

DAILY GLOBAL
COMMENTARY

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

Asha G. Bangalore
agb3@ntrs.com

Mixed Bag of Labor Market News, a Tad More Positive than Negative

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Civilian Unemployment Rate: 9.4% in May vs. 8.9% in April, cycle low is 4.4% in March 2007.

Payroll Employment: -345,000 in May vs. -504,000 in April, net upward revision 82,000 jobs after revisions of payroll estimates for March and April.

Hourly earnings: +2 cents to \$18.54, 3.06% yoy change vs. 3.23% yoy change in April, cycle high is 4.28% yoy change in Dec. 2006.

HIGHLIGHTS OF MAY 2009 EMPLOYMENT REPORT

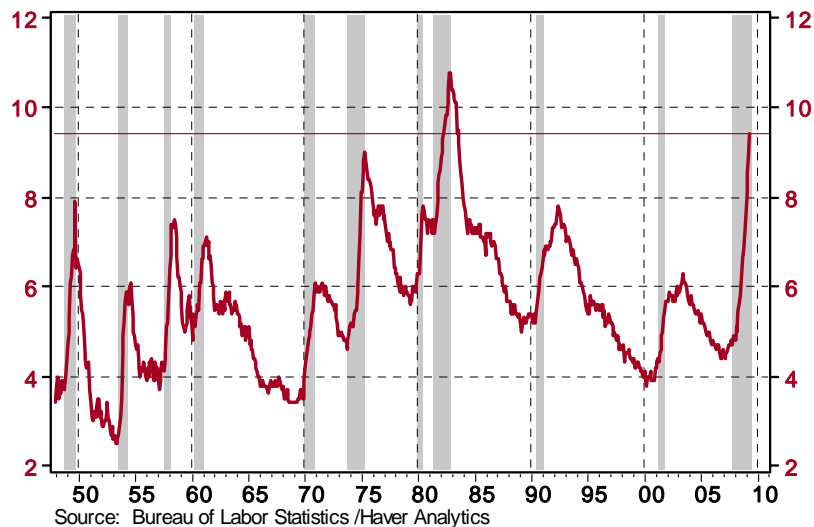
	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09
Household Survey						
Chg. in Civilian Labor Force (000)	-173	-731	498	-166	683	350
Chg. in Civilian Employed (000)	-806	-1239	-351	-861	120	-437
Civilian Unemployment Rate	7.2	7.6	8.1	8.5	8.9	9.4
Participation Rate	65.7	65.5	65.6	65.5	65.8	65.9
Employment-Population ratio	61.0	60.5	60.3	59.9	59.9	59.7
Establishment Survey						
Chg. in Total Nonfarm Payrolls (000)	-681	-741	-681	-652	-504	-345
Chg. in Private Nonfarm Payrolls (000)	-670	-749	-688	-648	-596	-338
Chg. in Manufacturing Payrolls (000)	-180	-262	-172	-172	-154	-156
Chg. in Services - Private Sector (000)	-388	-344	-393	-336	-322	-113
Chg. in Government payrolls (000)	-11	8	7	-4	92	-7
Total Workweek (Hours)						
Manufacturing Workweek (Hours)	33.3	33.3	33.3	33.1	33.2	33.1
Manufacturing Overtime (Hours)	39.9	39.8	39.5	39.4	39.5	39.3
	2.9	2.9	2.7	2.6	2.7	2.7
Average Hourly Earnings						
	18.40	18.43	18.46	18.50	18.52	18.54
Chg. from prior month	0.3%	0.2%	0.2%	0.2%	0.1%	0.1%
Chg. from year ago	3.9%	3.7%	3.5%	3.4%	3.2%	3.1%
Average Weekly Earnings						
	612.72	613.72	614.72	612.35	614.86	613.67
Chg. from prior month	0.0%	0.2%	0.2%	-0.4%	0.4%	-0.2%
Chg. from year ago	2.4%	2.5%	2.0%	1.2%	1.4%	1.2%
Index of Aggregate Weekly Hours:						
Chg. from prior month in Total Index	-0.9%	-0.7%	-0.6%	-1.2%	-0.3%	-0.7%
Chg. from prior month in Mfg. Index	-2.3%	-2.7%	-2.3%	-1.9%	-1.3%	-2.1%

Household Survey – The unemployment rate rose to 9.4% in May, the highest since July 1983. The jobless rate is a lagging indicator which peaks at the conclusion of a recession or several months after the end of a recession (see chart 1). Our forecast of a recovery in the fourth quarter of 2009 implies a higher unemployment rate by the end of the year or in the early part of 2010. The Supervisory Capital Assistance Program (stress test) assumes an 8.4% and 8.8% annual

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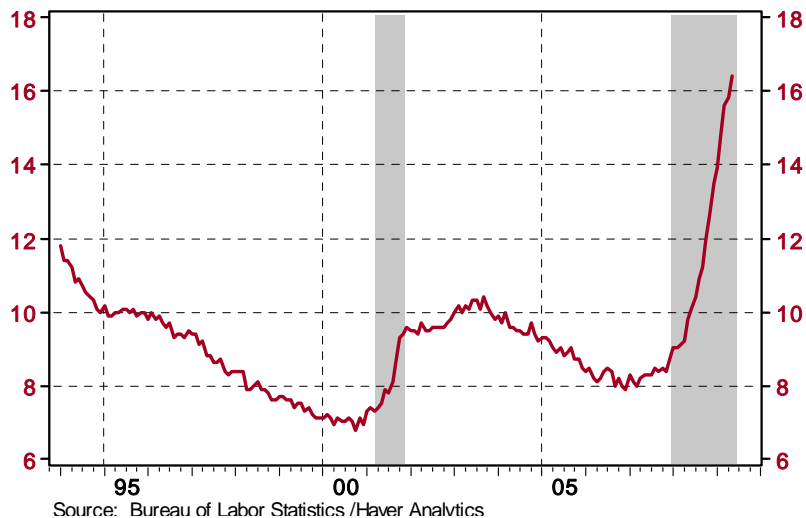
average unemployment rate in 2009 and 2010 under the baseline scenario. The more adverse alternate scenario assumes jobless rate averages of 8.9% and 10.3%, respectively, in 2009 and 2010. The average unemployment rate in the first five months of 2009 is 8.5%.

Chart 1
Civilian Unemployment Rate: 16 yr +
 SA, %



The broad measure of unemployment (which includes those working part-time because they cannot find full-time jobs and those not looking for work but want and are available in addition to those included in the tally of unemployed in the headline jobless rate) rose to 16.4% from 15.8% in April, a new record.

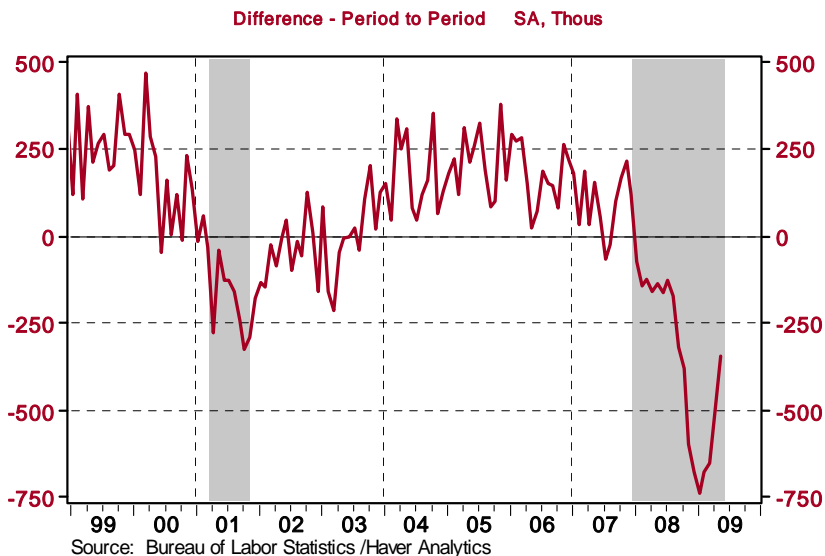
Chart 2
Broad Measure of Unemployment
 SA, %



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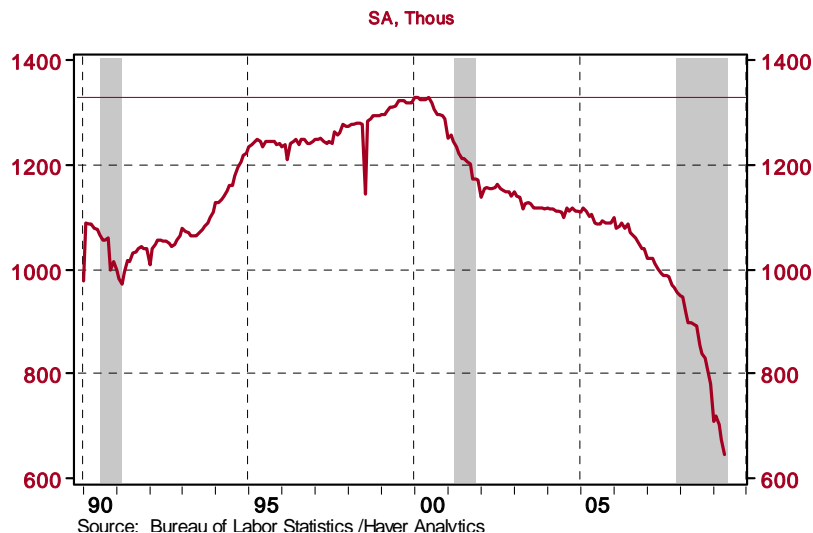
Establishment Survey – Nonfarm payrolls fell 345,000 in May, following upward revisions of March and April estimates which resulted in 82,000 fewer job losses during these months. The pace of job losses in May is noteworthy because it is noticeably smaller than the average losses seen in recent months (average of job losses three months ended April is 612,000 and six months ended April is 643,000).

Chart 3
All Employees: Total Nonfarm



Factory sector employment fell 156,000 in May. Autos (-30,000), machinery (-26,000) and fabricated metal products (-19,000) posted the relatively large gains and made up about half the drop in factory jobs. Auto industry employment has declined nearly 50% from the peak in February 2000 (see chart 4).

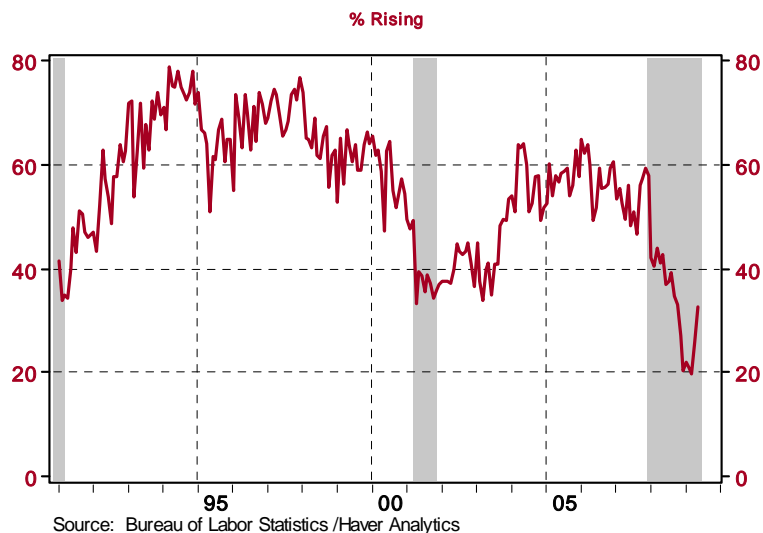
Chart 4
All Employees: Mfg: Motor Vehicles and Parts



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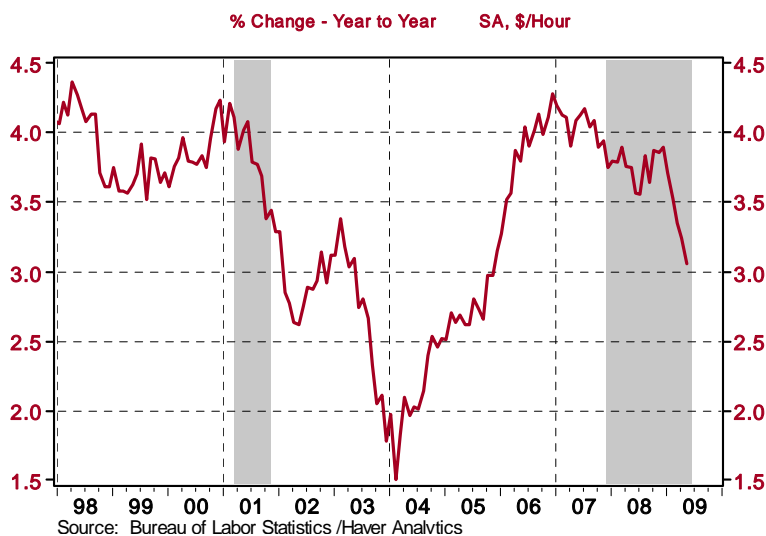
Construction jobs fell 59,000 in May, compared with an average monthly job loss of 117,000 in the previous six months. Service sector employment fell 120,000, the smallest monthly loss since August 2008. Retail employment was down 18,000 in May. Health care jobs rose 24,000 in May and government hiring declined 7,000. The diffusion of employment rose to 32.7 in May from 25.8 in April, indicative of a larger percentage of industries reporting an expansion in employment. This in addition to the slower pace of job losses compared with prior months is noteworthy.

Chart 5
Diffusion Index: Employees On Private Nonag Payrolls



Hourly earnings rose 2 cents to \$18.54 in May, up 3.06% from a year ago. The decelerating trend of hourly earnings is consistent with weak labor market conditions.

Chart 6
Average Hourly Earnings: Total Private Industries



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Conclusion – The Fed is on a watch-and-wait mode. Credit market spreads have narrowed significantly from their highs in the early part of the year. Positive economic reports by way of the ISM manufacturing survey, stability of home sales, glimmers of improvement in the May employment data, a decline in continuing jobless claims, and downward trend of initial jobless claims are factors which are encouraging. The coast is not clear and more is necessary to declare the recession has ended.

Key Interest Rates

	6/5/2009	1-wk. change, bps	4-wk. change, bps	1-yr. change, bps
3-month Libor	0.63	-2	-31	-206
2-year U.S. Treasury note yield	1.28	36	28	-112
10-year U.S. Treasury note yield	3.84	37	55	-10

Next Week's Highlights

Date	Economic Indicator	TNT	Consensus	Previous
6/11/2009	International Trade	-\$29.5 bln.	-\$28.8 bln.	-\$27.6 bln.
6/11/2009	Retail sales (Apr.)	0.5%	0.5%	-0.4%
	Retail sales ex. autos		0.2%	-0.5%
	Business Inventories (Mar.)		-1.0%	-1.0%
	Initial Jobless Claims		615,000	621,000
6/12/2009	Consumer Sentiment Index (June)		69.5	68.7

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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	-2.5	Q4-08	-0.7	Apr-09	9.4	May-09	5.5	0.13	May-09	2.00
Euro-Area	-4.8	Q4-08	0.6	Apr-09	9.2	Apr-09	7.3	1.00	May-09	4.00
Japan	-9.1	Q4-08	-0.1	Apr-09	5.0	Apr-09	4.0	0.10	May-09	0.50
UK	-4.1	Q4-08	2.3	Apr-09	4.7	Apr-09	2.5	0.50	May-09	5.00
Australia	0.4	Q4-08	2.5	Q4-08	5.4	Apr-09	4.2	3.00	May-09	7.25
Canada	-2.1	Q4-08	0.4	Apr-09	8.4	May-09	6.1	0.25	May-09	3.00
China	6.1	Q1-09	0.0	Apr-09	4.2	Q4-08	4.1	0.82	Apr-09	2.31
India	5.7	Q4-08	8.7	Apr-09	--	--	--	3.25	May-09	6.00
New Zealand	-2.3	Q4-08	3.0	Q4-08	5.0	Q1-09	3.8	2.50	May-09	8.25
Norway	-0.3	Q4-08	2.9	Apr-09	3.1	Q1-09	2.4	1.50	May-09	5.50
Singapore	-10.4	Q4-08	-0.7	Apr-09	3.2	Q1-09	1.9	0.18	May-09	0.65
South Korea	-4.3	Q4-08	2.7	May-09	3.7	Apr-09	3.1	2.00	May-09	5.00
Sweden	-6.4	Q4-08	-0.1	Apr-09	7.8	Apr-09	5.7	0.50	May-09	4.25
Switzerland	-1.6	Q4-08	-1.0	Apr-09	3.4	Apr-09	2.5	0.40	May-09	2.78
Taiwan	-10.9	Q4-08	0.0	May-09	5.8	Apr-09	3.9	1.25	May-09	3.50
Thailand	-7.1	Q4-08	-3.3	May-09	1.6	Apr-09	1.2	1.75	May-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

	May-09	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08	Nov-08	Oct-08	Sep-08	Aug-08	Jul-08	Jun-08
Payroll Employment (000)	-345	-504	-652	-681	-741	-681	-597	-380	-321	-175	-128	-161
% Change, Year Ago *	-3.9	-3.7	-3.5	-3.1	-2.7	-2.2	-1.6	-1.1	-0.7	-0.4	-0.3	-0.2
Unemployment Rate (%)	9.4	8.9	8.5	8.1	7.6	7.2	6.8	6.6	6.2	6.2	5.8	5.6
Avg. Hourly Earnings (% Chg.)	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.4	0.2	0.4	0.3	0.3
% Change, Year Ago	3.1	3.2	3.4	3.5	3.7	3.9	3.9	3.9	3.6	3.8	3.5	3.6
PPI (% Chg.)		0.3	-1.2	0.1	0.8	-1.8	-2.7	-2.6	-0.1	-0.5	1.3	1.3
% 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
CPI (% Chg.)		0.0	-0.1	0.4	0.3	-0.8	-1.7	-0.8	0.0	0.0	0.7	0.9
% 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
ISM Diffusion Index (%)	42.8	40.1	36.3	35.8	35.6	32.9	36.6	38.7	43.4	49.3	49.5	49.5
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
% 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
Capacity Utilization (%)		69.1	69.4	70.6	71.3	72.8	74.4	75.4	74.5	77.6	78.6	78.7
Nondefense Cap. Goods ex Aircraft												
- Orders (% Chg.)		-2.4	-1.4	4.1	-12.3	-5.9	1.1	-6.7	-3.4	-2.3	0.3	1.6
% Change, Year Ago *		-26.9	-20.0	-25.0	-25.4	-14.7	-7.9	-7.2	0.1	-0.2	6.6	3.4
- Shipments (% Chg.)		-2.5	-1.7	-0.2	-9.4	0.1	-1.3	-3.7	1.7	-2.1	0.3	0.6
% Change, Year Ago *		-18.3	-14.3	-15.6	-13.4	-4.7	-5.2	-2.2	2.7	-1.6	6.1	2.0
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
% 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
Real Personal Consumption (% Chg.)		-0.1	-0.3	0.1	0.7	-0.6	0.4	-0.8	-0.5	-0.1	-0.6	-0.2
% Change, Year Ago		-1.9	-1.7	-1.1	-1.3	-1.9	-1.4	-1.3	-0.6	-0.2	0.2	1.1
Personal Income (% Chg.)		0.5	-0.2	-0.2	0.0	-0.2	-0.4	-0.2	0.1	0.3	-0.8	0.1
% Change, Year Ago		0.7	0.3	0.9	1.3	1.3	2.0	2.9	3.4	3.9	4.0	5.3
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
% 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
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
% 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
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
% 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
International Trade (Bils \$)			-27.6	-26.1	-36.2	-39.9	-42.5	-58.0	-58.1	-60.2	-62.5	-59.1
	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	-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	1.6	-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	1.9	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	3.0	5.1	3.5	-2.8	1.1	5.0	-2.5	-3.3	4.8	9.6	3.9	-1.1
% Change, Year Ago	2.2	1.7	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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