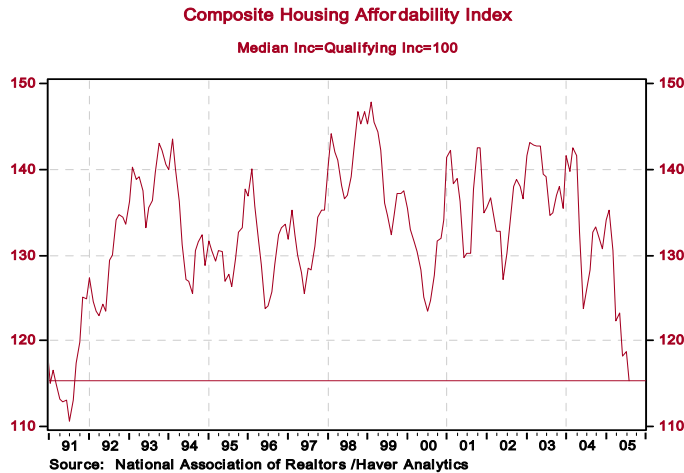




Housing Affordability Lowest In Fourteen Years

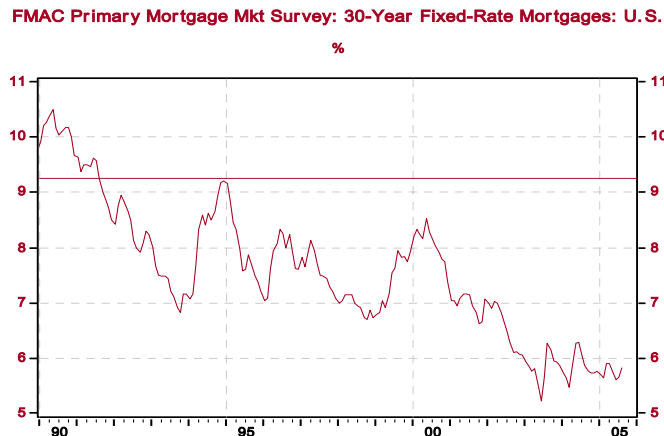
The Housing Affordability Index (HAI) dropped 3.4 points to 115.4 in August, the lowest since August 1991 (see chart 1 below). The drop in the index augurs poorly for the housing market. The 30-year fixed rate mortgage was 5.80% in August and it has risen slightly to 5.91% in last week of September.

Chart 1



Although interest rates are affordable compared with the prevailing rates in 1991 when the HAI was at a similar level, prices of existing homes continue to advance and are reducing affordability. In August 1991, when the HAI was 113.0, the 30-year mortgage rate was 9.24%, about 342 basis points higher than in August 2005. The median price of an existing single-family home rose 16.2% in August, taking the year-to-date average to 12.2%. By contrast, on average, the median price of an existing single-family home was up 5.4% in 1991.

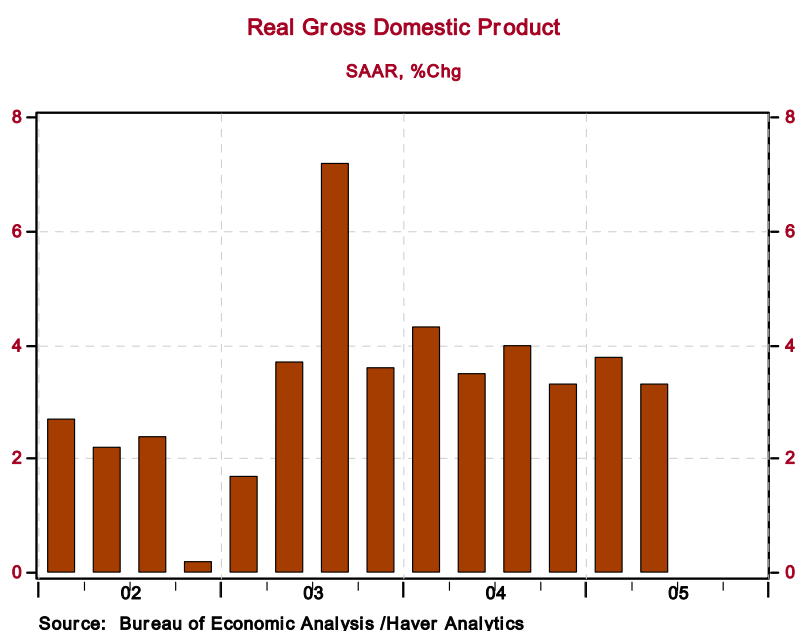
Chart 2



Q2 GDP – Headline Unchanged, Minor Revisions of Components

Real gross domestic product increased at an annual rate of 3.3% in the second quarter of 2005, after a 3.8% gain in the first quarter. The headline reading was unchanged from the preliminary estimate, but there were minor but noteworthy revisions of several components. Inventories are now estimated to have dropped \$1.7 billion in the second quarter vs. the earlier estimate of an increase by \$2.1 billion. As a result of this downward revision and upward revision of expenditures, final sales grew at an annual rate of 5.6% compared with the earlier estimate of a 5.4% increase. Consumer spending was revised to show stronger growth (3.4% vs. 3.0%), equipment and software spending also showed a larger increase compared with the preliminary estimate (10.9% vs. 10.4%), and residential investment expenditures were raised by a one whole percentage point to 10.8%. Offsetting these upward revisions was a larger trade gap of \$614.2 billion vs. the previous estimate of \$611.2 billion and slightly slower in government spending.

Chart 3



Profits from current production (corporate profits with inventory valuation and capital consumption adjustments) increased \$59.3 billion in the second quarter (downwardly revised from an increase of \$79.3 billion). In the first quarter, profits increased \$68.7 billion. On a year-to-year basis, corporate profits increased 16.0% (previously estimated as a 17.7% increase) in the second quarter, the largest gain since the first quarter of 2004.

Hurricane Katrina and expenditures on rebuilding will influence GDP growth in the near term. The net impact is a slightly larger growth of real GDP compared to expectations before Katrina. The economy is most likely to grow at a 3.8% and 3.0% in the third and fourth quarters, respectively.

REAL GROSS DOMESTIC PRODUCT 2005:Q2 FINAL ESTIMATE

	(2000 chained dollars)				Percent Change (SAAR) from prior quarter			
	05:1	05:2	05:2	05:2	05:1	05:2 Adv	05:2 Prel.	05:2 Fin
	Final	Advance	Preliminary	Final				
GDP	10999.3	11092.0	11088.6	11089.2	3.8	3.4	3.3	3.3
CONSUMPTION	7764.9	7828.3	7823.2	7829.5	3.5	3.3	3.0	3.4
DURABLE GOODS	1122.3	1144.9	1143.3	1143.9	2.6	8.3	7.7	7.9
NONDURABLE GOODS	2265.6	2283.9	2285.1	2285.9	5.3	3.3	3.5	3.6
SERVICES	4392	4417.4	4412.7	4417.6	2.8	2.3	1.9	2.3
INVESTMENT	1902.9	1879.0	1886.8	1885.0	8.6	-4.9	-3.3	-3.7
FIXED INVESTMENT	1842.2	1883.6	1882.1	1884.7	7.0	9.3	8.9	9.5
NONRESIDENTIAL	1252.2	1279.5	1277.8	1279.0	5.7	9.0	8.4	8.8
STRUCTURES	251.0	253.0	252.7	252.7	-2.0	3.1	2.7	2.7
EQUIPM. & SOFTWARE	1014.2	1041.1	1039.6	1040.9	8.3	11.0	10.4	10.9
RESIDENTIAL	584.1	597.9	597.9	599.3	9.5	9.8	9.8	10.8
CHG. BUS. INVENT.	58.2	-6.4	2.6	-1.7				
NET EXPORTS	-645.4	-601.3	-611.2	-614.2				
EXPORTS	1165.3	1200.3	1201.9	1195.4	7.5	12.6	13.2	10.7
IMPORTS	1810.7	1801.6	1813.1	1809.6	7.4	-2.0	0.5	-0.3
GOVERNMENT (C & I)	1971.9	1981.6	1985.0	1984.1	1.9	2.0	2.7	2.5
FEDERAL	731.8	734.2	734.7	736.1	2.4	1.3	1.6	2.4
DEFENSE	487.3	489.8	490.2	491.7	3.0	2.0	2.4	3.7
OTHER	244.3	244.2	244.3	244.2	1.1	-0.1	-0.1	-0.2
STATE AND LOCAL	1239.8	1247.2	1250.1	1247.8	1.6	2.4	3.3	2.6
DISP. PERS. INC.	8110.0	8138.4	8139.1	8128.7	-2.9	1.4	2.0	1.5
FINAL SALES	10940.3	11096.8	11084.3	11089.2	3.5	5.8	5.4	5.6
GROSS DOMESTIC PURCHASE	11576.2	11689.6	11686.8	11694.6	3.7	4.0	3.9	4.2
PRICE DEFLATORS:								
GDP CHAIN TYPE	111.0	111.6	111.6	111.7	3.1	2.4	2.4	2.6
GDP EX. FOOD & ENERGY					2.9	2.3	2.2	2.4
PCE CHAIN TYPE	109.9	110.8	110.8	110.8	2.3	3.3	3.2	3.3
PCE EX. FOOD & ENERGY	108.6	109.1	109.0	109.1	2.4	1.8	1.6	1.7

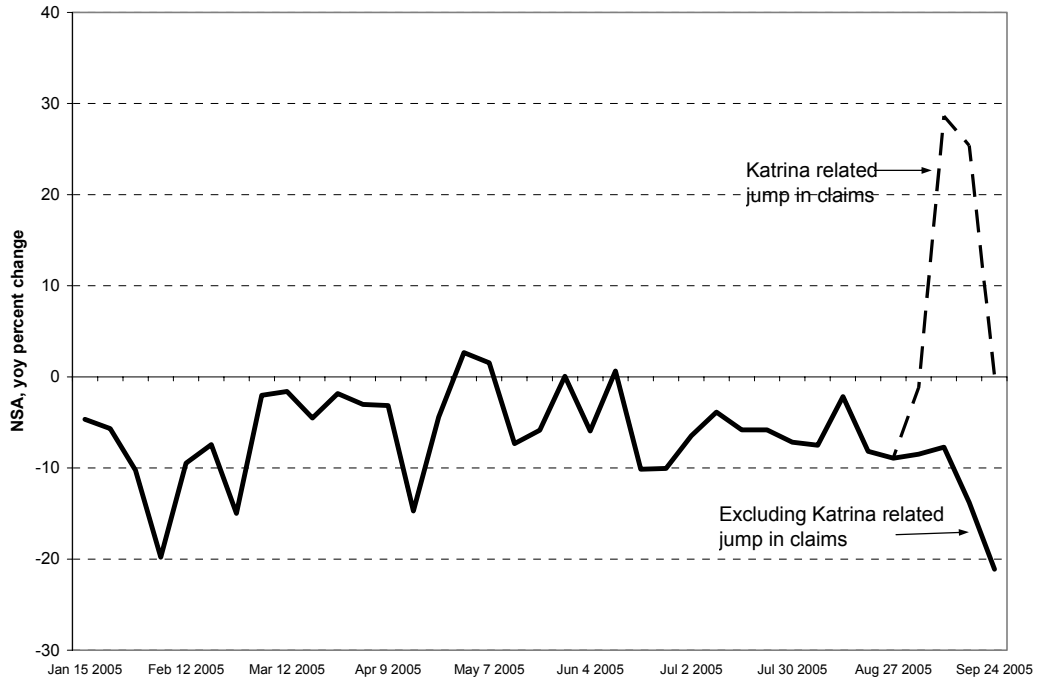
Initial Jobless Claims Decline After Katrina Related Jump

Initial jobless declined 79,000 during the week ended September 24, following readings of 424,000 and 435,000 in each of the two prior weeks. During the week ended September 3, initial jobless were reported as 327,000. According to the Labor Department, Katrina related initial jobless claims on a seasonally unadjusted basis were 20,000, 91,000, 108,000, and 60,000 for the weeks ended September 3, September 10, September 17, and September 24, respectively. Excluding the Katrina related claims for these four weeks and computing the year-to-year change in seasonally unadjusted initial jobless claims, we find that the labor market (see chart 4) conditions have improved slightly. There is a good chance that the Katrina related estimates of initial claims are on the high side. Revisions of these numbers in the near term will help to sort this out. Continuing claims, which lag initial claims by one week, rose 144,000 to 2.8 million and the insured unemployment rate moved up one notch to 2.2%.

The information herein is based on sources which The Northern Trust Company believes to be reliable, but we cannot warrant its accuracy or completeness. Such information is subject to change and is not intended to influence your investment decisions.

Chart 4

Initial Jobless Claims
NSA, year-to-year change



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