



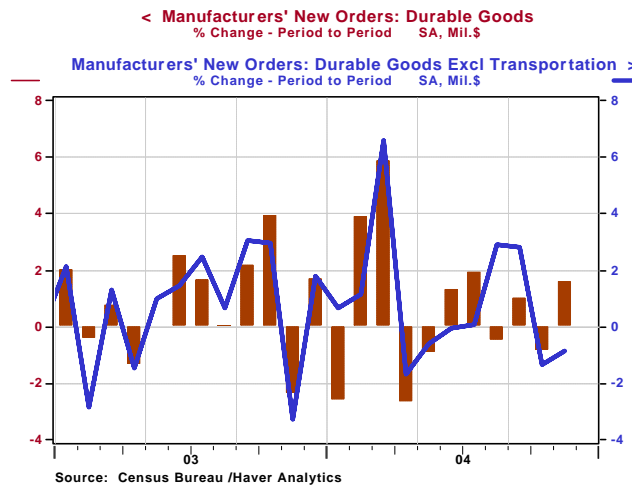
Shipments of Non-Defense Capital Goods Indicate Slowing of Capital Expenditures

Durable goods orders rose 1.6% in November, after a revised 0.9% decline in the prior month. Orders of defense goods dropped 31.8% following a 17.8% increase in the prior month. The 64.2% jump in orders of non-defense aircraft and parts led to the large gain in bookings of durable goods during November. Excluding transportation, orders of durable goods fell 0.8% in November vs. a 1.3% drop in the previous month.

DURABLE GOODS ORDERS - % CHANGE M-M

DATE	TOTAL	DEFENSE	NON-DEFENSE CAPITAL		COMPUTERS AND
			GOODS	GOODS EX-AIRCRAFT	ELECTRONIC PRODUCTS
Jun-04	1.3	34.7	1.5	1.8	-1.2
Jul-04	1.9	-15.8	9.3	0.6	-4.2
Aug-04	-0.5	3.1	-7.0	0.7	6.0
Sep-04	1.0	27.5	3.2	5.4	13.2
Oct-04	-0.9	17.8	-3.4	-4.1	-6.1
Nov-04	1.6	-31.8	8.1	1.8	-4.2

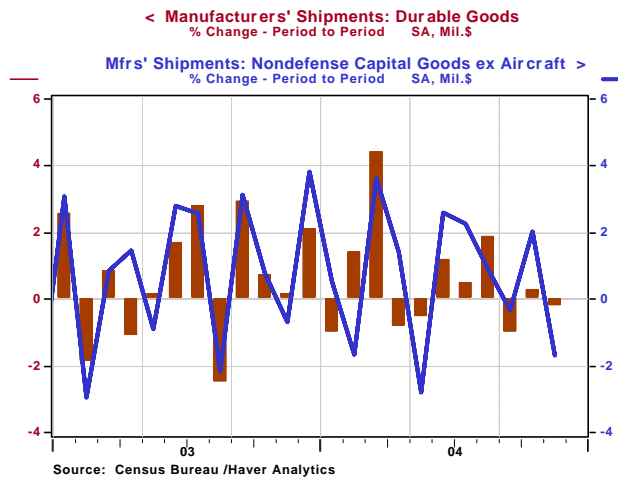
Orders of non-defense capital goods excluding aircraft rose 1.8%, erasing part of the 4.1% drop of October. The headline reading of the November durable goods orders report is good deal stronger than the details of the report indicate. Excluding orders of non-defense aircraft, several categories of durable goods posted declines in November.



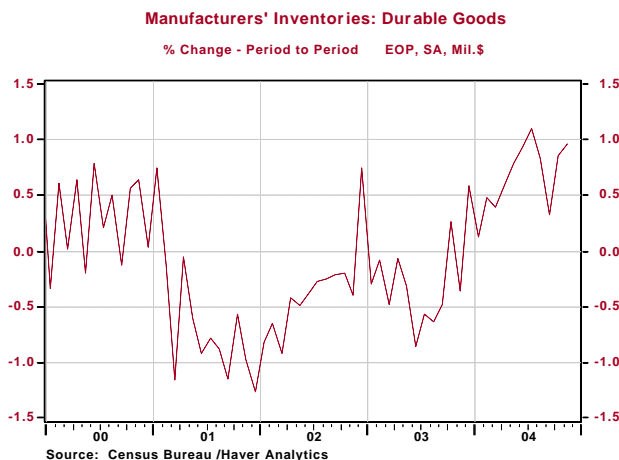
Shipments of durable goods declined 0.2% in November, inclusive of a 1.7% drop in shipments of non-defense capital goods excluding aircraft. Shipments of non-defense capital goods excluding aircraft are a proxy for equipment and software spending in the GDP report. The October-November data, after adjusting for inflation, show a 1.6% annualized increase vs. a 12.6% increase in the third quarter. This suggests that equipment and software is likely to make only a small contribution to real GDP growth in the fourth quarter compared with the 17.5% increase in the third quarter.

DURABLE GOODS SHIPMENTS- % CHANGE M-M

DATE	TOTAL	NON-DEFENSE CAPITAL	NON-DEFENSE CAPITAL	COMPUTERS AND
		CAPITAL GOODS	GOODS EX-AIRCRAFT	ELECTRONIC PRODUCTS
Jun-04	1.2	1.8	2.6	0.2
Jul-04	0.5	1.8	2.3	3.0
Aug-04	1.9	1.8	0.9	1.6
Sep-04	-1.0	-0.3	-0.3	-2.7
Oct-04	0.3	1.9	2.0	3.6
Nov-04	-0.2	-2.4	-1.7	0.2



Inventories of durable goods rose 1.0% in November after a 0.9% increase in the prior month. Unfilled orders of durable goods advanced 1.3% in November vs. 0.6% gain in October.

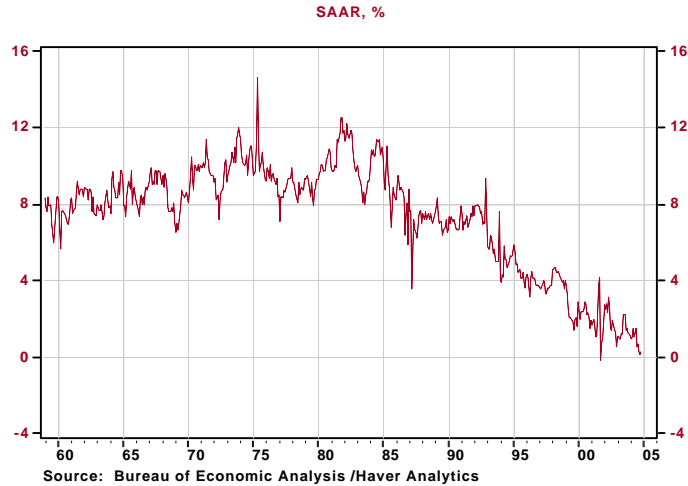


Consumer Spending Held Steady In November

Personal income increased 0.3% in November vs. a 0.6% gain in October. Personal saving as a percentage of disposable income edged up 0.3% in November vs. a 0.1% gain in the prior month. The personal saving rate of the U.S. economy is heading toward a less than or equal to 1.0% mark in 2004, which would be a new record for the U.S. economy (see chart below).

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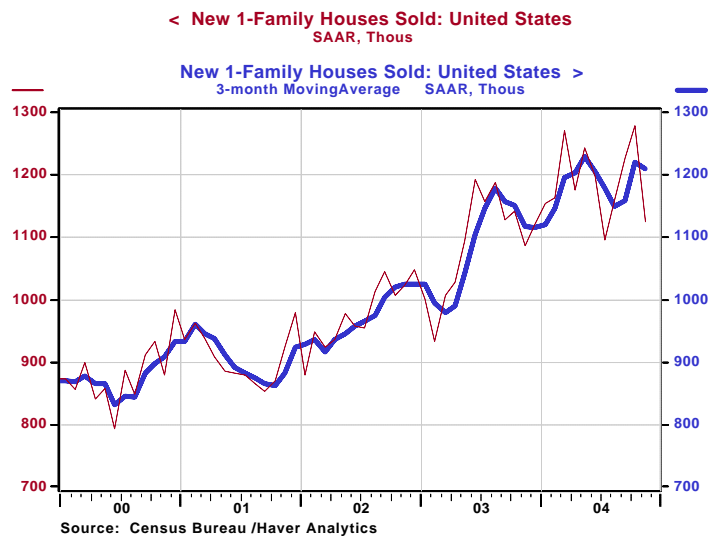
Personal Savings Rate



Nominal consumer outlays increased 0.2% in November but inflation adjusted consumer spending was unchanged. The October-November data point toward a 3.3%-3.6% annualized increase in consumer spending in the fourth quarter after a 5.1% increase in the third quarter. In November, durable goods purchases fell 2.4%, while that of non-durable goods increased 0.4%. Service outlays increased 0.3% in November vs. a 0.4% increase in each of the two prior months.

Sales of New Homes Plunge in November

Sales of new single-family homes fell 12.0% in November to an annual rate of 1.125 million units, after three consecutive monthly gains. On a regional basis, sales fell in the Northeast (-7.1%), Midwest (-39.4%), and West (-27.9%) but climbed 13.6% in the South. The median price of a single-family home was \$206,300 in November, down 0.4% from a year ago, the first year-to-year decline since June 2003.

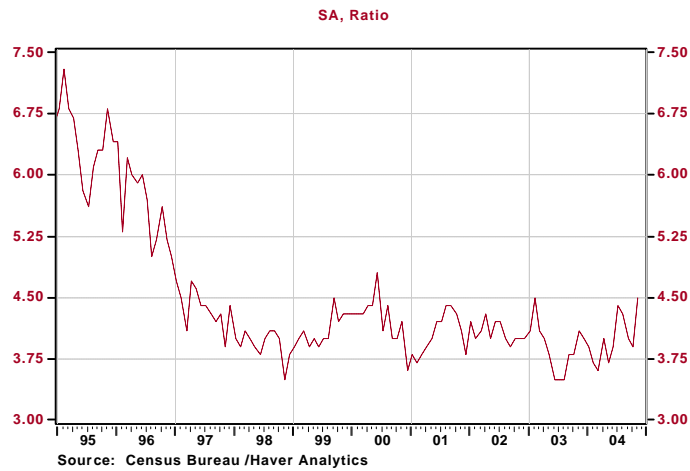


There was a 4.5 month supply of new single homes in the market place during November. The November reading of inventories of unsold homes is the largest since February 2003. During November there was a sharp decline in the number of housing starts. Existing home sales data will

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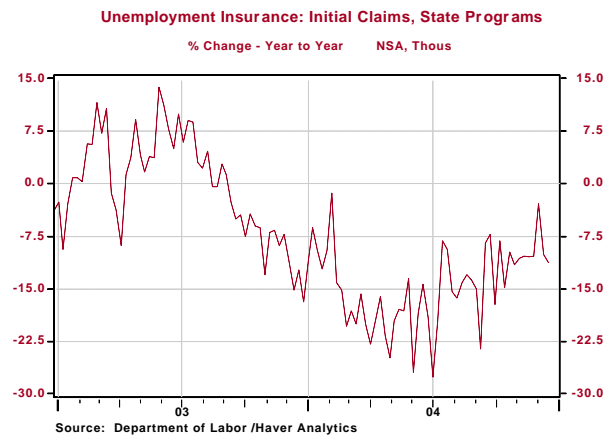
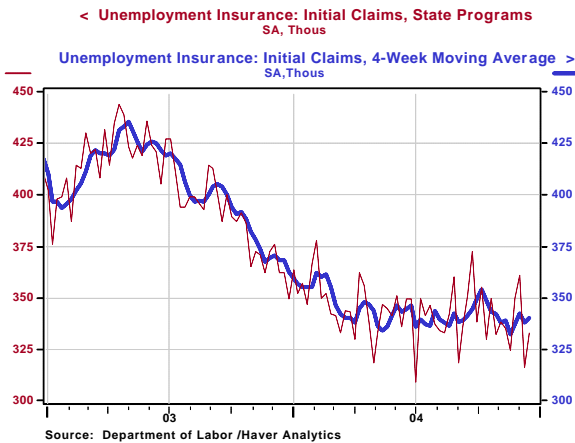
be published on December 29. The November numbers indicate that an unfavorable situation in the housing market may emerge if mortgage increase in the near term

New 1-Family Houses For Sale: Months Supply



Jobless Claims – Marginal Improvement Worth Mention

Initial jobless claims increased 17,000 to 333,000 during the week ended December 18. Continuing claims, which lag initial claims by one week, dropped 9,000 to 2.721 million. The insured unemployment rate has held steady at 2.2% for 11 straight weeks. We have been reporting the year-to-year change of seasonally unadjusted initial claims for a few weeks. The latest numbers show a year-to-year decline of 11.2% of initial jobless claims, after a 10.2% drop in the week ended December 11. This is a noteworthy improvement because initial jobless claims dropped 2.8% two weeks ago and raised red flags about the status of the labor market.



The next Daily Economic Comment will be published on January 3, 2005.

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