

DAILY GLOBAL
COMMENTARY

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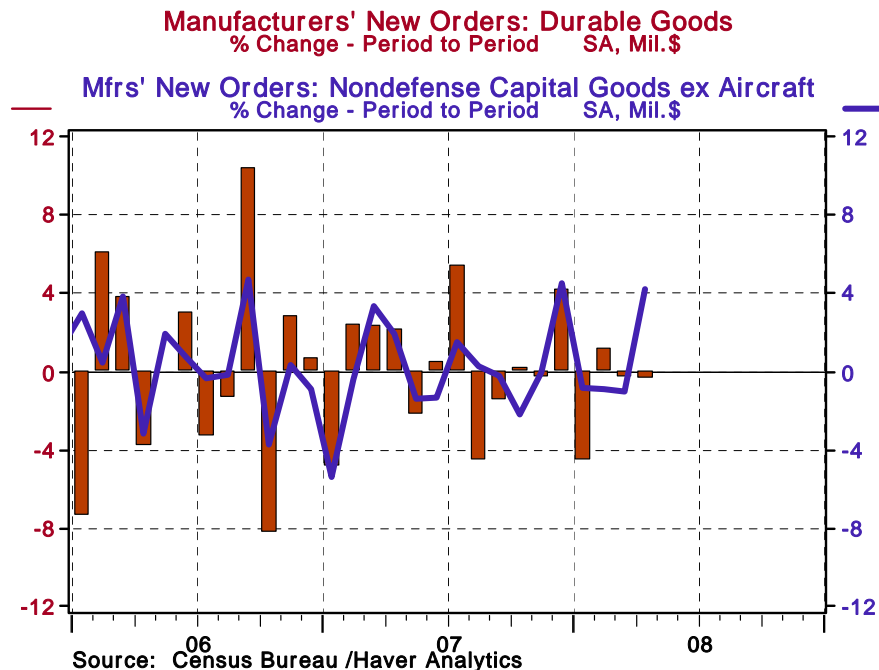
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April Durable Goods Orders – Beware of One-Off Events

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Orders for durable goods declined 0.5% in April, following a 0.3% drop in the prior month. Excluding transportation, orders of durable goods rose 2.5%. A 3.3% drop in orders of autos and a 20.0% decline in orders of aircraft accounted for the weakness in orders of the transportation component.

Chart 1



Orders of non-defense capital goods excluding aircraft increased 4.4% after three consecutive monthly declines. Among the components posting gains in April, the 27.8% increase in bookings of electrical equipment, appliances, and components after an 18.9% decline in March, appears to a one-off event such that we cannot attribute the strength in this component as a sign of overall increase in bookings of durables in April. The 2.8% and 4.2% increase in orders of primary metals and general machinery are worth noting, but there is also an inflationary component in orders of primary metals reflecting the upward trend of commodity prices. All in all, the strength in orders of durables excluding transportation appears to be the result of higher commodity prices, a random sharp increase in one component, and the impact of exports. Exports of factory goods have made a significant positive contribution to GDP for several quarters and they could possibly continue to maintain this trend in the months ahead.

Durable Goods Orders – % change M-M

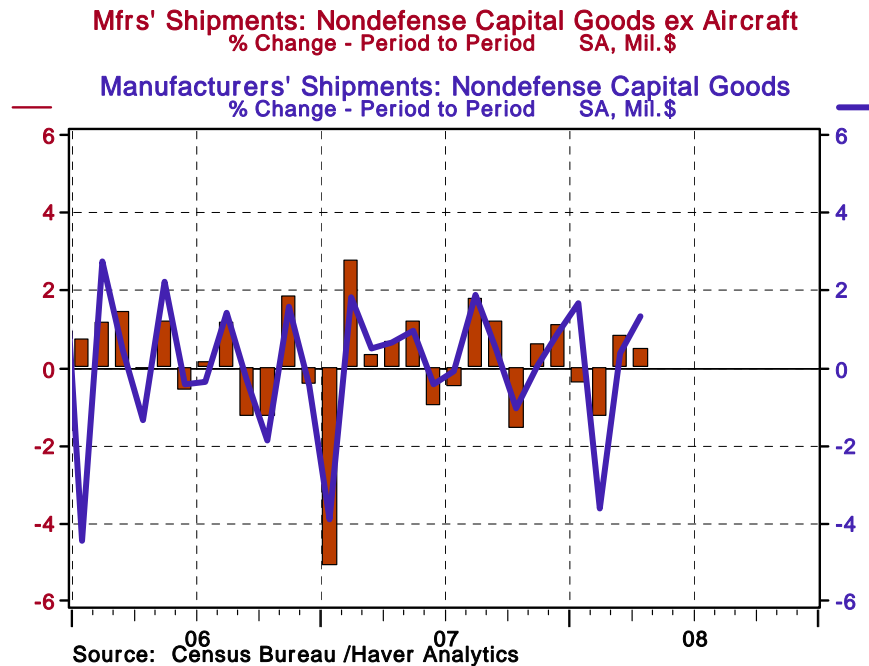
| | | | <u>NON-DEFENSE CAPITAL</u> | <u>NON-DEFENSE CAPITAL</u> | <u>COMPUTERS AND</u> |
|---------------|------|-------|----------------------------|----------------------------|----------------------|
| Oct-07 | 0.1 | 20.5 | -2.9 | -2.2 | -4.8 |
| Nov-07 | -0.3 | -30.5 | 4.3 | 0.0 | -1.5 |
| Dec-07 | 4.1 | 89.5 | 3.5 | 4.5 | 2.1 |
| Jan-08 | -4.7 | -23.0 | -6.3 | -0.8 | -1.4 |
| Feb-08 | 1.1 | 9.2 | 1.6 | -0.9 | 1.5 |
| Mar-08 | -0.3 | -12.5 | 1.4 | -1.0 | 1.0 |
| Apr-08 | -0.5 | 4.8 | -1.4 | 4.2 | -1.5 |

Shipments of durable goods increased 1.2% after two consecutive monthly declines. Shipments of non-defense capital goods excluding aircraft advanced 0.5% during April following a 0.8% increase in March.

Durable Goods Shipments – % change M-M

| | | | <u>NON-DEFENSE CAPITAL</u> | <u>NON-DEFENSE CAPITAL</u> | <u>COMPUTERS AND</u> |
|---------------|------|--|----------------------------|----------------------------|----------------------|
| Oct-07 | 0.4 | | -1.1 | -1.6 | 1.7 |
| Nov-07 | -0.1 | | 0.1 | 0.6 | 0.4 |
| Dec-07 | -0.8 | | 0.9 | 1.1 | -1.7 |
| Jan-08 | 2.2 | | 1.7 | -0.4 | 9.4 |
| Feb-08 | -1.9 | | -3.6 | -1.3 | -8.8 |
| Mar-08 | -0.9 | | 0.4 | 0.8 | -0.9 |
| Apr-08 | 1.2 | | 1.3 | 0.5 | 4.3 |

Chart 2



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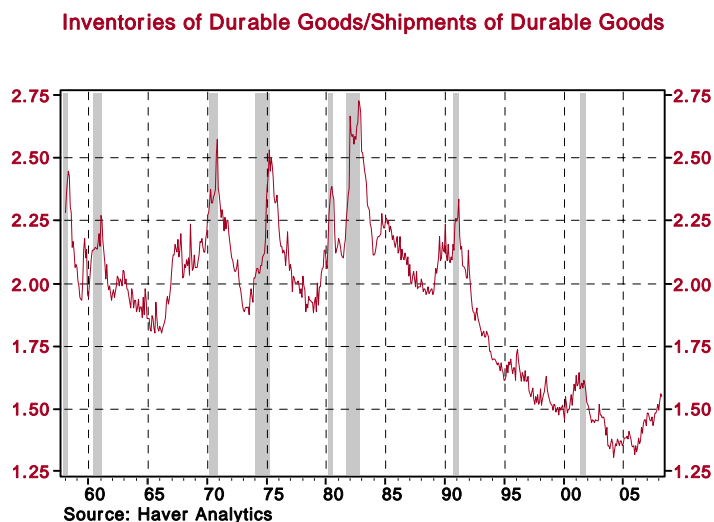
Inventories of durable goods increased 0.5% in April, marking the tenth monthly gain in the past year. The level of inventories is at the highest mark since the series was restated in NAICS terms in 1992. (Data prior to 1992 in charts 3 and 4 are reconstructed by Haver Analytics).

Chart 3



The inventories-shipments ratio (1.55 in April and 1.56 in March) has maintained an upward trend suggesting that the strength implied by orders of durable goods excluding transportation may be a temporary event. As shown in chart 4, an upward trend of the inventories-shipment ratio is associated with recessions.

Chart 4



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