

DAILY GLOBAL  
COMMENTARY

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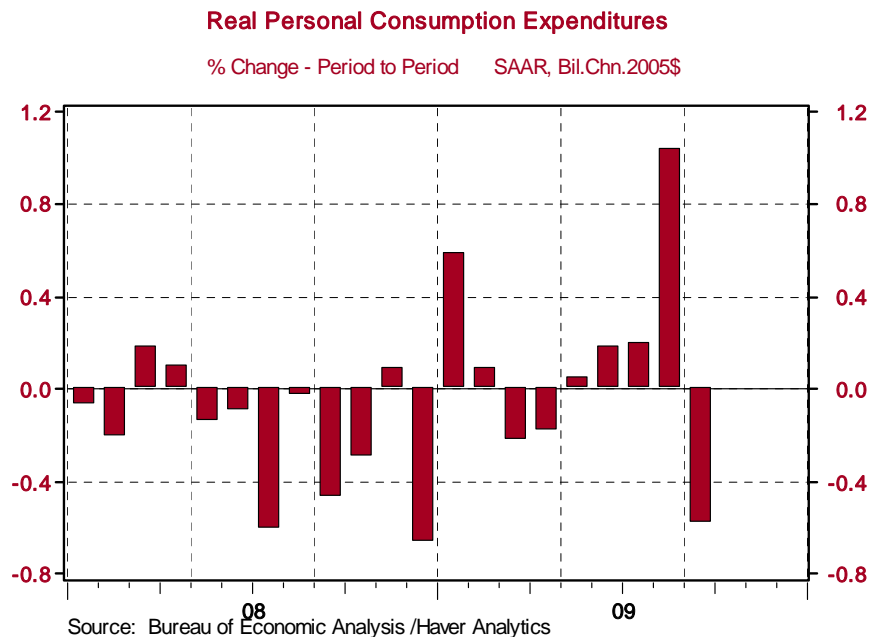
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## Consumer Spending – Mild Increase in Q4

October 30, 2009

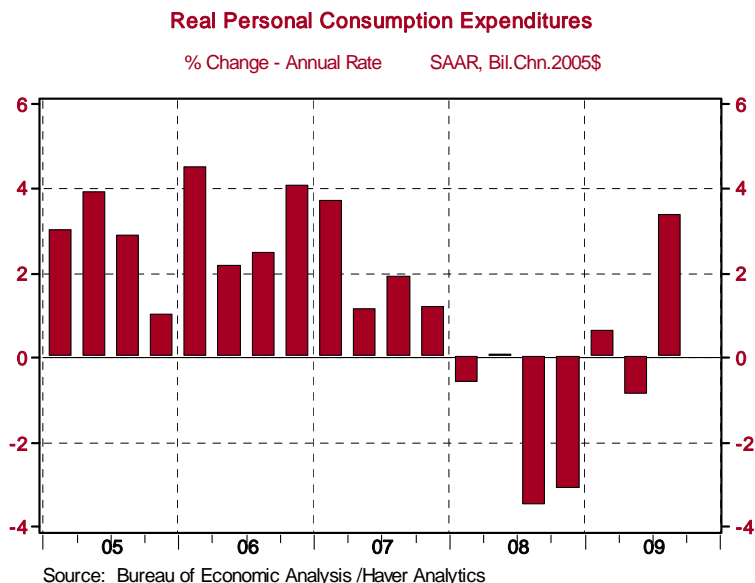
The impact of the American Recovery and Reinvestment Act (ARRA) is visible in the third quarter GDP report and the President's Council of Economic Advisers has estimated that the ARRA contributed between 3 and 4 percentage points to real GDP growth in the third quarter. The "Cash for Clunkers" program was not part of the original ARRA but was included by a supplemental bill and funds were reallocated. The purchase of cars under this program accounted for the sharp increase in auto sales in July and August and the absence of this program following its expiration in August led to the 0.5% drop in consumer spending in September (-0.6% in inflation adjusted terms).

Chart 1



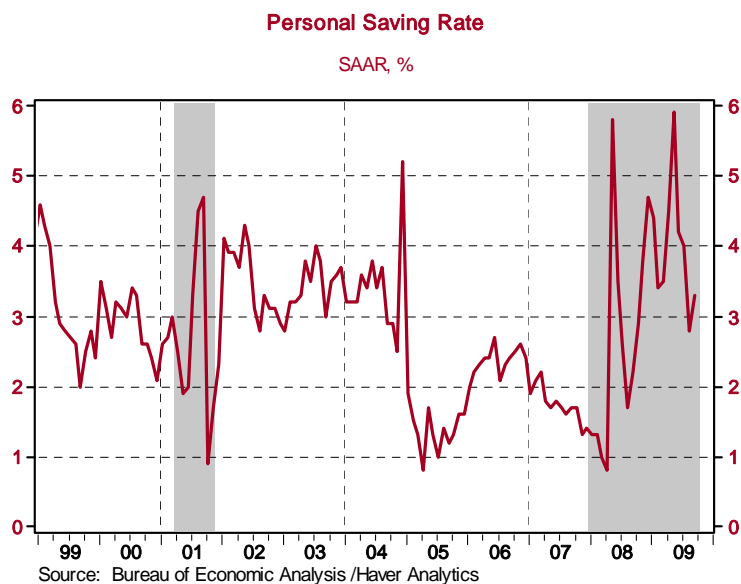
Effectively, expenditures on cars accounted for a large part of the strong increase in real consumer spending in the third quarter. The question now is if the absence of rebates for cars will prevent an increase in overall consumer spending in the fourth quarter. The nature of consumer spending data for the last month of quarter helps to confirm or revise forecasts of the following quarter. However, the September estimate of real consumer spending (\$9261.1 billion) is barely different from the third quarter average (\$9265.2 billion). Based on the small negative bias and possibility of revisions, consumer spending is likely to show only a moderate increase in the fourth quarter of 2009 after a 3.4% jump in third quarter.

Chart 2



In September, purchases of durable goods fell 7.2%, reflecting the decline in car sales, while outlays on non-durables (+0.5%) and services (+0.1%) rose. Personal income held steady in September after a 0.1% increase in August. Wages and salaries dropped 0.2%, income on assets fell 0.8% and transfer payments advanced 0.8% in September. The saving rate a percentage of disposable income was 3.3% in September. Data of the first three quarters of the year points to a 4.0% saving rate in 2009 vs. 2.6% in 2008.

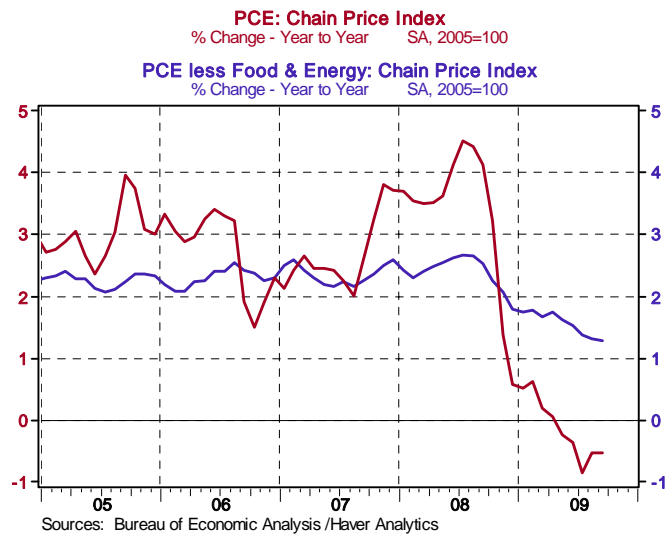
Chart 3



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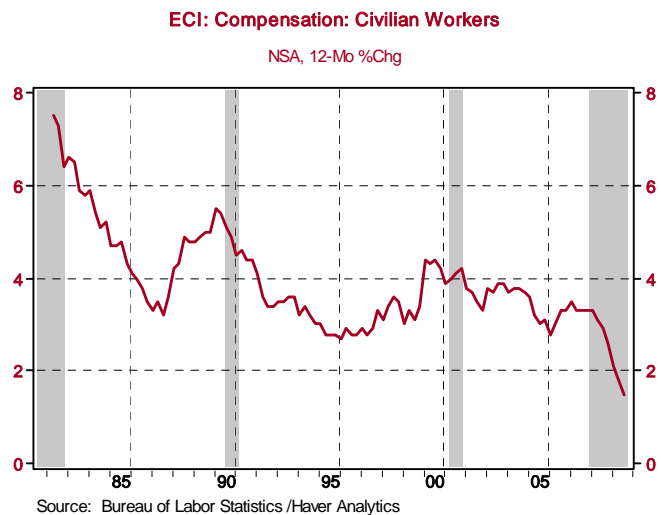
The personal consumption expenditure price index fell 0.5% from a year ago and the core personal consumption price index excluding food and energy moved up 1.2% on a year-to-year basis. These numbers suggest that inflation is not the Fed's pressing problem in the near term.

Chart 4



In related news about inflation, the Employment Cost Index (ECI) increased 0.4% in the third quarter, putting the year-to-year increase at only 1.5%. The wages and salaries component and benefit costs component both advanced 0.4% in the third quarter. The downward trend of the ECI is yet another piece of news underscoring that employment costs are not a major concern, for now.

Chart 5



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## Key Interest Rates

	10/30/2009	1-wk. change, bps	4-wk. change, bps	1-yr. change, bps
3-month Libor	0.28	0	0	-275
2-year U.S. Treasury note yield	0.96	-8	8	-60
10-year U.S. Treasury note yield	3.43	-8	19	-58

## Global Economic Data

	Real GDP		CPI		Unemployment Rate		Central Bank Rate			
	SAAR, yoy %		NSA, yoy%		%	year-ago	%	year-ago		
United States	-2.3	Q3-09	-1.3	Sep-09	9.8	Sep-09	6.2	0.13	Sep-09	2.00
Euro-Area	-4.8	Q2-09	-0.3	Aug-09	9.7	Sep-09	7.7	1.00	Sep-09	4.25
Japan	-7.2	Q2-09	-2.2	Aug-09	5.3	Sep-09	4.0	0.10	Sep-09	0.50
UK	-5.2	Q2-09	1.1	Aug-09	5.0	Sep-09	2.9	0.50	Sep-09	5.00
Australia	0.6	Q2-09	1.3	Q2-09	5.7	Sep-09	4.3	3.00	Sep-09	7.00
Canada	-3.2	Q2-09	-0.9	Aug-09	8.4	Sep-09	6.2	0.25	Sep-09	3.00
China	8.9	Q3-09	-0.7	Aug-09	4.3	Q2-09	4	1.16	Aug-09	2.66
India	6.2	Q2-09	11.6	Aug-09	--	--	--	3.25	Sep-09	6.00
New Zealand	-1.1	Q2-09	1.7	Q2-09	6.0	Q2-09	3.6	2.50	Sep-09	7.50
Norway	-2.5	Q3-09	1.2	Aug-09	3.1	Q2-09	2.5	1.25	Sep-09	5.75
Singapore	0.6	Q2-09	-0.4	Aug-09	3.4	Q3-09	2.3	0.25	Sep-09	1.28
South Korea	0.4	Q2-09	2.2	Sep-09	3.6	Sep-09	3.2	2.00	Sep-09	5.25
Sweden	-6.1	Q2-09	-1.6	Aug-09	9.0	Sep-09	6.4	0.25	Sep-09	4.75
Switzerland	-2.1	Q2-09	-0.9	Aug-09	4.1	Sep-09	2.6	0.29	Sep-09	2.96
Taiwan	-7.0	Q2-09	0.0	Sep-09	6.1	Sep-09	4.3	1.25	Sep-09	3.50
Thailand	-5.0	Q2-09	-1.0	Sep-09	1.5	Aug-09	1.3	1.75	Sep-09	4.25

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

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## Historical US Economic Data

	Sep-09	Aug-09	Jul-09	Jun-09	May-09	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08	Nov-08	Oct-08
Payroll Employment (000)	-263	-201	-304	-463	-303	-519	-652	-681	-741	-681	-597	-380
% Change, Year Ago *	-4.2	-4.3	-4.2	-4.1	-3.9	-3.8	-3.5	-3.1	-2.7	-2.2	-1.6	-1.1
Unemployment Rate (%)	9.8	9.7	9.4	9.5	9.4	8.9	8.5	8.1	7.6	7.2	6.8	6.6
Avg. Hourly Earnings (% Chg.)	0.1	0.4	0.3	0.1	0.2	0.0	0.2	0.2	0.2	0.3	0.3	0.4
% Change, Year Ago	2.5	2.6	2.7	2.8	3.0	3.1	3.4	3.5	3.7	3.9	3.9	3.9
PPI (% Chg.)	-0.6	1.7	-0.9	1.8	0.0	0.4	-0.9	-0.1	0.9	-1.8	-2.7	-2.6
% Change, Year Ago *	-4.8	-4.3	-6.8	-4.6	-4.8	-3.5	-3.4	-1.4	-0.9	-0.9	0.4	5.2
CPI (% Chg.)	0.2	0.4	0.0	0.7	0.1	0.0	-0.1	0.4	0.3	-0.8	-1.7	-0.8
% Change, Year Ago *	-1.3	-1.5	-2.1	-1.4	-1.3	-0.7	-0.4	0.2	0.0	0.1	1.1	3.7
ISM Diffusion Index (%)	52.6	52.9	48.9	44.8	42.8	40.1	36.3	35.8	35.6	32.9	36.6	38.7
Industrial Production (% Chg.)	0.7	1.2	0.9	-0.4	-1.1	-0.5	-1.6	-0.8	-2.2	-2.3	-1.3	1.3
% Change, Year Ago	-6.1	-10.4	-12.5	-13.3	-13.1	-12.4	-12.5	-11.3	-10.9	-8.9	-6.5	-4.7
Capacity Utilization (%)	70.5	69.9	69.0	68.3	68.5	69.2	69.5	70.6	71.1	72.7	74.4	75.4
Nondefense Cap. Goods ex Aircraft												
- Orders (% Chg.)	2.0	-0.8	-1.3	3.8	4.3	-3.5	-1.4	4.1	-12.3	-5.9	1.1	-6.7
% Change, Year Ago *	-15.6	-20.7	-20.4	-19.1	-24.4	-27.3	-20.0	-25.0	-25.4	-14.7	-7.9	-7.2
- Shipments (% Chg.)	-0.2	-2.2	0.3	1.4	-0.4	-2.9	-1.7	-0.2	-9.4	0.1	-1.3	-3.7
% Change, Year Ago *	-18.2	-16.6	-15.7	-16.2	-19.6	-18.3	-14.3	-15.6	-13.4	-4.7	-5.2	-2.2
Retail Sales (% Chg.)	-1.5	2.2	-0.1	0.9	0.5	-0.3	-1.2	0.4	1.7	-3.2	-2.1	-2.8
% Change, Year Ago	-5.4	-6.4	-8.2	-7.6	-11.3	-9.2	-10.6	-11.6	-8.4	-8.8	-10.1	-4.2
Real Personal Consumption (% Chg.)	-0.6	1.0	0.2	0.2	0.0	-0.2	-0.2	0.1	0.6	-0.7	0.1	-0.3
% Change, Year Ago	0.3	0.4	-0.7	-1.5	-1.8	-1.9	-1.7	-1.3	-1.6	-2.2	-1.7	-1.5
Personal Income (% Chg.)	0.0	0.1	0.1	-1.1	1.3	0.2	-0.5	-0.8	-1.3	-0.3	-0.3	-0.3
% Change, Year Ago	-2.8	-2.7	-2.5	-3.4	-2.4	-2.1	-2.2	-1.6	-0.8	0.4	1.1	1.8
New Home Sales (SAAR, mn)	0.40	0.42	0.41	0.40	0.37	0.35	0.33	0.35	0.33	0.37	0.39	0.41
% Change, Year Ago *	-11.4	-2.6	-14.0	-17.8	-30.6	-34.7	-36.7	-39.6	-45.5	-40.9	-40.0	-43.9
Existing Home Sales (SAAR, mn)	5.57	5.09	5.24	4.89	4.72	4.66	4.55	4.71	4.49	4.74	4.54	4.94
% Change, Year Ago *	7.8	1.8	5.6	3.4	-7.5	-4.8	-4.8	-10.3	-7.6	0.3	-17.0	-1.9
Housing Starts (SAAR, mn)	0.59	0.59	0.59	0.59	0.55	0.48	0.52	0.57	0.49	0.56	0.66	0.76
% Change, Year Ago *	-28.7	-30.0	-34.5	-42.3	-43.1	-52.5	-48.1	-49.2	-54.9	-45.3	-46.5	-40.7
International Trade (Bils \$)		-30.7	-31.9	-27.5	-26.4	-29.1	-28.9	-26.6	-37.0	-41.9	-43.2	-59.4
	<b>Q3-09</b>	<b>Q2-09</b>	<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>
Real GDP, Chain Weighted, SAAR	3.5	-0.7	-6.4	-5.4	-2.7	1.5	-0.7	2.1	3.6	3.2	1.2	3.0
% Change, Year Ago	-2.3	-3.8	-3.3	-1.9	0.0	1.6	2.0	2.5	2.7	1.9	1.4	2.4
Chain-Weighted Price Index, SAAR	0.8	0.0	1.9	0.1	4.0	1.8	1.9	2.3	1.6	2.7	4.2	1.8
% Change, Year Ago	0.7	1.5	1.9	1.9	2.5	1.9	2.1	2.7	2.6	3.0	3.2	2.9
Nominal GDP, SAAR	4.3	-0.8	-4.6	-5.4	1.4	3.5	1.0	4.5	5.3	6.0	5.5	4.8
% Change, Year Ago	-1.7	-2.4	-1.4	0.1	2.6	3.6	4.2	5.3	5.4	4.9	4.6	5.4
Employment Cost Index (%)	0.4	0.4	0.3	0.6	0.6	0.7	0.7	0.8	0.8	0.9	0.8	0.9
% Change, Year Ago	1.5	1.8	2.1	2.6	2.9	3.1	3.3	3.3	3.3	3.3	3.5	3.3
Productivity Nonfarm, SAAR		6.6	0.3	0.8	-0.1	3.1	-0.1	2.0	5.5	2.8	1.2	2.4
% Change, Year Ago		1.9	1.0	0.9	1.2	2.6	2.5	2.8	2.9	1.1	0.5	0.9
Unit Labor Costs, Nonfarm, SAAR		-5.9	-5.0	2.0	4.6	-1.8	1.7	3.0	-2.7	-0.7	3.5	6.5
% Change, Year Ago		-1.2	-0.1	1.6	1.9	0.1	0.3	0.7	1.6	3.1	3.7	3.5

Source: Haver Analytics

\* NSA

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