0.1	0.4	0.3	-0.8	-1.7	-0.8	0.0	0.0	0.7	0.9	0.5
% Change, Year Ago *		-0.4	0.2	0.0	0.1	1.1	3.7	4.9	5.4	5.6	5.0	4.2
ISM Diffusion Index (%)	40.1	36.3	35.8	35.6	32.9	36.6	38.7	43.4	49.3	49.5	49.5	49.3
Industrial Production (% Chg.)		-1.5	-1.5	-2.1	-2.2	-1.2	1.3	-4.0	-1.1	-0.1	-0.2	-0.3
% Change, Year Ago		-12.8	-11.8	-10.7	-8.8	-6.4	-4.7	-6.4	-2.2	-1.0	-0.7	-0.4
Capacity Utilization (Goods)		69.3	70.3	71.3	72.8	74.5	75.4	74.5	77.6	78.6	78.7	78.9
Nondefense Cap. Goods ex Aircraft												
- Orders (% Chg.)		0.4	4.1	-12.3	-5.9	1.1	-6.7	-3.4	-2.3	0.3	1.6	-0.3
% Change, Year Ago *		-19.3	-25.0	-25.4	-14.7	-7.9	-7.2	0.1	-0.2	6.6	3.4	3.4
- Shipments (% Chg.)		-1.7	-0.2	-9.4	0.1	-1.3	-3.7	1.7	-2.1	0.3	0.6	0.2
% Change, Year Ago *		-14.8	-15.6	-13.4	-4.7	-5.2	-2.2	2.7	-1.6	6.1	2.0	2.7
Retail Sales (% Chg.)		-1.2	0.4	1.7	-3.2	-2.1	-3.1	-1.5	-0.5	-0.7	0.2	0.2
% Change, Year Ago		-10.7	-11.7	-8.4	-8.8	-10.1	-4.2	-0.2	-0.6	3.8	1.1	2.2
Real Personal Consumption (% Chg.)		-0.2	0.1	0.9	-0.6	0.4	-0.8	-0.5	-0.1	-0.6	-0.2	0.2
% Change, Year Ago		-1.5	-1.0	-1.2	-1.9	-1.4	-1.3	-0.6	-0.2	0.2	1.1	1.4
Personal Income (% Chg.)		-0.3	-0.2	0.1	-0.3	-0.5	-0.1	0.1	0.3	-0.8	0.1	1.8
% Change, Year Ago		0.3	1.0	1.4	1.3	2.1	3.0	3.4	3.9	4.0	5.3	5.6
New Home Sales (SAAR, mn)		0.36	0.36	0.33	0.37	0.39	0.40	0.43	0.45	0.51	0.50	0.52
% Change, Year Ago *		-30.6	-39.6	-45.5	-40.9	-40.0	-43.9	-34.0	-36.7	-36.8	-38.4	-38.0
Existing Home Sales (SAAR, mn)		4.57	4.71	4.49	4.74	4.54	4.94	5.10	4.93	4.99	4.90	4.95
% Change, Year Ago *		-4.0	-10.3	-7.6	0.3	-17.0	-1.9	6.8	-15.0	-11.3	-16.7	-16.3
Housing Starts (SAAR, mn)		0.51	0.57	0.49	0.56	0.66	0.77	0.82	0.85	0.95	1.09	0.98
% Change, Year Ago *		-49.0	-49.6	-54.9	-45.3	-46.5	-40.7	-27.2	-37.0	-32.2	-25.6	-32.8
International Trade (Bils \$)			-26.0	-36.2	-39.9	-42.5	-58.0	-58.1	-60.2	-62.5	-59.1	-60.5
	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06	Q3-06	Q2-06
Real GDP, Chain Weighted, SAAR	-6.1	-6.3	-0.5	2.8	0.9	-0.2	4.8	4.8	0.0	1.5	0.8	2.7
% Change, Year Ago	-2.6	-0.8	0.7	2.1	2.5	2.3	2.8	1.8	1.3	2.4	2.4	3.2
Chain-Weighted Price Index, SAAR	2.9	0.5	3.9	1.1	2.6	2.8	1.5	2.0	4.1	2.2	2.8	2.7
% Change, Year Ago	2.1	2.0	2.6	2.0	2.3	2.6	2.5	2.8	2.9	2.8	3.2	3.5
Nominal GDP, SAAR	-3.5	-5.8	3.4	4.1	3.5	2.3	6.4	6.9	4.3	3.7	3.6	5.5
% Change, Year Ago	-0.5	1.2	3.3	4.1	4.7	4.9	5.3	4.6	4.3	5.3	5.7	6.8
Employment Cost Index (%)	0.3	0.6	0.6	0.7	0.7	0.8	0.8	0.9	0.8	0.9	0.9	0.9
% Change, Year Ago	2.1	2.6	2.9	3.1	3.3	3.3	3.3	3.3	3.5	3.3	3.3	3.0
Productivity Nonfarm, SAAR		-0.4	2.2	4.7	2.6	-0.5	7.0	4.8	-0.6	-0.4	-1.6	2.4
% Change, Year Ago		2.2	2.2	3.4	3.5	2.6	2.6	0.5	-0.1	0.6	0.3	1.7
Unit Labor Costs, Nonfarm, SAAR		5.7	3.5	-2.8	1.1	5.0	-2.5	-3.3	4.8	9.6	3.9	-1.1
% Change, Year Ago		1.8	1.6	0.1	0.0	0.9	2.0	3.6	4.2	3.7	2.6	2.2

Source: Haver Analytics

* NSA

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