

DAILY GLOBAL  
COMMENTARY

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

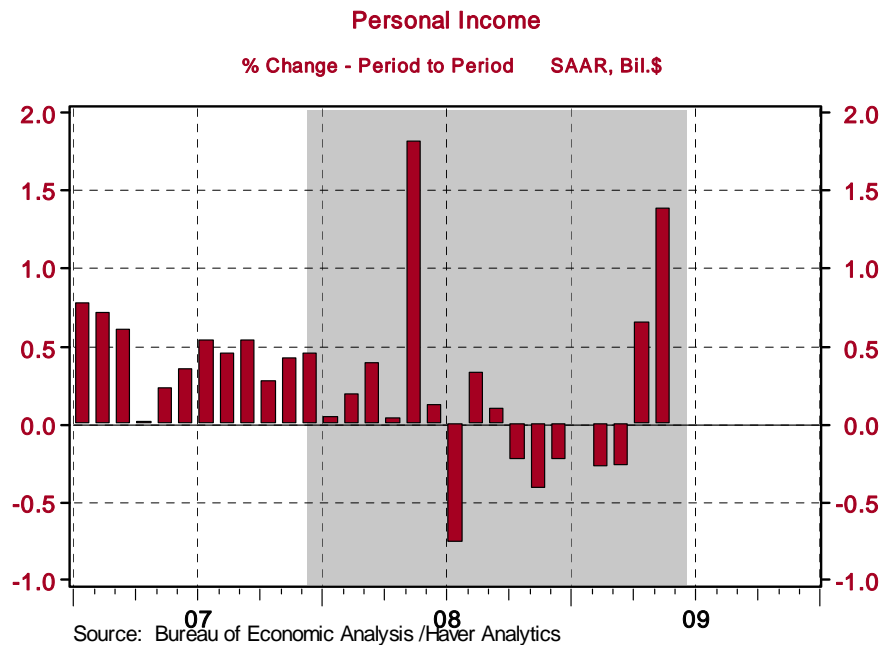
Asha G. Bangalore  
[agb3@ntrs.com](mailto:agb3@ntrs.com)

## Strong Increase in Personal Income is Temporary, Consumer Spending on Track for Decline in Q2

June 26, 2009

Personal income moved up 1.4% in May after a 0.7% increase in the prior month. Both of these strong monthly gains reflect temporary payments arising from the provisions of the American Recovery and Reinvestment Act of 2009 (fiscal stimulus). Wages and salaries declined 0.1% in May following a 0.1% increase in April, which is more representative of the underlying economic conditions compared with the overall gains in personal income. This temporary boost will be reversed when the June report on personal income is published.

Chart 1

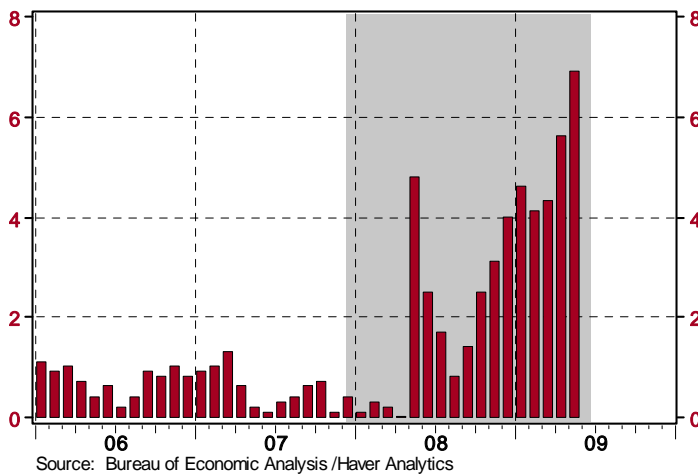


As a result of only a moderate increase in nominal consumer spending (+0.3%) and a temporary boost to personal income, personal saving as a percent of disposable income shot up to 6.9% in May. As noted earlier, the personal saving rate should be smaller when personal income is scaled back in June but the future trajectory of saving is likely to show an upward movement in the months ahead.

Chart 2

Personal Saving Rate

SAAR, %

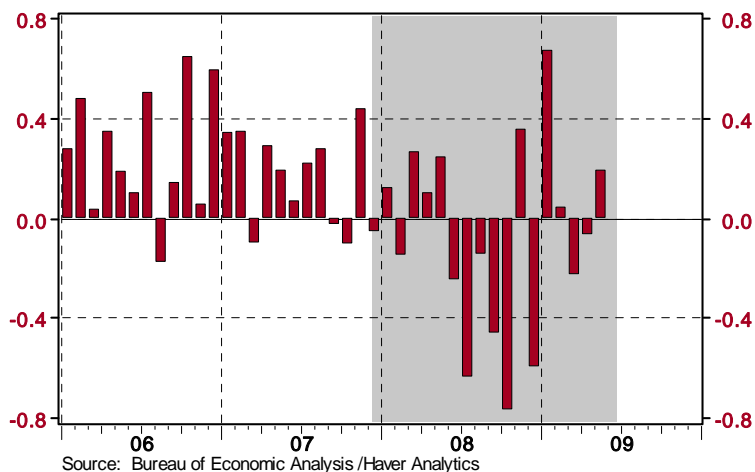


After adjusting for inflation, consumer spending increased 0.2% in May vs. a 0.1% decline in April. A 0.9% increase in outlays of durables, a 0.9% gain in expenditures of non-durables, and steady expenditures on services were the breakdowns of the components of consumer spending. The April-May data and a conservative estimate of spending in June suggest that consumer spending is most likely to show a decline in the second quarter after a 1.4% gain in the first quarter.

Chart 3

Real Personal Consumption Expenditures

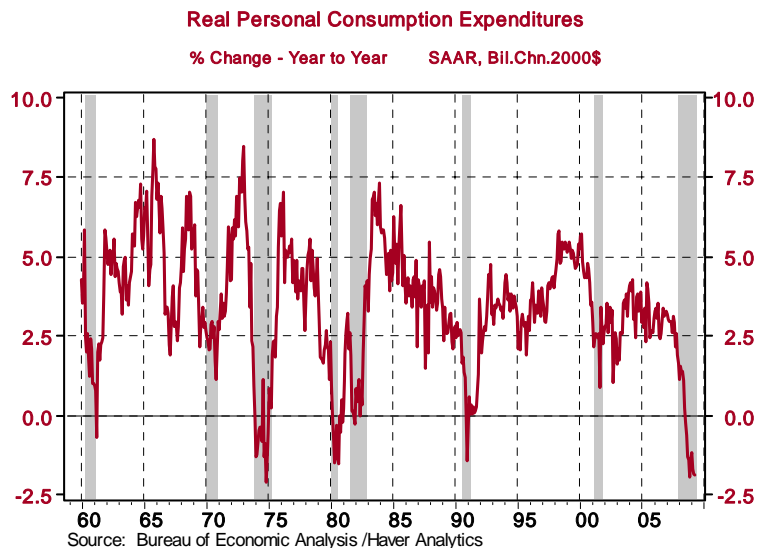
% Change - Period to Period SAAR, Bil.Chn.2000\$



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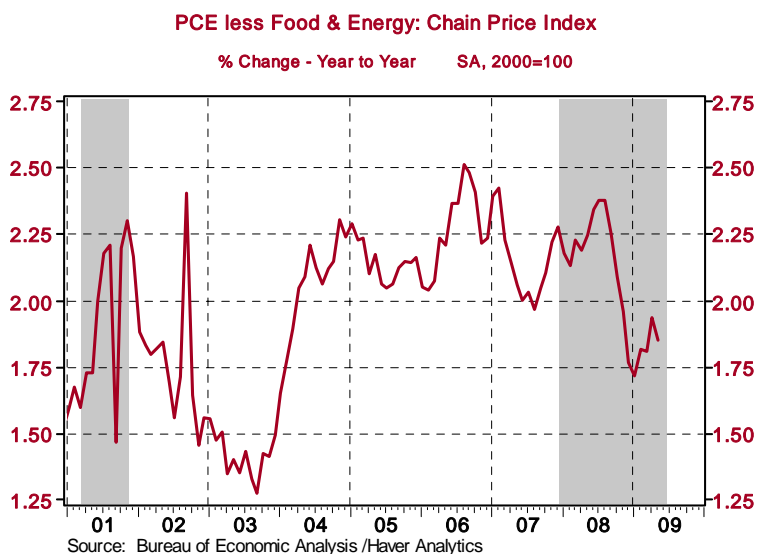
Real consumer spending dropped 1.9% from a year ago vs. a 1.8% decline in April. The year-to-year drop in May is the largest on record for the current recession.

Chart 4



The overall personal consumption expenditure index and the core measure both moved up 0.1% in May. On a year-to-year basis, the core personal consumption expenditure index increased 1.85% in May, which is close to the Fed's preferred pace of core inflation.

Chart 5



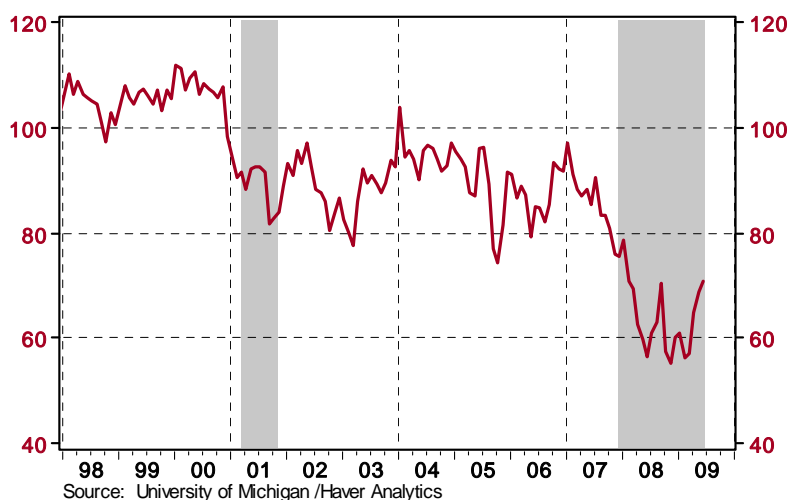
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In other related news, the University of Michigan Consumer Sentiment Index rose to 70.8 in June from 68.7 in May. The preliminary estimate for June was 69.0. The upward revision of the Expectations Index to 69.2 from 65.4 from the early estimate was the reason for the upward revision. The Current Conditions Index stands at 73.2 in June vs.67.7 in May (the early-June estimate was 74.5).

Chart 6

University of Michigan: Consumer Sentiment

NSA, Q1-66=100



Key Interest Rates

	6/26/2009	1-wk. change, bps	4-wk. change, bps	1-yr. change, bps
3-month Libor	0.60	-1	-6	-219
2-year U.S. Treasury note yield	1.10	-15	18	-155
10-year U.S. Treasury note yield	3.51	-28	4	-48

Next Week's Highlights – FOMC Meeting June 23-24

Date	Economic Indicator	TNT	Consensus	Previous
6/30/2009	Case-Shiller HPI (Apr.)		-1.8%	-2.2%
	Consumer Confidence (June)		55.0	54.9
7/1/2009	Pending Homes Sales Index (May)		0.3%	6.7%
	ISM Manufacturing (June)		44.5	42.8
	Construction outlays (May)		-0.5	0.8%
	Auto Sales (June)		9.81 mln.	9.9 mln.
7/2/2009	Initial claims ('000s)		615	627
	Unemployment rate (June)	9.5%	9.6%	9.4%
	Payroll employment (June, '000s)	-325	-345	-345
	Factory Orders (May)		0.8%	0.8%

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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	-1.3	Apr-09	9.4	May-09	5.5	0.13	May-09	2.00
Euro-Area	-4.8	Q4-08	0.0	Apr-09	9.2	Apr-09	7.3	1.00	May-09	4.00
Japan	-8.4	Q4-08	-1.1	Apr-09	5.0	Apr-09	4.0	0.10	May-09	0.50
UK	-4.1	Q4-08	2.2	Apr-09	4.8	May-09	2.5	0.50	May-09	5.00
Australia	0.4	Q4-08	2.5	Q4-08	5.7	May-09	4.2	3.00	May-09	7.25
Canada	-2.1	Q4-08	0.1	Apr-09	8.4	May-09	6.1	0.25	May-09	3.00
China	6.1	Q1-09	-1.2	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	-2.2	Q4-08	3.0	Q4-08	5.0	Q1-09	3.8	2.50	May-09	8.25
Norway	-0.3	Q4-08	3.0	Apr-09	3.1	Q1-09	2.4	1.50	May-09	5.50
Singapore	-10.4	Q4-08	-0.3	Apr-09	3.3	Q1-09	1.9	0.18	May-09	0.65
South Korea	-4.3	Q4-08	2.7	May-09	4.0	May-09	3.1	2.00	May-09	5.00
Sweden	-6.4	Q4-08	-0.5	Apr-09	8.9	May-09	5.8	0.50	May-09	4.25
Switzerland	-1.6	Q4-08	-1.0	Apr-09	3.5	May-09	2.5	0.40	May-09	2.78
Taiwan	-10.9	Q4-08	0.0	May-09	5.8	May-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.)	0.2	0.3	-1.2	0.1	0.9	-1.8	-2.7	-2.6	-0.1	-0.5	1.3	1.3
% Change, Year Ago *	-5.0	-3.7	-3.5	-1.3	-0.9	-0.9	0.4	5.2	8.8	9.7	9.9	9.1
CPI (% Chg.)	0.1	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 *	-1.3	-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.)	-1.1	-0.7	-1.8	-0.8	-2.1	-2.3	-1.3	1.3	-4.0	-1.1	-0.1	-0.2
% Change, Year Ago	-13.4	-12.7	-12.6	-11.3	-10.8	-8.9	-6.5	-4.7	-6.4	-2.2	-1.0	-0.7
Capacity Utilization (%)	68.3	69.0	69.4	70.7	71.2	72.7	74.4	75.4	74.5	77.6	78.6	78.7
Nondefense Cap. Goods ex Aircraft												
- Orders (% Chg.)	4.8	-2.9	-1.4	4.1	-12.3	-5.9	1.1	-6.7	-3.4	-2.3	0.3	1.6
% Change, Year Ago *	-23.1	-27.1	-20.0	-25.0	-25.4	-14.7	-7.9	-7.2	0.1	-0.2	6.6	3.4
- Shipments (% Chg.)	0.3	-2.7	-1.7	-0.2	-9.4	0.1	-1.3	-3.7	1.7	-2.1	0.3	0.6
% Change, Year Ago *	-18.8	-18.4	-14.3	-15.6	-13.4	-4.7	-5.2	-2.2	2.7	-1.6	6.1	2.0
Retail Sales (% Chg.)	0.5	-0.2	-1.2	0.4	1.7	-3.2	-2.1	-3.1	-1.5	-0.5	-0.7	0.2
% Change, Year Ago	-11.1	-9.2	-10.6	-11.6	-8.4	-8.8	-10.1	-4.2	-0.2	-0.6	3.8	1.1
Real Personal Consumption (% Chg.)	0.2	-0.1	-0.2	0.0	0.7	-0.6	0.4	-0.8	-0.5	-0.1	-0.6	-0.2
% Change, Year Ago	-1.9	-1.8	-1.7	-1.2	-1.4	-1.9	-1.4	-1.3	-0.6	-0.2	0.2	1.1
Personal Income (% Chg.)	1.4	0.7	-0.3	-0.3	0.0	-0.2	-0.4	-0.2	0.1	0.3	-0.8	0.1
% Change, Year Ago	0.3	0.8	0.1	0.8	1.3	1.3	2.0	2.9	3.4	3.9	4.0	5.3
New Home Sales (SAAR, mn)	0.34	0.34	0.34	0.35	0.33	0.37	0.39	0.41	0.44	0.44	0.50	0.49
% Change, Year Ago *	-34.7	-34.7	-34.7	-39.6	-45.5	-40.9	-40.0	-43.9	-34.0	-36.7	-36.8	-38.4
Existing Home Sales (SAAR, mn)	4.77	4.66	4.55	4.71	4.49	4.74	4.54	4.94	5.10	4.93	4.99	4.90
% Change, Year Ago *	-6.6	-4.8	-4.8	-10.3	-7.6	0.3	-17.0	-1.9	6.8	-15.0	-11.3	-16.7
Housing Starts (SAAR, mn)	0.53	0.45	0.52	0.57	0.49	0.56	0.66	0.76	0.82	0.85	0.93	1.08
% Change, Year Ago *	-44.2	-54.4	-48.1	-49.2	-54.9	-45.3	-46.5	-40.7	-27.2	-37.0	-32.2	-25.6
International Trade (Bils \$)		-29.2	-28.5	-26.1	-36.6	-41.9	-43.2	-59.4	-60.1	-60.9	-64.9	-60.2
	<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	-5.5	-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	-2.9	-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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