

Retail sales and industrial production caved in September and consumer sentiment cratered in October, reversing a 3-month string of increases that had headed a very short list of positive developments. Consumer prices were tame in September, as expected. Housing construction data were lousy again.

Retail sales decreased by 1.2% in September and were revised down again slightly in August and July. Excluding autos, retail sales decreased 0.6%, as most major categories contracted. Sales were down 1.0% compared with a year earlier – only the fifth such decline on record. Real consumer spending is likely to have declined in Q3 for the first time since the 1990-91 recession.

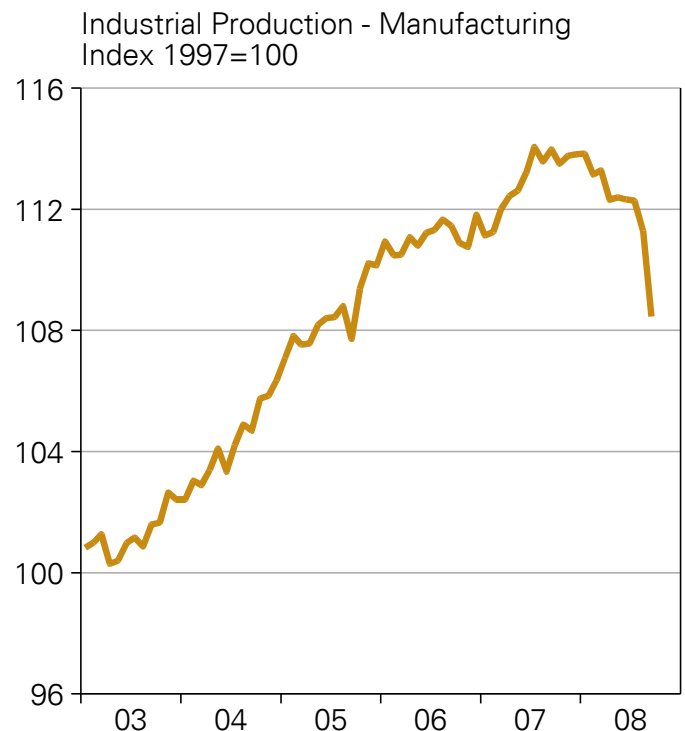
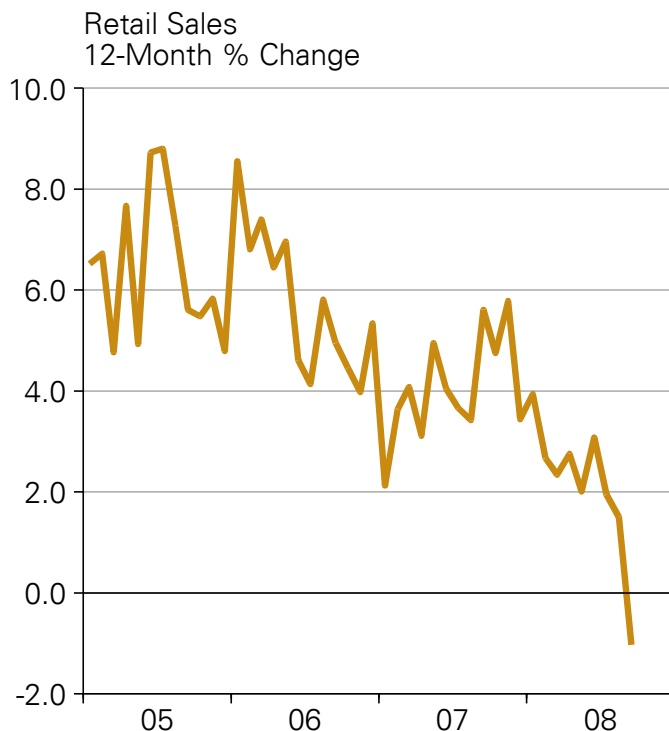
Industrial production decreased by 2.8% in September. Hurricanes Gustav and Ike subtracted an estimated 2.3 percentage points and the Boeing strike subtracted an estimated 0.3 percentage points. Production was supported by a bounce-back in electricity generation after a mild August and a rebound in motor vehicle production. Light vehicle assemblies increased to an 8.2 million unit rate from a 7.4 million unit rate in August.

Recession hit with a fury in September. Retail sales and industrial production caved. Housing construction fell again. And the mood of consumers turned down.

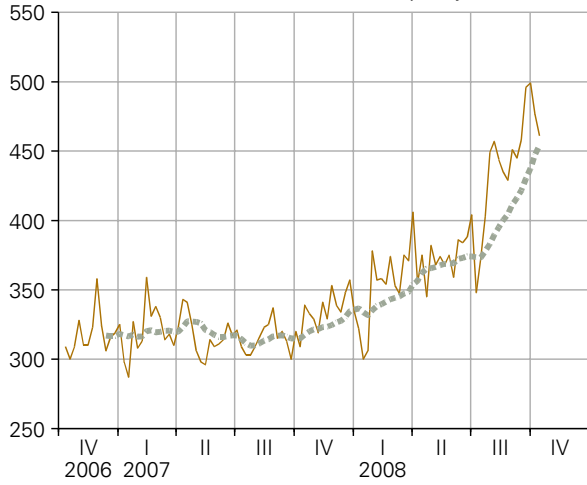
Production will rebound in October, because the damage to oil and gas facilities by Hurricanes Gustav and Ike will be more temporary than that caused by Hurricanes Katrina and Rita. Nonetheless, the Boeing strike continues and sectors unaffected by the storms continue to deteriorate.

Housing permits fell 8.3% in September, and starts dropped by 6.3%. Permits fell 9.3% in the Midwest and starts increased 5.6% due to a sharp increase in multi-family units. Single-family starts fell 24.1% in the Midwest. The NAHB/Wells Fargo Housing Market Index fell to an all-time low in October.

Jim Coons



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

