

Major monthly economic indicators remained mixed during June, but left intact the impression of an economy struggling from the ongoing adjustments in housing and a further tightening in credit availability and terms.

Industrial production broke a two-month losing streak in June, rising 0.5%. Production was boosted by utility output, which increased 2.1% in response to higher than normal temperatures across much of the country, and a 5.4% jump in motor vehicle and parts production, which was a rebound from the strike-depressed levels in April and May.

Overall capacity utilization increased slightly to 79.9%. Capacity utilization in manufacturing was essentially unchanged at 77.6%. Both measures are notably below their peaks for the current economic cycle and at levels consistent with weaker than normal capital spending.

Compared with a year earlier, production levels were little changed. Overall production was up 0.3% from June 2007. Manufacturing production was down 0.6% from a year earlier. Total industrial production was down 0.8% from its recent high in January, while manufacturing production was down 1.4% from its peak in July 2007.

Across sectors, production of high-technology goods increased 1.8% and primary metals output increased 2.9%. Fabricated metals and machinery fell 1.6% and 1.0%, respectively. Outside of high-technology and motor vehicles and parts, manufacturing production decreased by 0.2%.

Light motor vehicle assemblies increased to 9.1 million units at a seasonally adjusted annual rate in June, up from the 8.4 million in May and back to the pre-strike pace in March. Production lost during April and May is not expected to be made up, as a weakening in sales has kept inventories in line.

Housing starts jumped 9.1% in June to 1.1 million units at a seasonally adjusted annual rate and permits rose 11.6%. A change in the building code in New York City appears to have accounted for both of the increases by boosting construction of multi-family units. Outside of the Northeast region, total starts fell 4.0% and permits

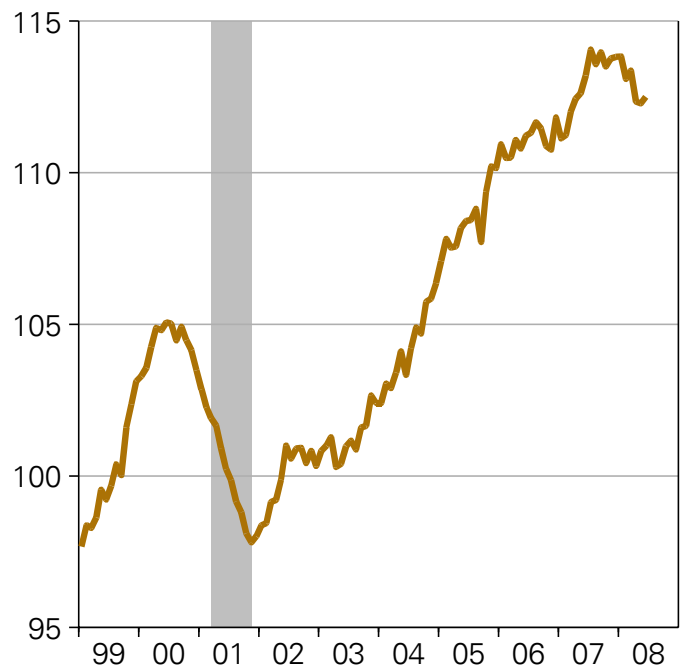
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increased just 0.7%. The best gauge of activity during the month is that single-family starts fell 5.3% nationwide and permits dropped 3.5%.

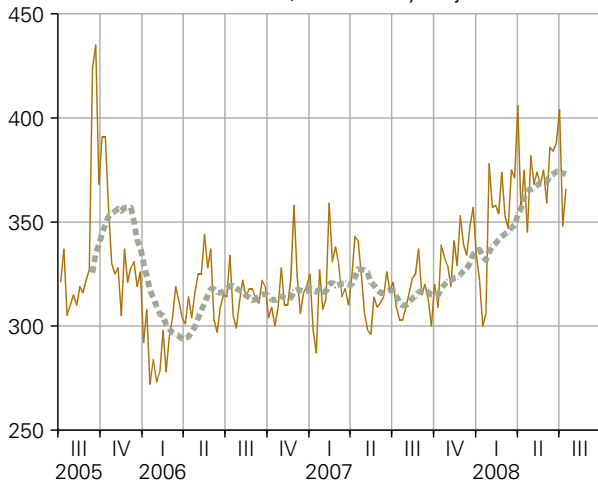
Retail sales increased by only 0.1% in June. Compared with a year earlier, retail sales were up 3.0% in June. Boosted by more than \$100 billion in tax rebates delivered during the second quarter, retail sales advanced at an annual rate of 3.8%.

Jim Coons

Industrial Production - Manufacturing Index 1997 = 100



Initial Claims for Unemployment Insurance  
Thousands Per Week, Seasonally Adjusted



U. S. Dollar Exchange Rate  
FRB Major Currency Index, 1973 = 100



Price of Oil  
West Texas Int, \$/bbl



Price of Gold  
London PM Fixing, \$/oz



S&P 500 Stock Prices  
Daily Close, Index 1941-43 = 10



Mortgage Loan Originations  
MBA Purchase Index 3/16/90=100 SA

