

DAILY GLOBAL  
COMMENTARY

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

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

## ISM Manufacturing Advances in May, Noteworthy Jump of New Orders Index

June 1, 2009

The ISM manufacturing survey for May shows a further improvement in factory conditions in May from the trough of December 2008. The composite index moved up 2.7 points to 42.8, which is still associated with a contracting factor sector but at a significantly slower pace than the cycle low pace registered in December. Readings below 50 are associated with a decline in activity. Indexes tracking new orders, production, supplier deliveries, exports, and imports were higher in May compared with the prior month's readings.

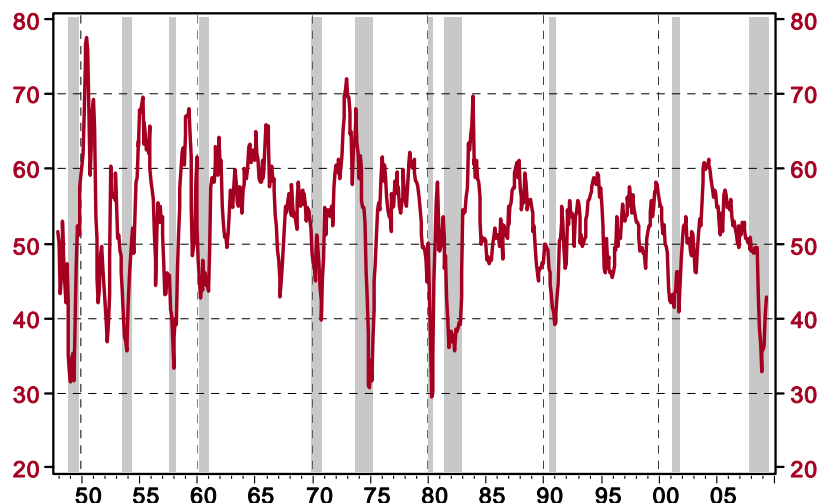
Table 1 ISM Manufacturing Survey – May 2009

	Dec-2008	Jan-2009	Feb-2009	Mar-2009	Apr-2009	May-2009
<b>Composite Index</b>	32.9	35.6	35.8	36.3	40.1	<b>42.8</b>
<b>New Orders</b>	23.1	33.2	33.1	41.2	47.2	<b>51.1</b>
<b>Production</b>	26.3	32.1	36.3	36.4	40.4	<b>46.0</b>
<b>Employment</b>	29.9	29.9	26.1	28.1	34.4	<b>34.3</b>
<b>Vendor Deliveries</b>	45.7	45.3	46.7	43.6	44.9	<b>49.8</b>
<b>Inventories</b>	39.6	37.5	37.0	32.2	33.6	<b>32.9</b>
<b>Prices</b>	18.0	29.0	29.0	31.0	32.0	<b>43.5</b>
<b>Backlog of Orders</b>	23.0	29.5	31.0	35.5	40.5	<b>48.0</b>
<b>New Export Orders</b>	35.5	37.5	37.5	39.0	44.0	<b>48.0</b>
<b>Imports</b>	39.0	36.5	32.0	33.0	42.0	<b>42.5</b>

Chart 1

### ISM Manufacturing: PMI Composite Index

SA, 50+=Increasing



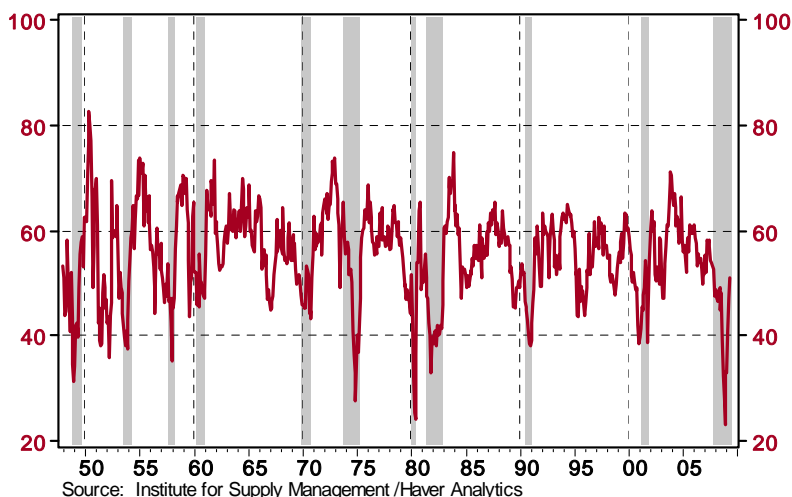
Source: Institute for Supply Management /Haver Analytics

The New Orders Index marked the first reading above 50 since November 2007 and it has risen 28 points in the past five months.

Chart 2

**ISM Manufacturing: New Orders Index**

SA, 50+=Increasing

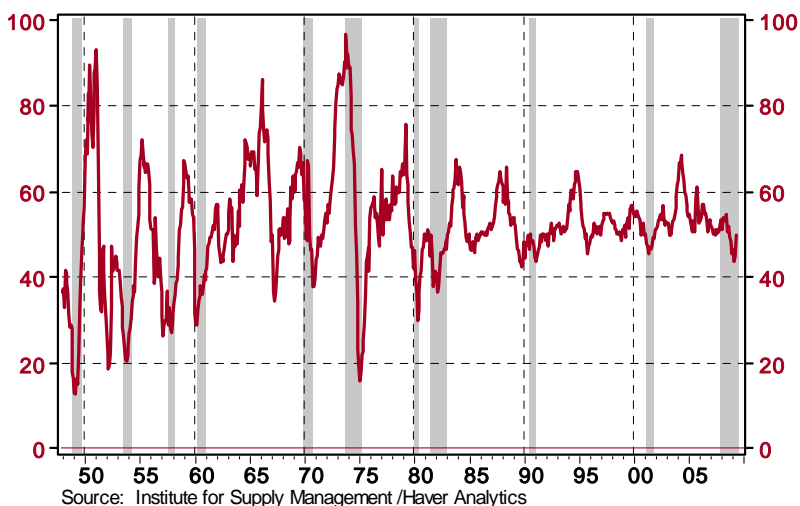


The Supplier Deliveries Index, one of the components of the Index of Leading Economic Indicators, rose to 49.8 in May from 44.9 in the prior month. The general tone of the survey results suggests that the factory sector should be entering a period of expansion in the near term.

Chart 3

**ISM Manufacturing: Supplier Deliveries Index**

SA, 50+=Slower

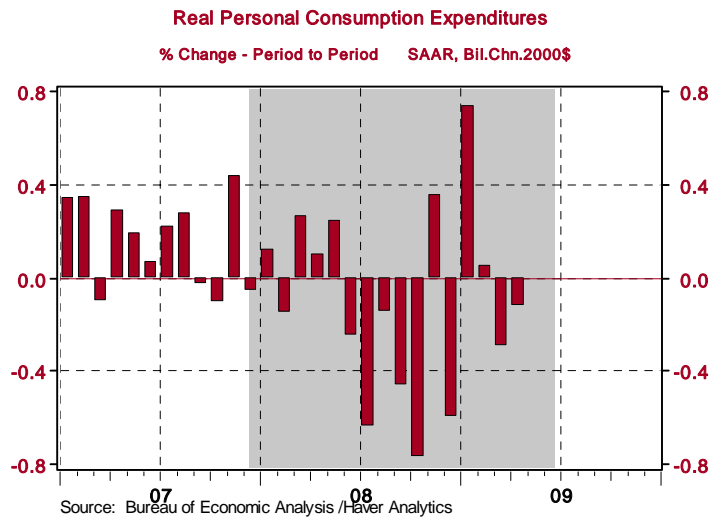


The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence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

## Increase in Personal Income Reflects Impact of Fiscal Stimulus, Consumer Spending Remains Weak

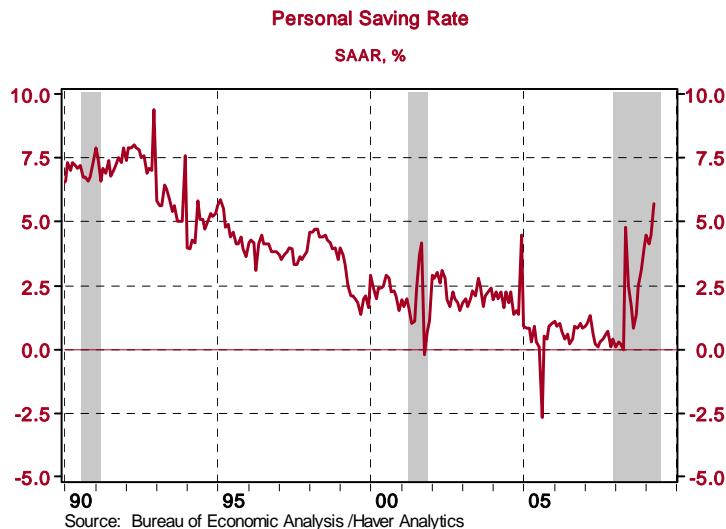
Personal income rose 0.5% in April following a 0.2% drop in the prior month. Wages and salaries held steady in April, while an increase in unemployment compensation and credit from the program Making Work Pay accounted for the big jump in personal income. Consumer spending after adjusting for inflation fell 0.1% in April, putting the second quarter projected decline in consumer spending around 2.0%.

Chart 4



Saving as percent of disposable income increased to 5.7%, up from 4.5% in March and 0.0% in May 08.

Chart 5



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 personal consumption expenditure price index recorded a 0.1% increase; the core personal consumption expenditure price index, which excludes food and energy, increased 0.3%, putting the year-to-year increase at 1.89%.

### Construction Spending Advances in April, Reflecting Positive Contribution from Residential Sector

Construction spending increased 0.8% in April 2009, the second monthly increase. The 0.7% increase in residential construction outlays is important but the downward revision of spending in February reduces the positive impact because the April reading is sharply lower than the first quarter average.

Chart 6



### Construction Spending – April 2009

	Total	Private	Residential	Non-residential	Public
Nov-2008	-3.5	-5.1	-8.6	-2.2	0.4
Dec-2008	-3.1	-3.1	-5.0	-1.7	-3.1
Jan-2009	-3.4	-4.2	-4.0	-4.3	-1.7
Feb-2009	-2.1	-4.2	-10.4	0.3	2.8
Mar-2009	0.4	0.2	-3.6	2.6	1.0
Apr-2009	0.8	1.4	0.7	1.8	-0.6

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.