

DAILY GLOBAL COMMENTARY

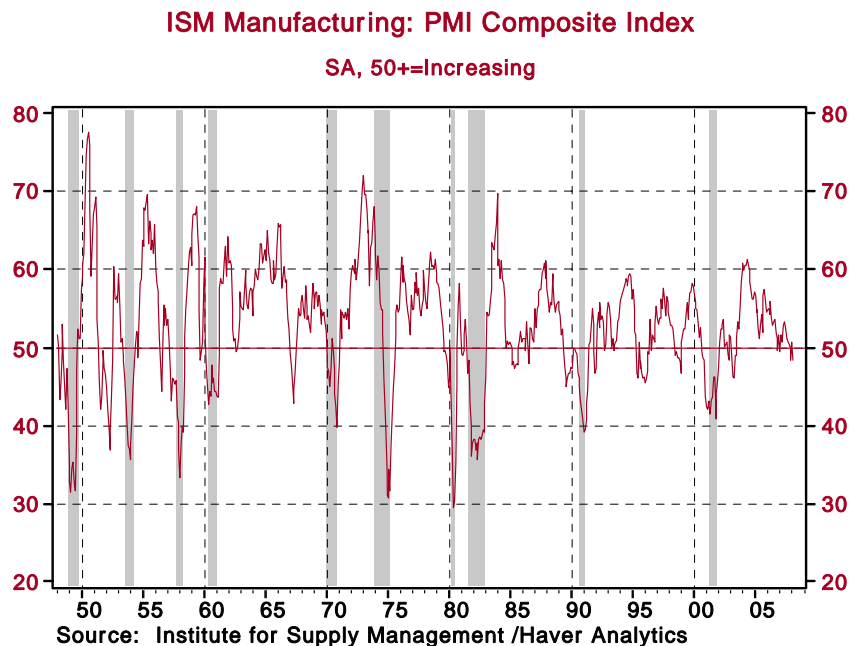
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ISM Manufacturing Survey – Factory Sector Failed to Grow in February March 3, 2008

The ISM manufacturing survey for February shows a factory sector contracting in February after a temporary improvement in January. The ISM survey results confirm the message we have seen in the other regional factory surveys of the month. The Purchasing Managers' Index fell to 48.3 in February, following readings for 48.4 and 50.7 reading in December and January, respectively. Readings below 50.0 denote a contracting factory sector. The survey results for February suggest that the factory sector is gradually losing momentum, with the FOMC taking note of this fact along with all other reports pointing to a significantly weak economy.

Chart 1

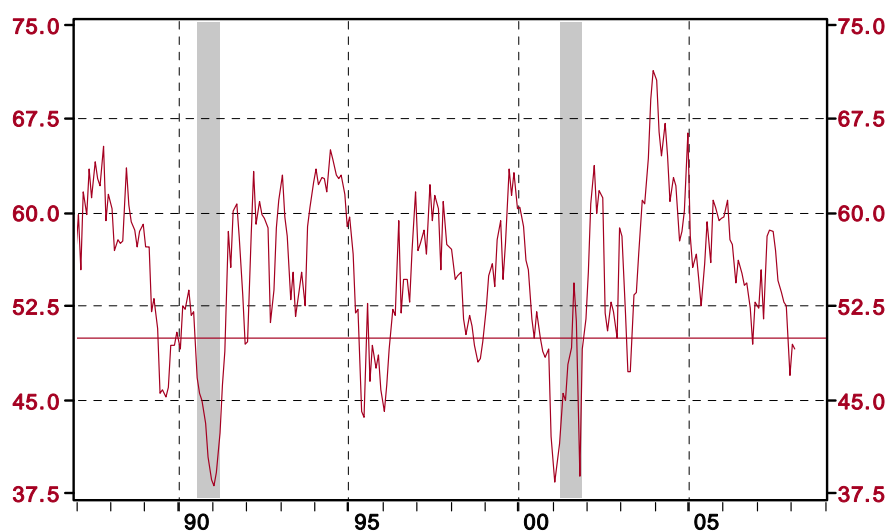


The new orders index has now held below 50.0 for three consecutive months, which is telling indicator of soft conditions in the factory sector.

Chart 2

ISM Manufacturing: New Orders Index

SA, 50+=Increasing



Source: Institute for Supply Management /Haver Analytics

The employment index fell to 46 from 47.1 in January, marking the fourth consecutive monthly reading below 50. Indexes tracking imports, exports, inventories, and price fell in February. The export index suggests an expansion of exports but at a lower pace compared with January. The import index has held below 50 for four out of the last five months.

ISM Manufacturing Survey – February 2008

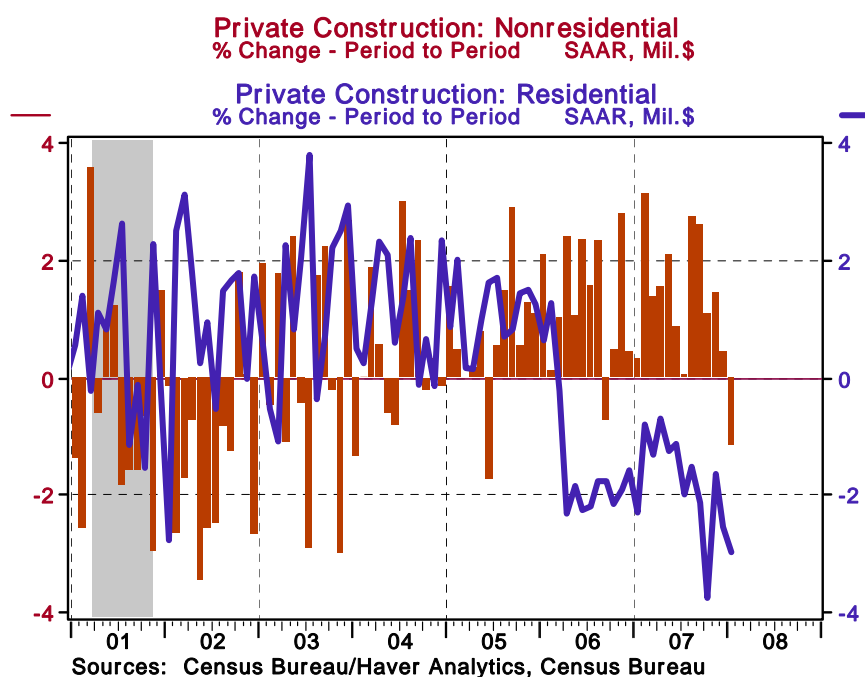
	<u>Aug-2007</u>	<u>Sep-2007</u>	<u>Oct-2007</u>	<u>Nov-2007</u>	<u>Dec-2007</u>	<u>Jan-2008</u>	<u>Feb-2008</u>
Composite Index	51.2	50.5	50.4	50.0	48.4	50.7	48.3
New Orders	54.5	53.6	52.8	52.5	46.9	49.5	49.1
Production	54.8	54.1	50.1	51.3	48.6	55.2	50.7
Employment	50.9	51.5	51.8	48.4	48.7	47.1	46.0
Vendor Deliveries	50.3	51.7	50.7	51.5	52.6	52.8	50.1
Inventories	45.4	41.7	46.5	46.4	45.4	49.1	45.4
Prices	63.0	59.0	63.0	67.5	68.0	76.0	75.5
Backlog of Orders	50.5	51.0	46.0	41.5	43.0	44.0	45.0
New Export Orders	57.0	54.5	57.0	58.5	52.5	58.5	56.0
Imports	52.5	53.0	47.5	47.5	48.0	52.5	47.5

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Construction Spending: Residential Sector Weak as Expected, Non-Residential Sector Posts Decline

Overall construction outlays fell 1.7% in January, inclusive of 3.0% drop in residential construction spending, a 1.2% drop in private non-residential construction outlays, and a 0.2% drop in public construction spending. The drop in residential sector construction spending is not a surprise. The more important news in the report is the decline in non-residential construction expenditures, the first monthly drop since September 2006. Should this be viewed as a temporary event? Probably not, financial market reports point to more weakness in commercial real estate sector in the months ahead ([Commercial Real Estate to Yield Write-Downs](#)).

Chart 3



Construction Spending (percent change from prior month)

	<u>Total</u>	<u>Private</u>	<u>Residential</u>	<u>Non-residential</u>	<u>Public</u>
Aug-2007	0.4	0.2	-1.5	2.7	1.0
Sep-2007	0.3	-0.2	-2.1	2.6	1.7
Oct-2007	-0.9	-1.7	-3.7	1.1	1.4
Nov-2007	-0.1	-0.3	-1.6	1.4	0.4
Dec-2007	-1.3	-1.3	-2.6	0.4	-1.6
Jan-2008	-1.7	-2.2	-3.0	-1.2	-0.2

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