

The economic picture turned darker in a data-heavy week as retail sales and industrial production both posted substantial declines in December.

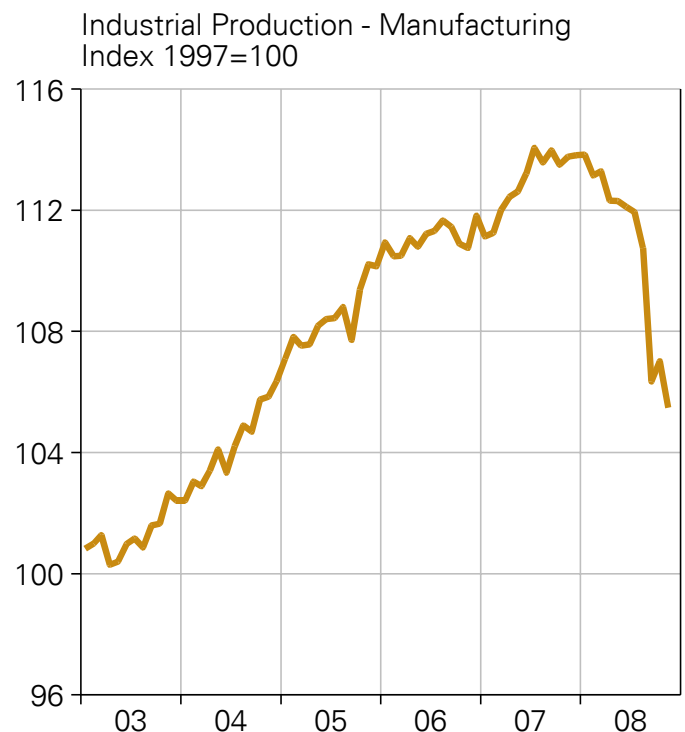
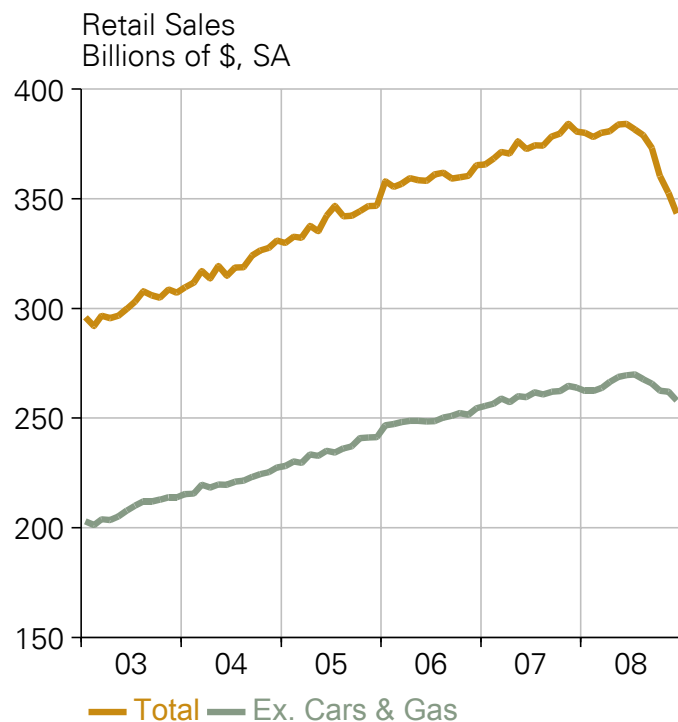
Retail sales decreased 2.7% in December, reflecting declines of 0.7% at automotive dealers and 15.9% and gasoline stations. Declines were broad-based across sectors, rising only at health and personal care stores and miscellaneous store retailers. Excluding cars and gas, sales fell 1.5%. Sales of light motor vehicles increased by 1.4% following three monthly declines that totaled 26.0%. The price of gasoline fell by approximately 17%.

The slide in manufacturing activity accelerated through December. Industrial production fell 2.0% and the November loss was revised to twice its original size at 1.3%. Manufacturing production fell 2.3% – the sixth decline in the last seven months – as all major sectors except aerospace posted declines in output. Utility output was off only marginally, while mining production fell 1.6%. Capacity utilization in manufacturing dropped 1.8 percentage points to 70.2% – the lowest since 1983.

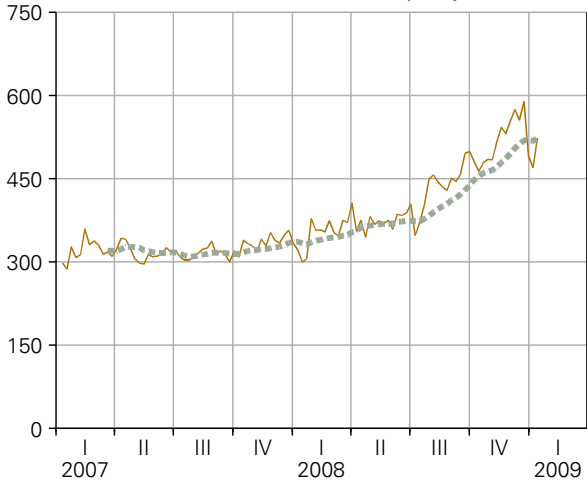
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Compared with a year earlier, industrial production decreased 7.8% and manufacturing output decreased 9.9%. From its peak in July 2007, manufacturing production was down by 10.1%, compared with 6.9% in the 2001 recession. Manufacturing production fell by a total of 15.3% in the 1973-75 recession and 9.0% in the 1981-82 recession. Manufacturing production has been below its cyclical peak for a total of seventeen months. In comparison, production fell for sixteen months in the 1973-75 recession and for nineteen months in the 1981-82 recession.

Jim Coons



Initial Claims for Unemployment Insurance  
Thousands Per Week, Seasonally Adjusted



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



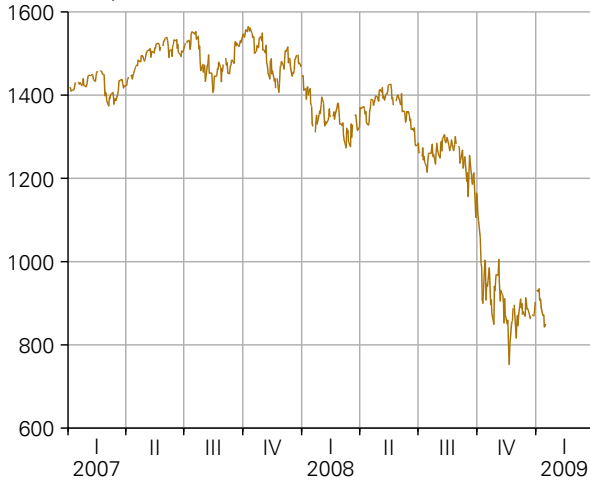
Price of Oil  
West Texas Int, \$/bbl



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

