

DAILY GLOBAL COMMENTARY

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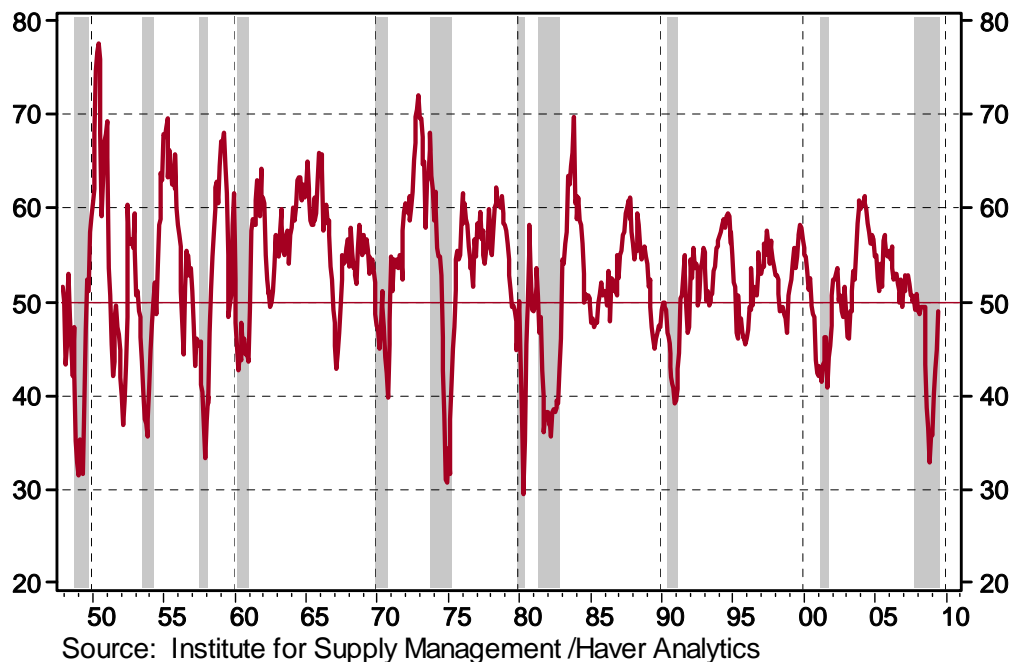
ISM Manufacturing Report – Overall Tone is Positive and Noteworthy August 3, 2009

The ISM manufacturing survey for July shows a distinct improvement in July, with several of the sub-indexes posting readings exceeding 50. Index levels above 50 indicate growth, while readings below 50 denote a contraction in factory activity. In July, indexes tracking production, new orders, supplier deliveries, inventories, exports, backlogs, prices, and imports posted above 50 readings. The employment (45.6 vs. 40.7 in June) and inventories indexes (33.5 vs. 30.8) also advanced in July but they are holding below 50.0. Historically, the composite index crosses fifty at the end of a recession or several months after a trough is established (see chart 1 and table 1).

Chart 1

ISM Manufacturing: PMI Composite Index

SA, 50+=Increasing



As table 1 shows, with the exception of the early part of the post-war period, the ISM composite index and indexes measuring new orders, production, and supplier delivery recorded readings above 50.0 after the trough of a business cycle. If history is a guide, today's survey results of the factory sector sets up grand expectations for the economy and the factory sector. Additional data will be needed to confirm that the factory sector and economy are both turning around.

Table 1 – ISM Manufacturing Indexes at Troughs

End of Recession	Date when indexes crossed to expansion phase			
	Composite Index	New Orders Index	Production Index	Supplier Deliveries
Oct-49	Sep-49	Aug-49	Aug-49	Nov-49
May-54	May-54	Feb-54	Mar-54	Nov-54
Apr-58	Jun-58	May-58	May-58	Sep-58
Feb-61	Apr-61	Mar-61	Mar-61	Aug-61
Nov-70	Feb-71	Dec-70	Jan-71	Oct-71
Mar-75	Aug-75	Jun-75	May-75	Jan-76
Nov-82	Feb-83	Jan-83	Jan-83	Mar-83
Mar-91	Jun-91	Jun-91	Jun-91	Oct-91
Nov-01	Feb-02	Aug-01	Aug-01	Jun-04

Table 2 ISM Manufacturing – July 2009

	Feb-2009	Mar-2009	Apr-2009	May-2009	Jun-2009	Jul-2009
Composite Index	35.8	36.3	40.1	42.8	44.8	48.9
New Orders	33.1	41.2	47.2	51.1	49.2	55.3
Production	36.3	36.4	40.4	46.0	52.5	57.9
Employment	26.1	28.1	34.4	34.3	40.7	45.6
Vendor Deliveries	46.7	43.6	44.9	49.8	50.6	52.0
Inventories	37.0	32.2	33.6	32.9	30.8	33.5
Prices	29.0	31.0	32.0	43.5	50.0	55.0
Backlog of Orders	31.0	35.5	40.5	48.0	47.5	50.0
New Export Orders	37.5	39.0	44.0	48.0	49.5	50.5
Imports	32.0	33.0	42.0	42.5	46.0	50.0

Construction Spending Rebounds in June

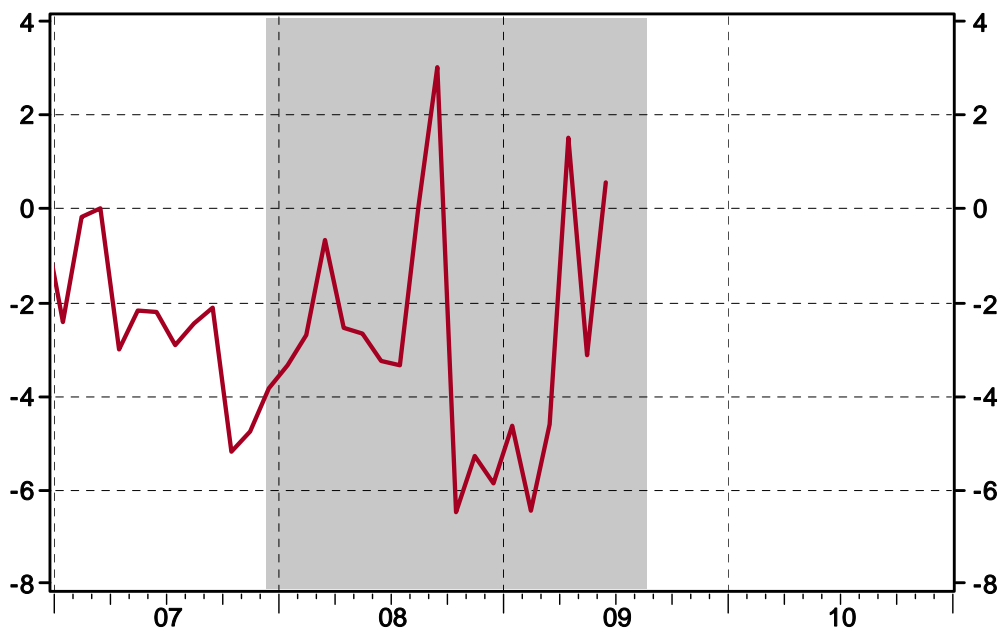
Total construction spending increased 0.3% in June compared with a 0.8% drop in May. The strength in construction is partly due to a 1.0% jump in public construction. Private sector construction outlays were weak (-0.1%). Residential investment expenditures advanced 0.7% in June, the second gain in the three months of the second quarter. However, the commercial sector's soft conditions present a problem.

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Chart 2

Private Construction: Residential

% Change - Period to Period SAAR, Mil.\$



Source: Census Bureau /Haver Analytics

PERCENT CHANGE:	June	May	June09/08
Total Spending	0.3	-0.8	-10.2
Private Spending	-0.1	-1.4	-16.3
Residential	0.5	-3.1	-30.0
Lodging	-3.0	-4.1	-25.5
Office	1.0	2.8	-21.1
Commercial	-0.6	-5.0	-30.1
Transportation	-0.7	4.5	5.7
Manufacturing	0.9	0.2	45.7
Public Spending	1.0	0.4	5.1
Educational	0.4	unch	4.6
Highways/streets	0.2	1.4	2.8

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