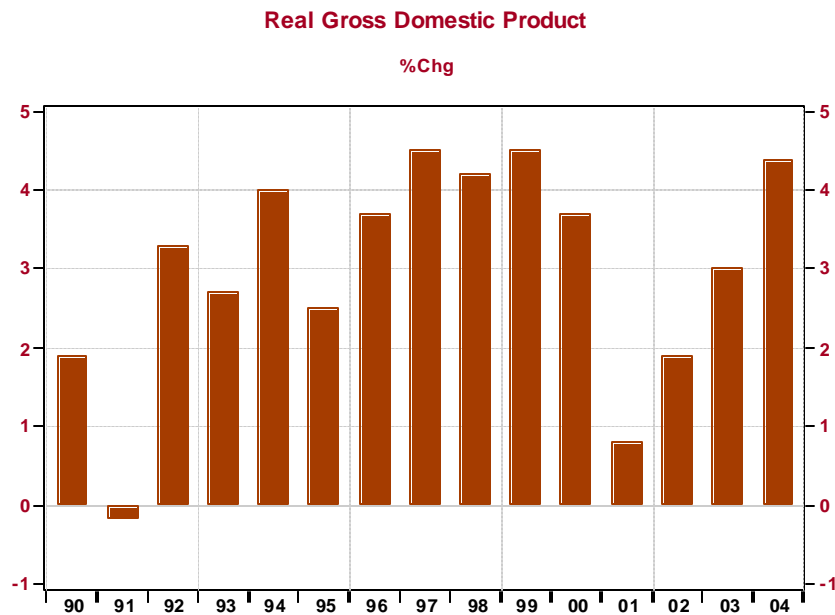




Impressive performance of 2004 May Not Be Repeated In 2005

The final estimate of real GDP growth in the fourth quarter was unchanged from the preliminary reading of a 3.8% annualized increase. Although the headline was not revised, the contributions of several components were changed. Consumer spending grew at an unrevised annualized rate of 4.2% in the fourth quarter. The economy grew at a 4.4% clip in 2004, the best performance since the 4.5% gain in the real GDP during 1999 (see chart 1).

Chart 1

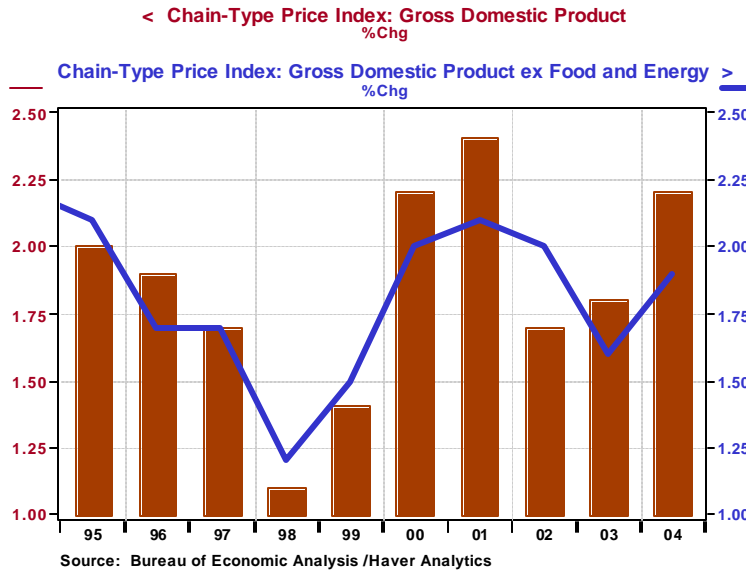


Source: Bureau of Economic Analysis /Haver Analytics

The final estimates for the fourth quarter show a smaller accumulation of inventories (\$47.2 billion vs. \$51.0 billion) compared with the preliminary estimate. Offsetting this decline were upward revisions of equipment and software spending (+18.4% vs. +18.0%) exports (+3.2% vs. +2.4%), and residential investment expenditures (+3.4% vs. +2.1%).

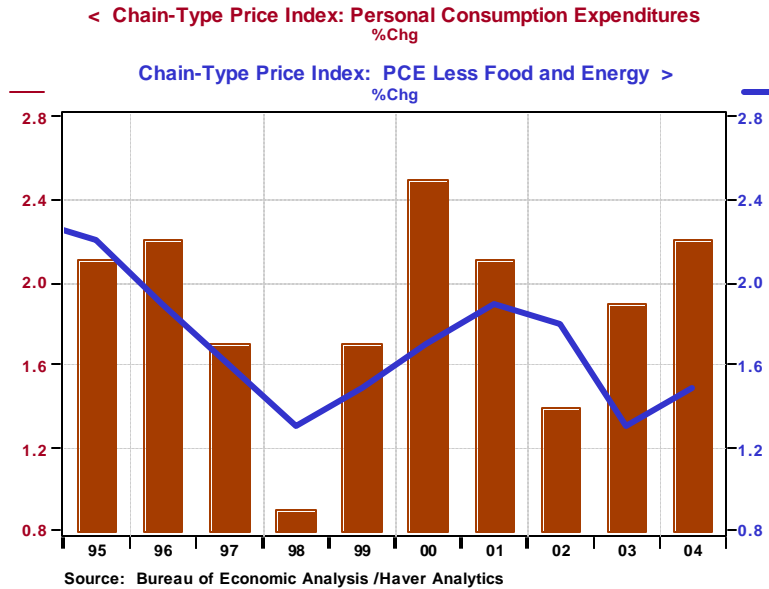
Inflation data, as measured by different price indexes, send a clear message of a noticeable hike in prices in 2004. The GDP price index rose 2.2% in 2004 vs. a 1.8% gain in 2003. The GDP price index excluding food and energy advanced to 1.9% increase in 2004 vs. a 1.6% climb in 2003 (see chart 2)

Chart 2



The personal consumption expenditure price indexes (see chart 3) also send a similar message -- higher inflation in 2004 compared with 2003.

Chart 3

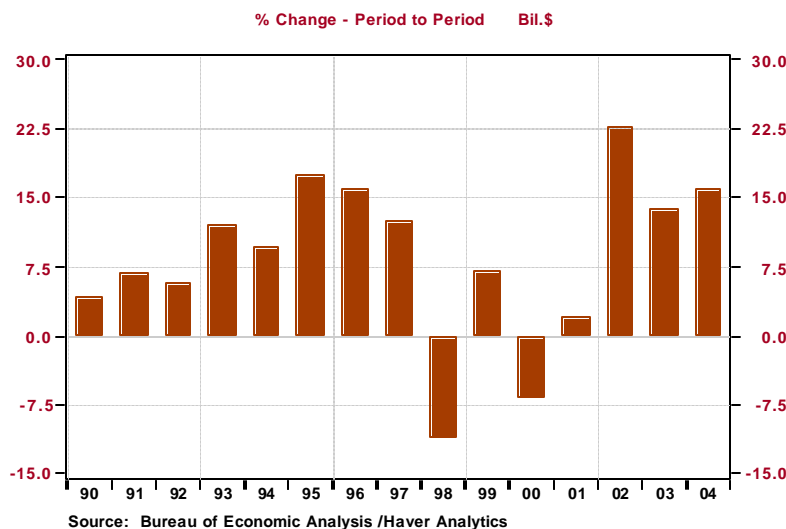


After tax corporate profits with inventory valuation and capital consumption adjustment rose 12.5% in the fourth quarter after two quarterly declines brought about by hurricane related payments. During 2004, after tax corporate profits advanced 16.1% compared with a 13.8% increase in 2003. Projected slowing of GDP growth in 2005 and rising labor costs lower the probability of profit growth repeating the performance of 2004.

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Chart 4

Corporate Profits After Tax with IVA & CCAAdj



Real Gross Domestic Product 2004:Q4 Final Estimate

	(2000 chained dollars)				Percent Change (SAAR)			
	04:3 Final	04:4 Advance	04:4 Preliminary	04:4 Final	04:3	04:3 Adv	04:3 Prel.	04:4 Fin
GDP	10891.0	10975.7	10993.3	10994.3	4.0	3.1	3.8	3.8
CONSUMPTION	7667.8	7755.4	7746.2	7747.0	5.1	4.6	4.2	4.2
DURABLE GOODS	1118.3	1136.6	1127	1129.0	17.2	6.7	3.1	3.9
NONDURABLE GOODS	2213.2	2244.7	2246	2245.3	4.7	5.8	6.1	5.9
SERVICES	4352.4	4391.8	4389.3	4389.2	3.0	3.7	3.4	3.4
INVESTMENT	1853.9	1895.1	1913.1	1912.6	2.4	9.2	13.4	13.3
FIXED INVESTMENT	1816.1	1845.7	1858.5	1861.9	8.8	6.7	9.7	10.5
NONRESIDENTIAL	1245.3	1276.3	1286.7	1288.3	13	10.3	14.0	14.5
STRUCTURES	241.0	238.5	241.8	242.3	-1.1	-4.1	1.2	2.1
EQUIPM. & SOFTWARE	1015.6	1051.5	1058.5	1059.5	17.5	14.9	18.0	18.4
RESIDENTIAL	565.9	566.3	568.9	570.6	1.6	0.3	2.1	3.4
CHG. BUS. INVENT.	34.5	45.8	51.0	47.2				
NET EXPORTS	-583.2	-631.9	-623.4	-621.1				
EXPORTS	1131.1	1120.0	1137.8	1140.0	6.0	-3.9	2.4	3.2
IMPORTS	1714.3	1751.9	1761.2	1761.2	4.6	9.1	11.4	11.4
GOVERNMENT (C & I)	1949.9	1954.5	1955.6	1954.0	0.7	0.9	1.2	0.9
FEDERAL	726.6	729.5	729.7	728.8	4.8	1.6	1.7	1.2
DEFENSE	491.5	491.5	491.1	490.7	10.1	0	-0.3	-0.6
OTHER	234.7	237.6	238.3	237.7	-5.3	5.1	6.3	5.3
STATE AND LOCAL	1223.2	1224.9	1225.7	1225.1	-1.7	0.6	0.8	0.6
DISP. PERS. INC.	7990.2	8152.9	8167.2	8170.9	2	8.4	8.1	8.3
FINAL SALES	10854.7	10928.1	10940.7	10945.5	5.0	2.7	3.2	3.4
GROSS DOMESTIC PURCHASE	11430.9	11551.7	11556.1	11558.6	4.9	4.3	4.5	4.5
PRICE DEFLATORS:								
GDP CHAIN TYPE	108.6	109.1	109.1	109.2	1.4	2.0	2.1	2.3
GDP EX. FOOD & ENERGY					1.8	2.0	1.9	2.1
PCE CHAIN TYPE	108.0	108.7	108.7	108.7	1.3	2.5	2.5	2.7
PCE EX. FOOD & ENERGY	106.8	107.2	107.2	107.2	0.9	1.6	1.6	1.7

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