

Industrial production increased 0.7% in September for the third straight monthly gain. The August increase was revised up from 0.8% to 1.2%, following an increase of 0.9% in July. Manufacturing output increased 0.9%, reflecting an 8.1% increase in production of motor vehicles and parts. Utility output was off 0.7%. Mining output increased at the same rate.

Gains were widespread across industries, with sizable increases in petroleum and coal products (+3.6%), primary metal (+3.4%), aerospace (+1.5%) and apparel and leather (+1.4%). Notable declines in production occurred in furniture and related products (-1.0%), machinery (-0.9%) and nonmetallic mineral products (-0.7%).

Total industrial production increased 11.7% annualized during the three months ending in September. The rate has been surpassed on only two other occasions during the last 25 years (September and October 1997 and December 2005).

The motor vehicle sector has provided much of the strength in recent months. Excluding motor vehicles and parts, manufacturing production increased 7.0% annualized during the three months ending in September – a welcome rebound from the -18.4% annualized 3-month rate of change in September 2008 and -16.7% in January, but not quite the historical outlier.

Spurred by the federal subsidies for qualifying new car purchases, production of motor vehicles and parts increased at the fastest rate during the 3-month period other than during the 3-month period ending in October 1998. Motor vehicle assemblies increased from an annual rate of 4.18 million units in June to 7.29 million units in September. Assemblies increased from 8.20 million units in July 1998 to 13.08 million units in October 1998.

The upturn in industrial production is a convincing sign that the recession ended in the May-July period, because production (which troughed in June 2009) reached its trough within one month of the end of each of the previous ten recessions. The trough in production was one month early at the 1954 trough and one month late at the 1975 and 1982 troughs. The timing of the production

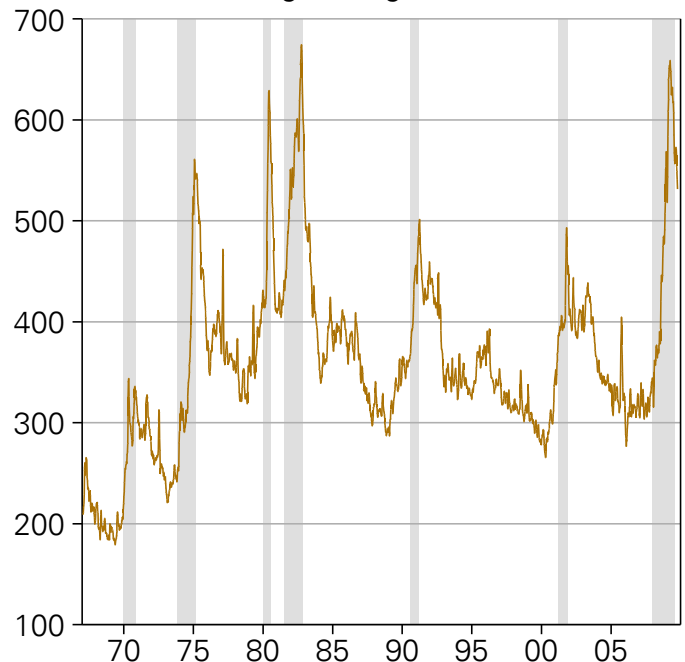
No doubt about it. The recession ended a few months ago, judging by the third consecutive monthly increase in industrial production in September.

trough exactly matched the timing of the end of recession in the other seven cycles.

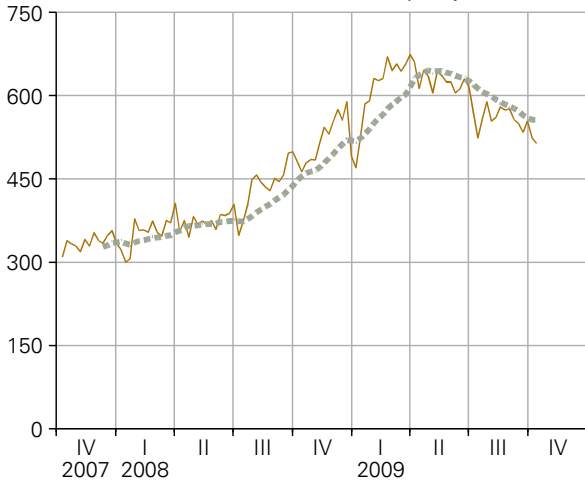
Initial jobless claims continue to ratchet irregularly downward, supporting the notion that the recession has ended. Claims in the latest week were the lowest level since January – down almost 24% from the weekly peak in late March. At 514,000, the level is well above normal, but the recent trend is an unmistakable sign that economic recovery is underway.

Jim Coons

Weekly Jobless Claims
4-Week Moving Average, Thousands



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

