

The steep slide in manufacturing activity continued through November. Industrial production in the manufacturing sector decreased 1.4% during the month, following a modest rebound in October from the 4.0% drop in September. The September decline reflected the effects of severe hurricanes and the strike at Boeing. Compared with a year earlier, manufacturing output was down by 7.3%.

The fact that production remains 4.8% below the August level, even after ample time for recovery from the hurricanes and the conclusion of the strike, indicates the degree of weakness in manufacturing. In past recessions, industrial production has reached its trough within about one month of the end of recession. The recent pattern in production shows no sign of an imminent end to recession.

Manufacturing production has been below its cyclical peak for a total of sixteen months. In comparison, production fell for sixteen months in the 1973-75 recession and for nineteen months in the 1981-82 recession. The peak-to-trough decline in production for the current cycle through November is 7.5%, compared with 15.3% in the 1973-75 recession and 9.0% in the 1981-82 recession. In both of the previous recessions, manufacturing production reached a trough one month after the end of recession.

Production fell for seventeen months in the 2001 recession, but the decline was smaller than so far in this recession. (The decline in production began before the eight-month long recession.) The total decline was 6.9% and ended in the same month as the recession ended. Production fell for only seven months in the 1990-91 mini-recession. The total decline was 4.7% and ended in the same month that the recession ended.

Comparisons with the Great Depression are premature, at best. Manufacturing production fell for thirty-six months at the outset of the Great Depression (August 1929 through July 1932) by a total of more than 50%.

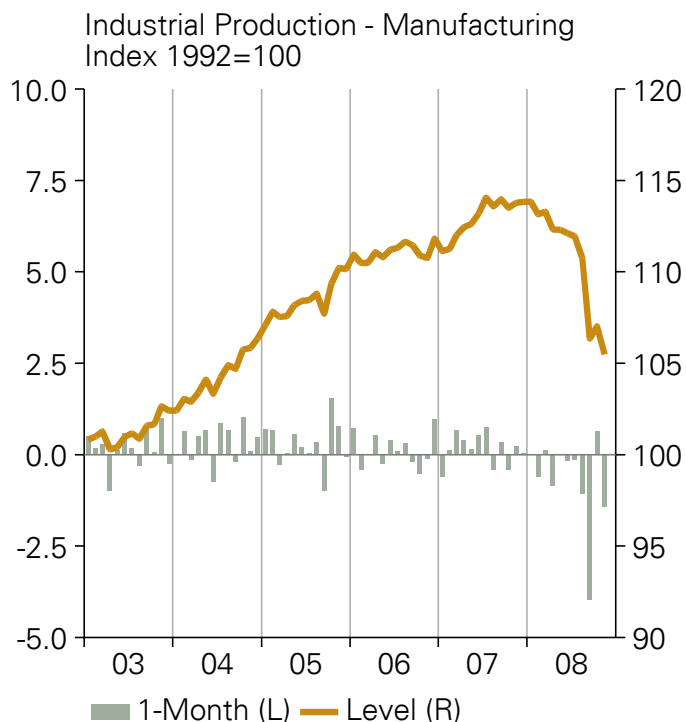
Housing starts dropped by a stunning 18.9% in November to a record-low (dating back to 1963) of 625 thousand units at a seasonally adjusted annual rate. Starts fell

Industrial activity turned down again in November after a modest rebound in October from the steep drop in September. Industrial production in manufacturing fell 1.4% to 7.3% below the year earlier level.

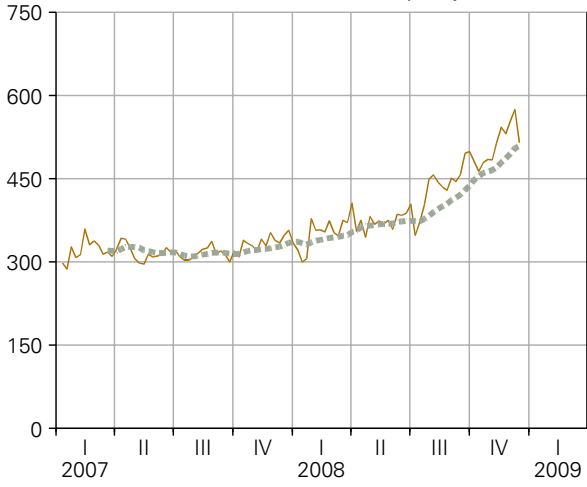
23.1% in the Midwest to 93 thousand units at a seasonally adjusted annual rate – the second lowest level on record after 80 thousand units in the depths of the 1981-82 recession in February 1982. Single-family starts in the Midwest fell to the lowest level ever. Permits were also off sharply in the Midwest and across the country.

From the peak in January 2006 to the November level, the number of housing starts has declined by 72.5% nationally and 74.9% in the Midwest during the same period.

Jim Coons



Initial Claims for Unemployment Insurance
Thousands Per Week, Seasonally Adjusted



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



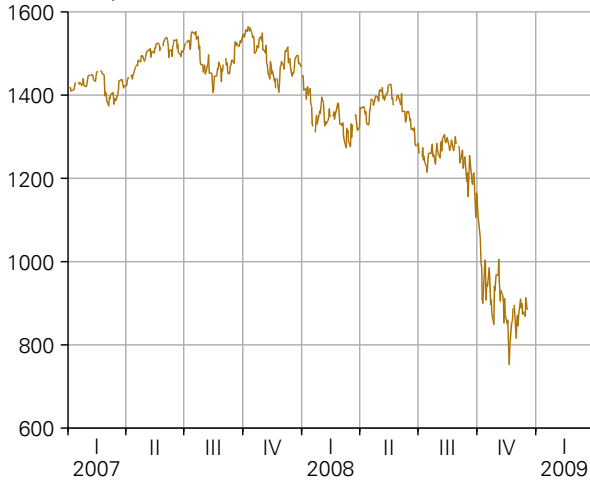
Price of Oil
West Texas Int, \$/bbl



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

