

Retail sales decreased 2.8% in October – the largest one-month drop on record dating back to 1967. The rate of change in the Weekly Leading Index fell to a new record low of -25.9% during the week ending November 7.

Sales of light motor vehicles fell 16% in October to 10.5 million units at a seasonally adjusted annual rate. The October sales pace was 35% below the average during 2007 and the lowest since the economy began to climb out of the 1981-82 recession in early 1983.

The decline in sales was concentrated in the light truck segment, which fell by 21% on the month and 42% from the 2007 average. Auto sales fell 10% from September and 21% from the 2007 average. Consumers have shifted purchases to lower-priced vehicles with better gas mileage.

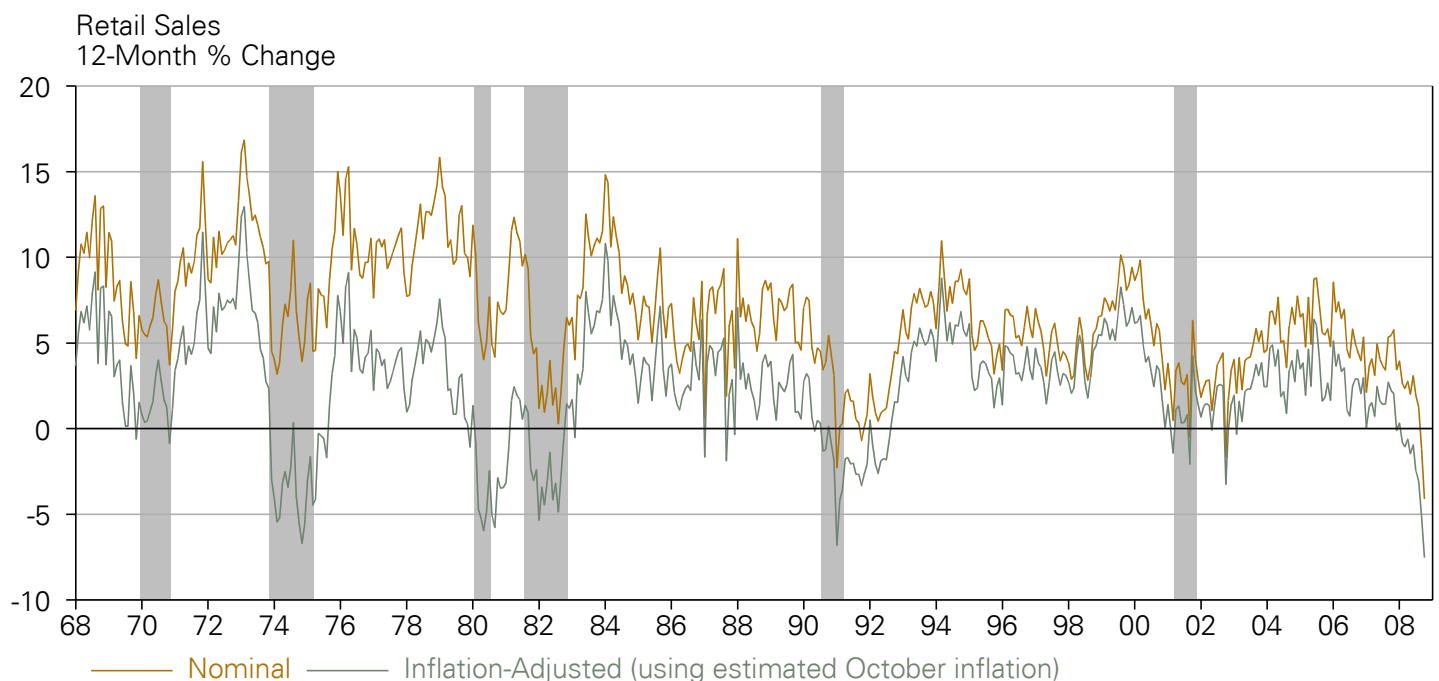
The price of gasoline fell to \$2.17 per gallon on average across the country in early November, down 46% from the peak monthly average of \$4.00 per gallon in June. The 5-month decline brought the price back to its level two years ago, when the economy was expanding even though the price had doubled during the previous five years.

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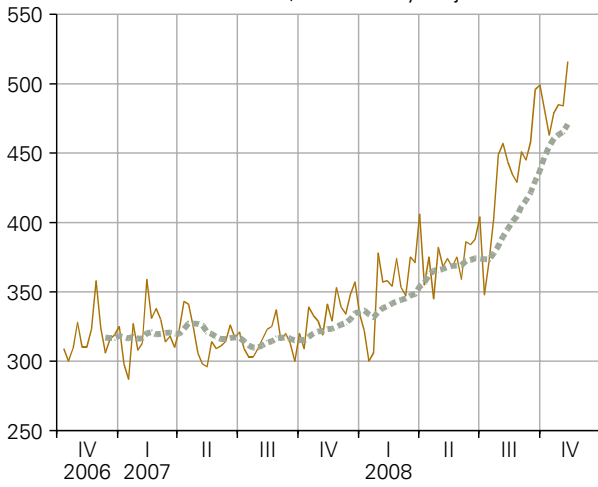
Despite the recent substantial retreat in the price of gasoline, auto sales and consumer spending more generally will not rebound quickly. The damage has been done. Companies have cancelled expansion plans, scaled back production and laid off workers. The lower cost of energy will assist in the economic recovery process, but cannot immediately replace the real losses that have occurred.

The good news, if you can call it that, is that retail sales have never been worse. Sales were 4.1% below the year earlier level in October – a new record. The situation was worse in inflation adjusted terms. Real sales were down 7.5% year-over-year (using an estimate for the October price index value) – below the lows set at the troughs of the 1973-75, 1980, 1981-82 and 1990-91 recessions.

Jim Coons



Initial Claims for Unemployment Insurance
Thousands Per Week, Seasonally Adjusted



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



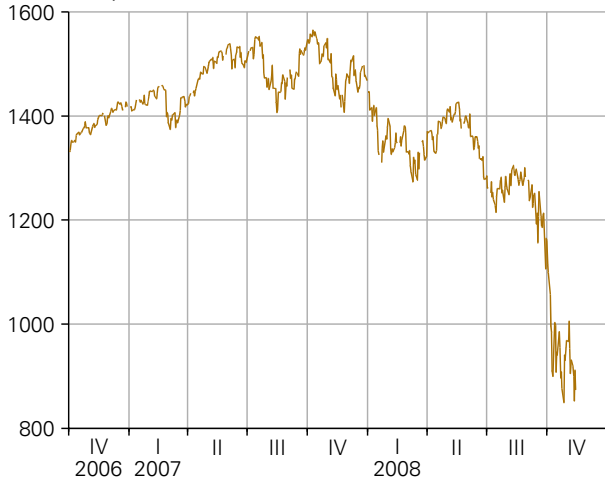
Price of Oil
West Texas Int, \$/bbl



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

