

DAILY GLOBAL COMMENTARY

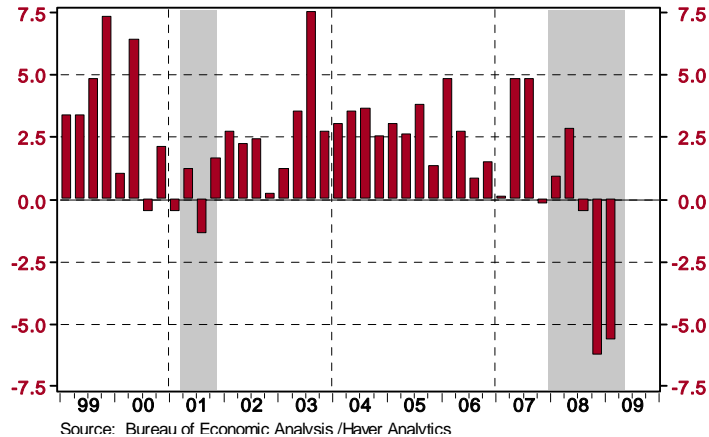
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**Q1 Real GDP Preliminary Estimate – Minor Revisions, Message is Unchanged**  
May 29, 2009

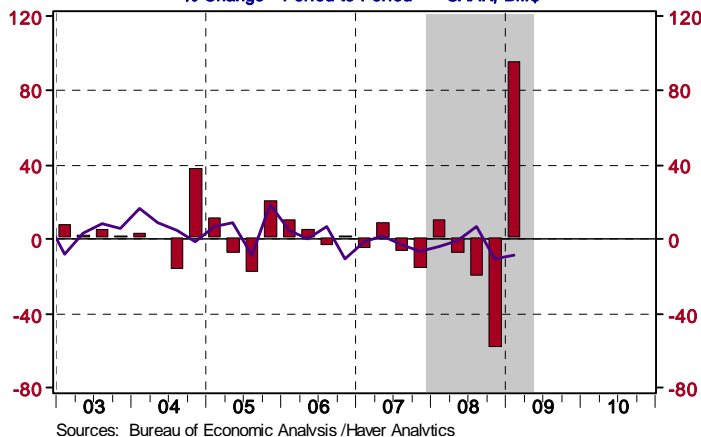
Real gross domestic product of the U.S. economy declined at a 5.7% annual rate in the first quarter, marginally smaller than the advance estimate of a 6.1% drop. Consumer spending was weaker than the advance reading (+1.5% vs. +2.2% in the advance report). Liquidation of inventories (\$91.4 billion vs. \$103.7 billion) and the trade deficit (\$302.6 billion vs. \$308.4 billion) were both smaller than the first estimate.

Chart 1  
Real Gross Domestic Product  
SAAR, %Chg



Corporate profits increased 3.4% in the first quarter after a 16.5% drop in the last quarter of 2008. The strength in corporate earnings was entirely from a nearly 85% increase in profits from the financial sector, while the profits of the non-financial sector fell 8.6% in the first quarter. The quality and durability of the financial sector profits is unclear, given the fragile state of the financial market.

Chart 2  
Corporate Profits with IVA & CCAAdj: Financial  
% Change - Period to Period SAAR, Bil.\$  
Corporate Profits with IVA & CCAAdj: Nonfinancial  
% Change - Period to Period SAAR, Bil.\$



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## Real Gross Domestic Product – Preliminary Estimate 2009:Q1

	(2000 chained dollars)				Percent Change (SAAR) from prior quarter			
	08:3 Final	08:4 Final	09:1 Advance	09:1 Preliminary	08:3 Fin	08:4 Fin	09:1 Adv	09:1 Prel.
GDP	11712.4	11522.1	11340.9	11353.7	-0.5	-6.3	-6.1	-5.7
CONSUMPTION	8260.6	8170.5	8214.2	8202.0	-3.8	-4.3	2.2	1.5
DURABLE GOODS	1180.1	1108.6	1133.9	1134.4	-14.8	-22.1	9.4	9.6
NONDURABLE GOODS	2376.3	2318.6	2326.2	2315.2	-7.1	-9.4	1.3	-0.6
SERVICES	4711.3	4729.4	4746.5	4745.0	-0.1	1.5	1.5	1.3
INVESTMENT	1703.7	1596.0	1329.8	1346.7	0.4	-23.0	-51.8	-49.3
FIXED INVESTMENT	1731.1	1627.0	1444.3	1447.6	-5.3	-22.0	-37.9	-37.3
NONRESIDENTIAL	1425.7	1341.1	1190.6	1195.1	-1.7	-21.7	-37.9	-36.9
STRUCTURES	348.4	339.9	293.9	296.2	9.7	-9.4	-44.2	-42.3
EQUIPM. & SOFTWARE	1054.0	970.5	875.3	876.4	-7.5	-28.1	-33.8	-33.5
RESIDENTIAL	353.7	331.6	294.2	293.4	-16.0	-22.8	-38.0	-38.7
CHG. BUS. INVENT.	-29.6	-25.8	-103.7	-91.4				
NET EXPORTS	-353.1	-364.5	-308.4	-302.6				
EXPORTS	1556.1	1454.9	1331.0	1336.8	3.0	-23.6	-30.0	-28.7
IMPORTS	1909.1	1819.4	1639.5	1639.5	-3.5	-17.5	-34.1	-34.1
GOVERNMENT (C & I)	2088.1	2094.7	2073.8	2076.3	5.8	1.3	-3.9	-3.5
FEDERAL	810.8	824.5	816.1	815.4	13.8	7.0	-4.0	-4.3
DEFENSE	550.4	555.0	545.9	545.4	18.0	3.4	-6.4	-6.8
OTHER	259.5	268.9	269.8	269.6	5.1	15.3	1.3	1.0
STATE AND LOCAL	1278.7	1272.3	1259.7	1262.8	1.3	-2.0	-3.9	-2.9
DISP. PERS. INC.	8689.1	8754.2	8886.6	8897.4	-8.8	2.7	6.2	6.5
FINAL SALES	11739.2	11552.2	11452.3	11451.9	-1.3	-6.2	-3.4	-3.4
GROSS DOMESTIC PURCHASES	12084.1	11904.0	11747.7	11741.9	-2.3	-5.8	-5.1	-5.3
PRICE DEFLATORS:								
GDP CHAIN TYPE	123.1	123.3	124.2	124.2	3.9	0.5	2.9	2.8
GDP EX. FOOD & ENERGY					3.0	0.4	2.0	2.0
PCE CHAIN TYPE	123.0	121.5	121.2	121.2	5.0	-4.9	-1.0	-1.0
PCE EX. FOOD & ENERGY	117.5	117.7	118.2	118.2	2.4	0.9	1.5	1.5

Going forward, real GDP is expected to post declines in both the second and third quarters. Auto plant shutdowns and resumptions are most likely to exaggerate the projected decline and increase in headline GDP in the third and fourth quarters of 2009.

## Frozen Credit Markets Have Made Noteworthy Progress

Frozen credit markets that are the heart of the current global economic crisis have made noteworthy progress. The most significant improvement is at the short and least risky end (see chart 3 and chart 4). At the most risky end, the spread between junk bonds and 10-year Treasury

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note yield has narrowed substantially (see chart 5) but more is needed to match the situation that prevailed prior to the onset of the crisis in August 2007. Yields on securities backed by credit card and auto loan receivables are declining (see chart 6). For now, the FOMC should be pleased to the extent that credit market spreads are not widening. That said, the financial market situation remains wobbly, but markedly less than it was in the early part of the year.

Chart 3  
Spread: 3-Month Libor less 3-Month Treasury Bill Rate

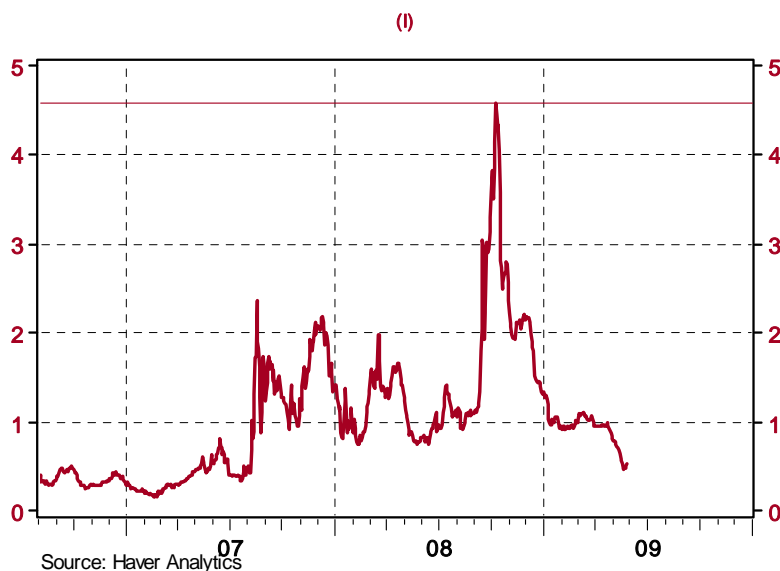
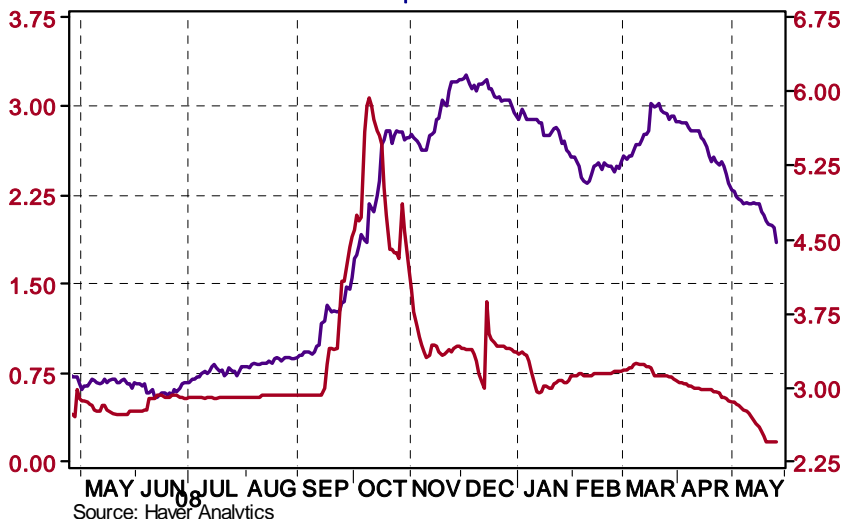


Chart 4  
3-Month Libor less Discount Rate  
percent

Moodys Baa less 10-year Treasury Note Yield  
percent



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Chart 5  
**Merrill Lynch Junk Bond yield less 10-year Treasury Note yield**  
 percent

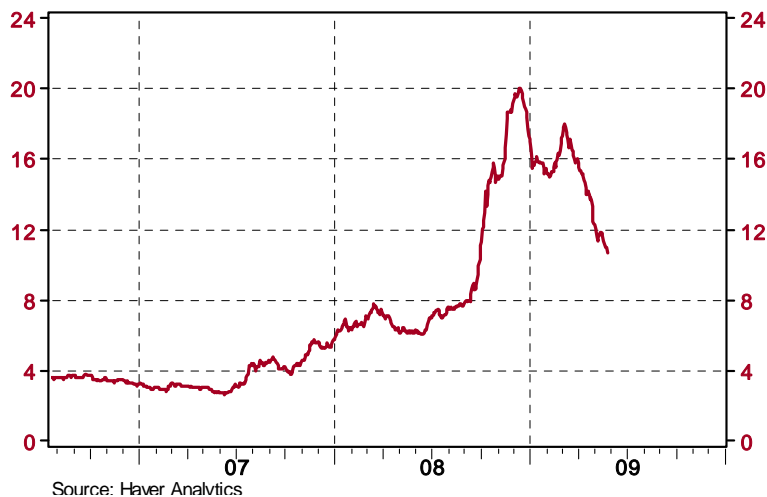
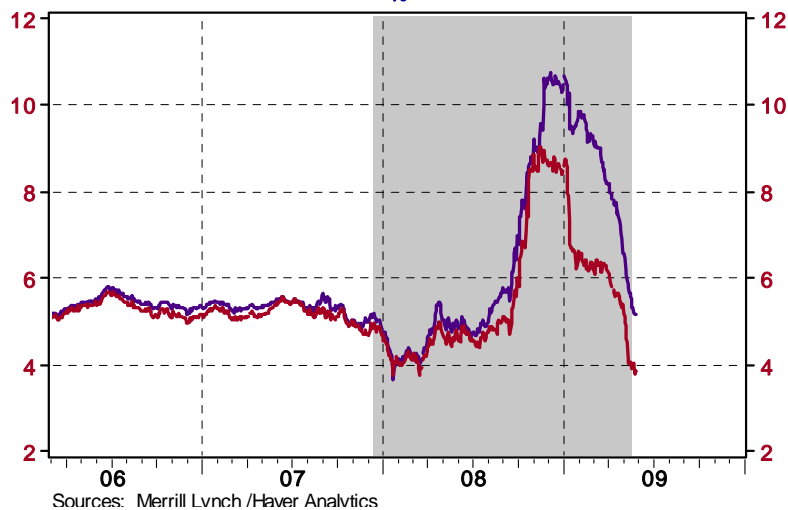


Chart 6  
**Merrill Lynch Asset-Backeds: Credit Cards Fixed Rate: Yield to Maturity**  
 %  
**Merrill Lynch Asset-Backeds: Automobiles Fixed Rate: Yld to Maturity**  
 %



### Key Interest Rates

	5/29/2009	1-wk. change, bps	4-wk. change, bps	1-yr. change, bps
3-month Libor	0.66	0	-35	-202
2-year U.S. Treasury note yield	0.91	-1	-1	-175
10-year U.S. Treasury note yield	3.46	1	25	-60

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## Next Week's Highlights

Chairman Bernanke testifies before House Budget Committee at 10AM ET on June 3, 2009

Date	Economic Indicator	TNT	Consensus	Previous
6/1/2009	Personal Income (Apr.)	-0.2%	-0.2%	-0.3%
	Personal Consumption Exp. (Apr.)	-0.1%	-0.2%	-0.2%
	ISM Manufacturing (May)		42.2	40.1
	Construction outlays (Apr.)		-1.5	0.3%
6/2/2009	Auto sales (May) mln.		9.4	9.3
6/3/2009	ISM Non-Manufacturing (May)		46.5	45.2
	Factory Orders (Apr.)		0.9%	-1.5%
6/4/2009	Initial claims ('000s)		620	623
	Productivity (2009:Q1)		1.20%	0.8%
6/5/2009	Unemployment rate (May)	9.1%	9.2%	8.9%
	Payroll employment ('000s)	-500	-520	-539

## Global Economic Data

	Real GDP		CPI		Unemployment Rate			Central Bank Rate		
	SAAR, yoy %		NSA, yoy%		%	year-ago	%	year-ago		
United States	-2.5	Q4-08	-0.7	Mar-09	8.9	Apr-09	5	0.13	Apr-09	2.00
Euro-Area	-4.6	Q4-08	0.6	Mar-09	8.9	Mar-09	7.2	1.25	Apr-09	4.00
Japan	-9.1	Q4-08	-0.1	Mar-09	5.0	Apr-09	4.0	0.10	Apr-09	0.50
UK	-4.1	Q4-08	2.3	Mar-09	4.7	Apr-09	2.5	0.50	Apr-09	5.00
Australia	0.3	Q4-08	2.5	Q4-08	5.4	Apr-09	4.2	3.00	Apr-09	7.25
Canada	-0.7	Q4-08	0.4	Mar-09	8.0	Apr-09	6	0.25	Apr-09	3.00
China	6.1	Q1-09	-1.4	Mar-09	4.2	Q4-08	4.1	0.82	Apr-09	2.31
India	5.7	Q4-08	8.7	Mar-09	--	--	--	3.25	Apr-09	6.00
New Zealand	-2.3	Q4-08	3.0	Q4-08	5.0	Q1-09	3.8	2.50	Apr-09	8.25
Norway	-0.3	Q4-08	2.9	Mar-09	3.1	Q1-09	2.4	2.00	Apr-09	5.50
Singapore	-10.4	Q4-08	-0.7	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	Apr-09	3.1	2.00	Apr-09	5.00
Sweden	-6.4	Q4-08	-0.1	Mar-09	7.8	Apr-09	5.7	0.50	Apr-09	4.25
Switzerland	-0.1	Q4-08	-0.3	Mar-09	3.4	Apr-09	2.5	0.40	Apr-09	2.81
Taiwan	-10.9	Q4-08	0.0	Apr-09	5.8	Apr-09	3.9	1.25	Apr-09	3.50
Thailand	-7.1	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)	-539	-699	-681	-741	-681	-597	-380	-321	-175	-128	-161	-137
% Change, Year Ago *	-3.8	-3.5	-3.1	-2.7	-2.2	-1.6	-1.1	-0.7	-0.4	-0.3	-0.2	-0.1
Unemployment Rate (%)	8.9	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.)	0.1	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	3.2	3.4	3.5	3.7	3.9	3.9	3.9	3.6	3.8	3.5	3.6	3.7
PPI (% Chg.)	0.3	-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 *	-3.7	-3.5	-1.3	-1.0	-0.9	0.4	5.2	8.8	9.7	9.9	9.1	7.3
CPI (% Chg.)	0.0	-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 *	-0.7	-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.)	-0.5	-1.7	-1.0	-2.1	-2.2	-1.3	1.3	-4.0	-1.1	-0.1	-0.2	-0.3
% Change, Year Ago	-12.5	-12.6	-11.4	-10.7	-8.9	-6.5	-4.7	-6.4	-2.2	-1.0	-0.7	-0.4
Capacity Utilization (Goods)	69.1	69.4	70.6	71.3	72.8	74.4	75.4	74.5	77.6	78.6	78.7	78.9
Nondefense Cap. Goods ex Aircraft												
- Orders (% Chg.)	-1.5	-1.4	4.1	-12.3	-5.9	1.1	-6.7	-3.4	-2.3	0.3	1.6	-0.3
% Change, Year Ago *	-26.4	-20.0	-25.0	-25.4	-14.7	-7.9	-7.2	0.1	-0.2	6.6	3.4	3.4
- Shipments (% Chg.)	-2.1	-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 *	-18.2	-14.3	-15.6	-13.4	-4.7	-5.2	-2.2	2.7	-1.6	6.1	2.0	2.7
Retail Sales (% Chg.)	-0.4	-1.3	0.4	1.7	-3.2	-2.1	-3.1	-1.5	-0.5	-0.7	0.2	0.1
% Change, Year Ago	-9.4	-10.6	-11.6	-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)	0.35	0.35	0.36	0.33	0.37	0.39	0.41	0.44	0.44	0.50	0.49	0.51
% Change, Year Ago *	-32.7	-32.7	-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)	4.68	4.55	4.71	4.49	4.74	4.54	4.94	5.10	4.93	4.99	4.90	4.95
% Change, Year Ago *	-4.6	-4.8	-10.3	-7.6	0.3	-17.0	-1.9	6.8	-15.0	-11.3	-16.7	-16.3
Housing Starts (SAAR, mn)	0.46	0.53	0.57	0.49	0.56	0.66	0.76	0.82	0.85	0.93	1.08	0.97
% Change, Year Ago *	-53.9	-47.0	-49.2	-54.9	-45.3	-46.5	-40.7	-27.2	-37.0	-32.2	-25.6	-32.8
International Trade (Bils \$)		-27.6	-26.1	-36.2	-39.9	-42.5	-58.0	-58.1	-60.2	-62.5	-59.1	-60.5
	<b>Q1-09</b>	<b>Q4-08</b>	<b>Q3-08</b>	<b>Q2-08</b>	<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>
Real GDP, Chain Weighted, SAAR	-5.7	-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	-2.5	-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	2.8	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	-3.1	-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	-0.4	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	0.8	-0.6	2.2	4.7	2.6	-0.5	7.0	4.8	-0.6	-0.4	-1.6	2.4
% Change, Year Ago	1.8	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	3.3	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	2.4	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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