

DAILY GLOBAL
COMMENTARY

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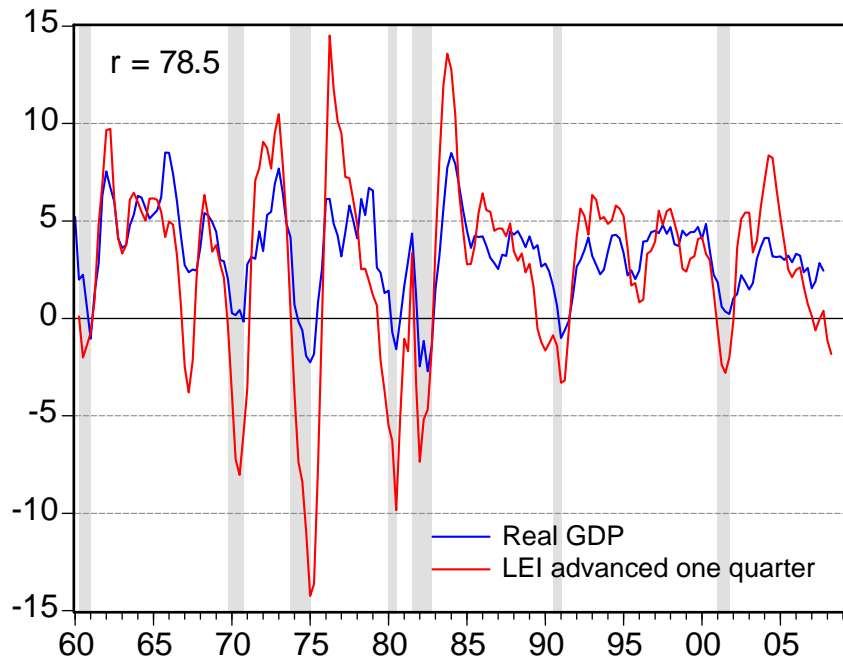
Index of Leading Indicators Supports Forecast of Weak Economic Conditions

April 17, 2008

The Conference Board's Index of Leading Economic Indicators (LEI) inched up 0.1% in March, following five consecutive monthly declines. On a year-to-year basis, the LEI declined 1.8% in the first quarter of 2008. This is the largest quarterly drop in the current economic expansion. Historically, negative year-to-year readings of LEI are associated with recessions (see chart 1).

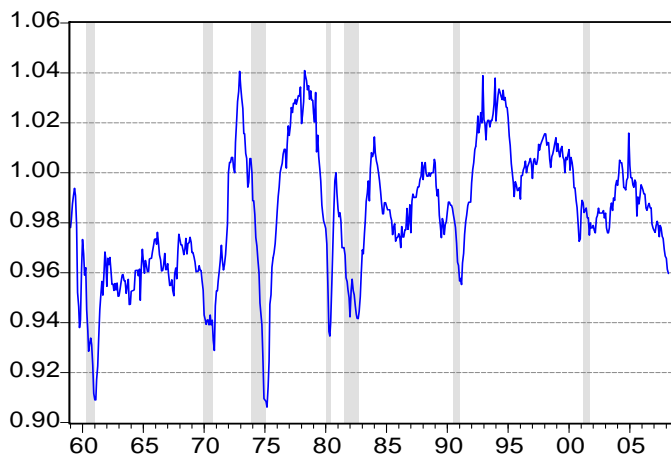
Chart 1

Index of Leading Economic Indicators (LEI) vs. Real GDP
year-to-year percent change



The coincident index increased slightly (+.1%) after a 0.2% drop in the prior month and the lagging index moved up 0.3% in March. The ratio of the coincident index to the lagging index (0.9596) is the lowest since March 1991. This ratio and the drop in the LEI on a year-to-year basis confirm our forecast of severely weak economic conditions ahead.

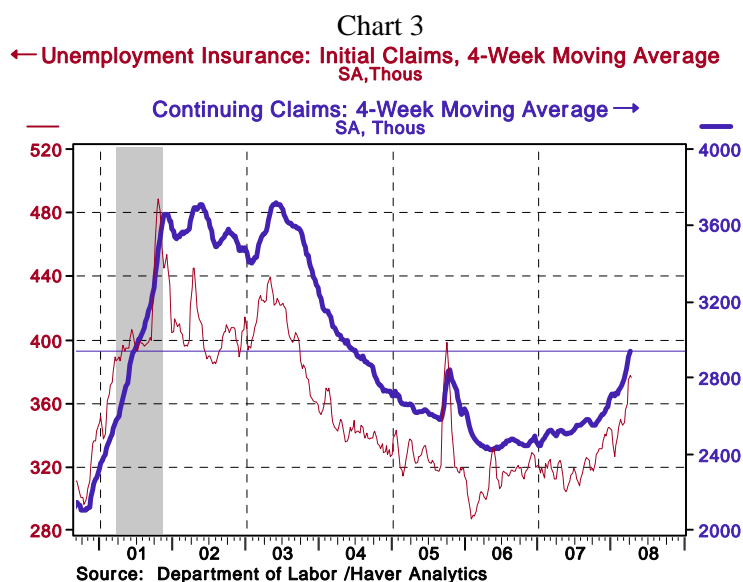
Chart 2
Ratio of Coincident Index to Lagging Index



In March, real money supply, interest rate spread, manufacturing workweek, and supplier deliveries made positive contributions to more than offset negative contributions from initial claims for unemployment insurance, building permits, stock prices, and consumer expectations. Orders of consumer durables are assumed to make a positive contribution, while that of non-defense capital goods are expected to have held steady.

Jobless Claims – No Change in Message

Initial jobless claims rose 17,000 to 372,000 during the week ended April 12. Continuing claims, which initial claims by one week, rose 26,000 to 2.984 million. The insured unemployment rate was unchanged at 2.2%. As chart 3 indicates, labor market conditions are significantly weak.

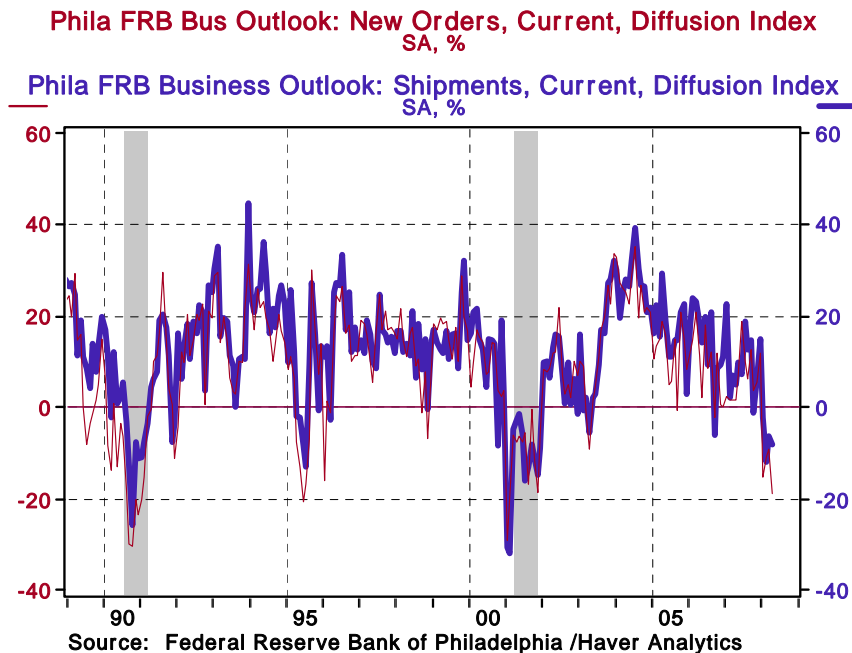


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Philadelphia Factory Survey – April 2008

The Federal Reserve Bank of Philadelphia's factory survey is the earliest report on factory conditions in the month. The tone and readings of the survey kick off the month on a dismal note. The survey's measure of overall business conditions fell to -24.9 in April from -17.4 in March. Indexes tracking new orders (-18.8 vs. -9.3 in March), shipments (-8.0 vs. -6.3 in March), and number of employees (-11.1 vs. -4.7 in March) were more negative in April compared with the survey results in March. The future general activity index rebounded from a reading of -0.5 in March, rising to 13.7, its highest level in five months. However, firms do not expect to increase payrolls in the next six months. The national ISM survey results will be published on May 1.

Chart 4



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