

DAILY GLOBAL
COMMENTARY

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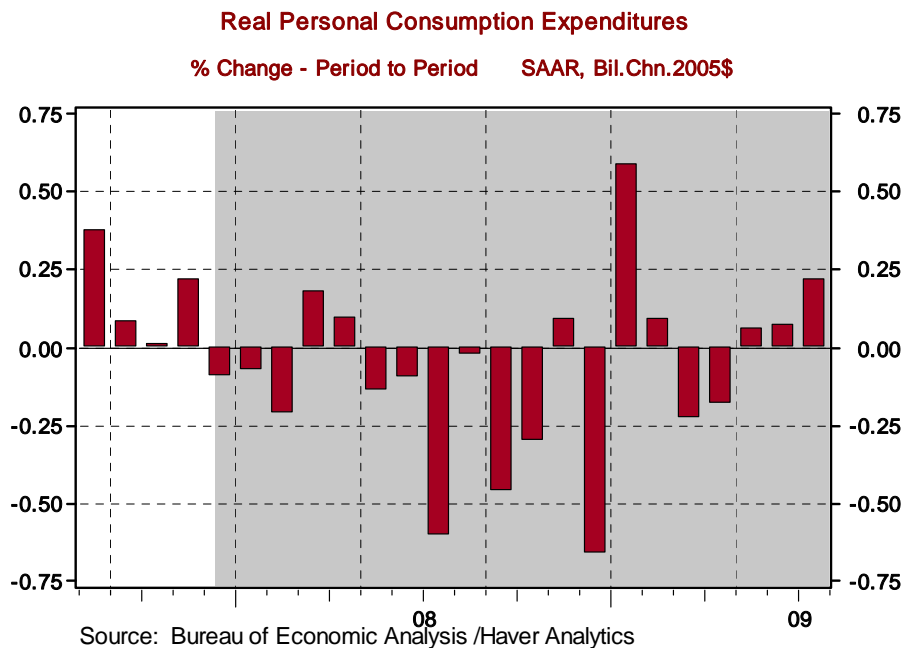
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“Cash for Clunkers” Lifts Consumer Spending in July

August 28, 2009

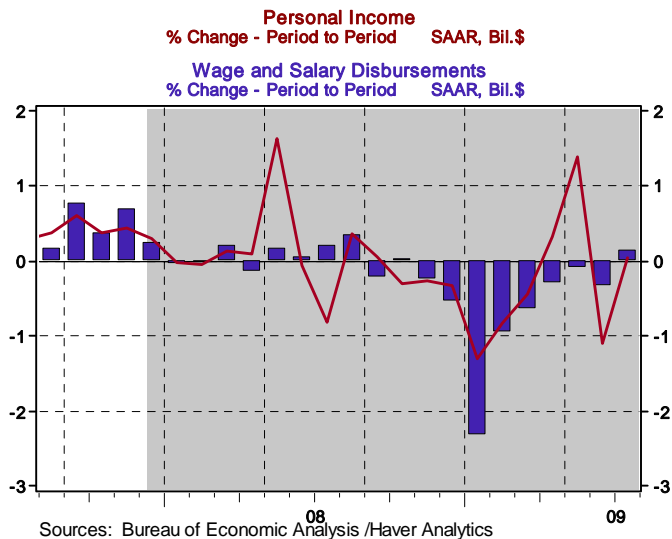
Nominal consumer spending increased 0.2% in July, after a 0.6% gain in June. In July, the “cash for clunkers” program accounted for the 1.3% increase in purchases of durables (mostly cars). After adjusting for inflation, consumer spending moved up 0.2% in July vs. a 0.1% increase in June. Outlays on non-durables dropped 0.3% in July and purchases of services rose 0.1%. Real consumer spending has now registered three consecutive monthly increases (see chart 1). The “cash for clunkers” program should raise consumer spending in August, albeit a large increase compared with July. The main implication is that consumer spending in the third quarter is most likely to grow around a 2.0% annualized rate after a 1.0% drop in the second quarter. This supports forecasts of an increase in real GDP in the third quarter.

Chart 1



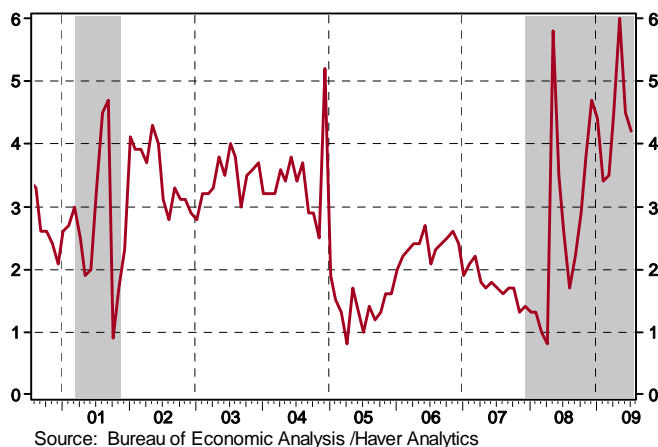
Personal income held steady in July, following a 1.1% drop in June and a 1.4% increase in May. Personal income data reflect the impact of the American Recovery and Reinvestment Act of 2009 in the past few months, with large transfer payments leading to the wide swings in personal income. Focusing on wages and salaries gives a better picture of earnings. Wages and salaries rose 0.1% in July, this is noteworthy because it is the first monthly increase recorded since October 2008 (see chart 2).

Chart 2



Personal saving as a percent of disposable income was 4.2% in July, down from 4.5% in June. It appears that the saving trajectory is close to 4.0% after excluding the distortions from transfer payments related to the American Recovery and Reinvestment Act. The personal saving rate was 1.7% and 2.6% in 2007 and 2008, respectively.

Chart 3
Personal Saving Rate
SAAR, %



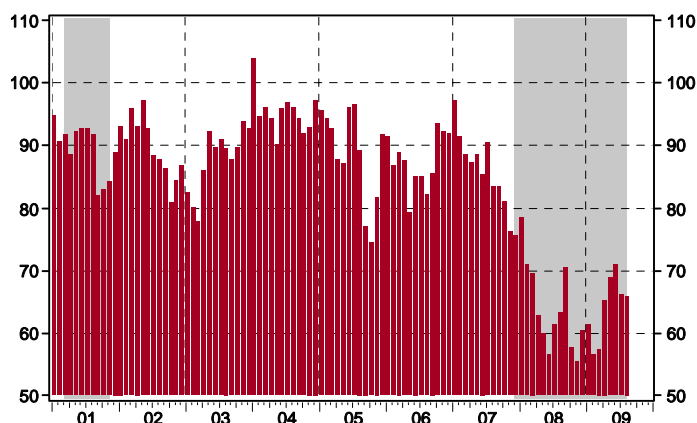
In other related news, the August University of Michigan Consumer Sentiment Index was revised up to 65.7 from the preliminary estimate of 63.2. The Present Situation Index (66.6 vs. 64.9 preliminary estimate) and the Expectations Index (65.0 vs. 62.1 preliminary estimate) show upward revisions. The overall Consumer Sentiment Index for August is little changed from the 66.0 mark of July.

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Chart 4

University of Michigan: Consumer Sentiment

NSA, Q1-66=100



Source: University of Michigan /Haver Analytics

Key Interest Rates

	8/28/2009	1-wk. change, bps	4-wk. change, bps	1-yr. change, bps
3-month Libor	0.39	-2	-8	-232
2-year U.S. Treasury note yield	1.13	8	15	-138
10-year U.S. Treasury note yield	3.56	-18	1	-45

Global Economic Data

	Real GDP		CPI		Unemployment Rate		Central Bank Rate			
	SAAR, yoy %		NSA, yoy%		%	year-ago	%	year-ago		
United States	-3.9	Q2-09	-2.1	Jun-09	9.4	Jul-09	5.8	0.13	Jul-09	2.00
Euro-Area	-4.7	Q2-09	-0.6	Jun-09	9.4	Jun-09	7.5	1.00	Jul-09	4.25
Japan	-6.5	Q2-09	-2.2	Jun-09	5.7	Jul-09	4.0	0.10	Jul-09	0.50
UK	-5.5	Q2-09	1.7	Jun-09	4.9	Jul-09	2.7	0.50	Jul-09	5.00
Australia	0.4	Q1-09	1.5	Q1-09	5.8	Jul-09	4.3	3.00	Jul-09	7.25
Canada	-2.1	Q1-09	-0.9	Jun-09	8.6	Jul-09	6.1	0.25	Jul-09	3.00
China	7.9	Q2-09	-1.7	Jun-09	4.3	Q2-09	4	0.87	Jun-09	2.85
India	5.7	Q1-09	9.3	Jun-09	--	--	--	3.25	Jul-09	6.00
New Zealand	-2.2	Q1-09	1.9	Q1-09	6.0	Q2-09	4	2.50	Jul-09	8.00
Norway	-2.5	Q2-09	2.2	Jun-09	3.1	Q2-09	2.4	1.25	Jul-09	5.75
Singapore	-3.5	Q2-09	-0.5	Jun-09	3.3	Q2-09	2.2	0.26	Jul-09	0.37
South Korea	-2.5	Q2-09	1.6	Jul-09	3.8	Jul-09	3.2	2.00	Jul-09	5.00
Sweden	-6.3	Q2-09	-1.1	Jun-09	8.5	Jul-09	6.2	0.25	Jul-09	4.50
Switzerland	-1.6	Q2-09	-1.2	Jun-09	3.9	Jul-09	2.5	0.36	Jul-09	2.76
Taiwan	-7.0	Q2-09	0.0	Jul-09	6.0	Jul-09	4.0	1.25	Jul-09	3.63
Thailand	-5.0	Q2-09	-4.4	Jul-09	1.5	Jun-09	1.2	1.75	Jul-09	4.00

* UK - Claimant Count Unemployment Rate
 * Thailand - GDP Non-Seasonally Adjusted
 * EA-13, UK, Sweden - Harmonized Unemployment

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Historical US Economic Data

	Jul-09	Jun-09	May-09	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08	Nov-08	Oct-08	Sep-08	Aug-08
Payroll Employment (000)	-247	-443	-303	-519	-652	-681	-741	-681	-597	-380	-321	-175
% Change, Year Ago *	-4.2	-4.1	-3.9	-3.8	-3.5	-3.1	-2.7	-2.2	-1.6	-1.1	-0.7	-0.4
Unemployment Rate (%)	9.4	9.5	9.4	8.9	8.5	8.1	7.6	7.2	6.8	6.6	6.2	6.2
Avg. Hourly Earnings (% Chg.)	0.2	0.0	0.2	0.0	0.2	0.2	0.2	0.3	0.3	0.4	0.2	0.4
% Change, Year Ago	2.5	2.7	3.0	3.1	3.4	3.5	3.7	3.9	3.9	3.9	3.6	3.8
PPI (% Chg.)	-0.9	1.8	0.2	0.2	-0.9	-0.1	0.9	-1.8	-2.7	-2.6	-0.1	-0.5
% Change, Year Ago *	-6.8	-4.6	-5.0	-3.7	-3.4	-1.4	-0.9	-0.9	0.4	5.2	8.8	9.7
CPI (% Chg.)	0.0	0.7	0.1	0.0	-0.1	0.4	0.3	-0.8	-1.7	-0.8	0.0	0.0
% Change, Year Ago *	-2.1	-1.4	-1.3	-0.7	-0.4	0.2	0.0	0.1	1.1	3.7	4.9	5.4
ISM Diffusion Index (%)	48.9	44.8	42.8	40.1	36.3	35.8	35.6	32.9	36.6	38.7	43.4	49.3
Industrial Production (% Chg.)	0.5	-0.4	-1.1	-0.7	-1.6	-0.8	-2.2	-2.3	-1.3	1.3	-4.0	-1.1
% Change, Year Ago	-13.1	-13.6	-13.4	-12.6	-12.5	-11.3	-10.9	-8.9	-6.5	-4.7	-6.4	-2.2
Capacity Utilization (%)	68.5	68.1	68.3	69.0	69.5	70.6	71.1	72.7	74.4	75.4	74.5	77.6
Nondefense Cap. Goods ex Aircraft												
- Orders (% Chg.)	-0.3	3.6	4.3	-3.5	-1.4	4.1	-12.3	-5.9	1.1	-6.7	-3.4	-2.3
% Change, Year Ago *	-20.4	-19.3	-24.4	-27.3	-20.0	-25.0	-25.4	-14.7	-7.9	-7.2	0.1	-0.2
- Shipments (% Chg.)	0.5	1.3	-0.4	-2.9	-1.7	-0.2	-9.4	0.1	-1.3	-3.7	1.7	-2.1
% Change, Year Ago *	-16.1	-16.3	-19.6	-18.3	-14.3	-15.6	-13.4	-4.7	-5.2	-2.2	2.7	-1.6
Retail Sales (% Chg.)	-0.1	0.8	0.5	-0.3	-1.2	0.4	1.7	-3.2	-2.1	-3.1	-1.5	-0.3
% Change, Year Ago	-7.9	-7.6	-11.3	-9.2	-10.6	-11.6	-8.4	-8.8	-10.1	-4.2	-0.2	-0.6
Real Personal Consumption (% Chg.)	0.2	0.1	0.1	-0.2	-0.2	0.1	0.6	-0.7	0.1	-0.3	-0.5	0.0
% Change, Year Ago	-0.8	-1.6	-1.7	-1.9	-1.7	-1.3	-1.6	-2.2	-1.7	-1.5	-1.2	-0.7
Personal Income (% Chg.)	0.0	-1.1	1.4	0.3	-0.5	-0.8	-1.3	-0.3	-0.3	-0.3	0.1	0.4
% Change, Year Ago	-2.4	-3.2	-2.2	-2.0	-2.2	-1.6	-0.8	0.4	1.1	1.8	2.5	3.0
New Home Sales (SAAR, mn)	0.43	0.40	0.36	0.35	0.33	0.35	0.33	0.37	0.39	0.41	0.44	0.44
% Change, Year Ago *	-9.3	-20.0	-30.6	-34.7	-36.7	-39.6	-45.5	-40.9	-40.0	-43.9	-34.0	-36.7
Existing Home Sales (SAAR, mn)	5.24	4.89	4.72	4.66	4.55	4.71	4.49	4.74	4.54	4.94	5.10	4.93
% Change, Year Ago *	5.6	3.4	-7.5	-4.8	-4.8	-10.3	-7.6	0.3	-17.0	-1.9	6.8	-15.0
Housing Starts (SAAR, mn)	0.58	0.59	0.55	0.48	0.52	0.57	0.49	0.56	0.66	0.76	0.82	0.85
% Change, Year Ago *	-35.9	-42.3	-43.1	-52.5	-48.1	-49.2	-54.9	-45.3	-46.5	-40.7	-27.2	-37.0
International Trade (Bils \$)		-27.0	-26.0	-28.8	-28.5	-26.1	-36.6	-41.9	-43.2	-59.4	-60.1	-60.9
	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06	Q3-06
Real GDP, Chain Weighted, SAAR	-1.0	-6.4	-5.4	-2.7	1.5	-0.7	2.1	3.6	3.2	1.2	3.0	0.1
% Change, Year Ago	-3.9	-3.3	-1.9	0.0	1.6	2.0	2.5	2.7	1.9	1.4	2.4	2.2
Chain-Weighted Price Index, SAAR	0.0	1.9	0.1	4.0	1.8	1.9	2.3	1.6	2.7	4.2	1.8	3.1
% Change, Year Ago	1.5	1.9	1.9	2.5	1.9	2.1	2.7	2.6	3.0	3.2	2.9	3.3
Nominal GDP, SAAR	-1.0	-4.6	-5.4	1.4	3.5	1.0	4.5	5.3	6.0	5.5	4.8	3.2
% Change, Year Ago	-2.4	-1.4	0.1	2.6	3.6	4.2	5.3	5.4	4.9	4.6	5.4	5.6
Employment Cost Index (%)	0.4	0.3	0.6	0.6	0.7	0.7	0.8	0.8	0.9	0.8	0.9	0.9
% Change, Year Ago	1.8	2.1	2.6	2.9	3.1	3.3	3.3	3.3	3.3	3.5	3.3	3.3
Productivity Nonfarm, SAAR	6.4	0.3	0.8	-0.1	3.1	-0.1	2.0	5.5	2.8	1.2	2.4	-1.9
% Change, Year Ago	1.8	1.0	0.9	1.2	2.6	2.5	2.8	2.9	1.1	0.5	0.9	0.2
Unit Labor Costs, Nonfarm, SAAR	-5.8	-2.7	2.0	4.6	-1.8	1.7	3.0	-2.7	-0.7	3.5	6.5	3.4
% Change, Year Ago	-0.6	0.5	1.6	1.9	0.1	0.3	0.7	1.6	3.1	3.7	3.5	2.5

Source: Haver Analytics

* NSA

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