

Leading indicators shined a slim ray of hope on a still-dim economic landscape this week. Industrial production and housing starts declined again in January, but the composite leading economic index and the weekly leading index improved a bit.

Industrial production decreased 1.8% in January despite a 2.7% increase in output at utilities and capacity utilization fell to the lowest level dating back to 1948. Once again, declines were broad-based across industries.

Manufacturing production fell 2.5% following a 2.9% decrease in December. Production of durable goods decreased 4.8%, as the output of motor vehicles and parts decreased 23.4% to 43.7% below the year earlier level. Extended plant shutdowns trimmed vehicle assemblies to 3.9 million units at a seasonally adjusted annual pace – the lowest level on the record dating back to 1967.

Production of primary metals, fabricated metals and machinery – all key employers in Ohio – fell 2.1%, 4.1% and 4.2%, respectively. Production of high-tech goods decreased 3.2%, and the declines in November and December were revised to larger declines.

Among manufacturing segments, production increased only in food, beverage and tobacco (+0.6%) and miscellaneous manufactures industries (+0.3%). Changes everywhere else were in red.

Housing starts decreased 16.8% in January to an all-time low of 466 thousand units at a seasonally adjusted annual rate. Even the 3-month moving average, which smoothes out the often-sizable month-to-month swings, hit a new all-time low 42.6% below the year earlier level.

Housing permits also fell to a new all-time low, both on a monthly and a 3-month moving average basis, pointing to further declines in starts in the months ahead.

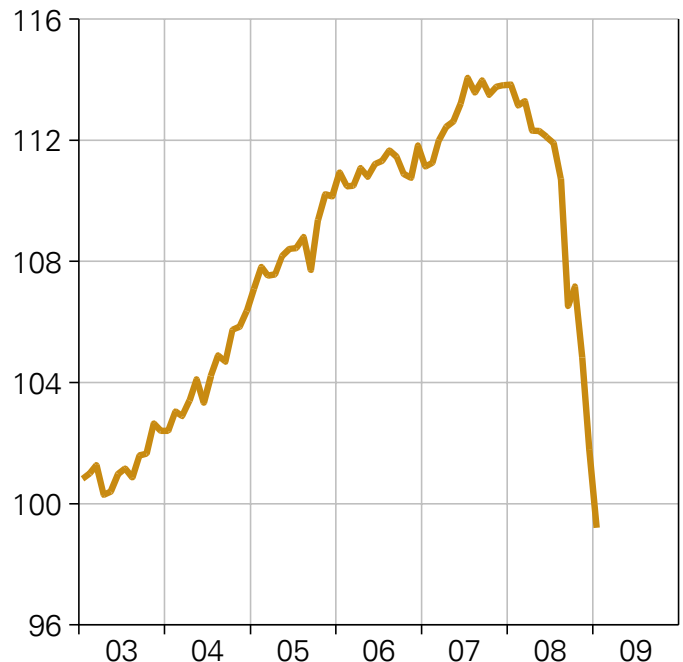
Total housing starts in the Midwest fell sharply, but remained just above the record low. Starts of single-family units did set a new low on a monthly and 3-month moving average basis, as did the 3-month moving average of single-family permits.

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Just as coincident indicators were deteriorating further, leading indicators showed some improvement. The Conference Board's leading economic index increased for the second consecutive month in January, lifting the 6-month smooth rate of change to the best level since last July, though it remained negative. Likewise the Economic Cycle Research Institute's weekly leading index bounced again in the latest week, extending a pattern of based building that extends back to mid-November.

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



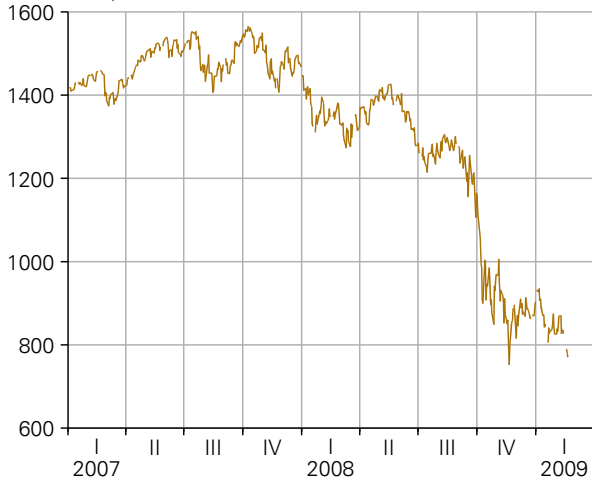
Price of Oil
West Texas Int, \$/bbl



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

