

Strong Growth Continues to be Illusive

September 20, 2004

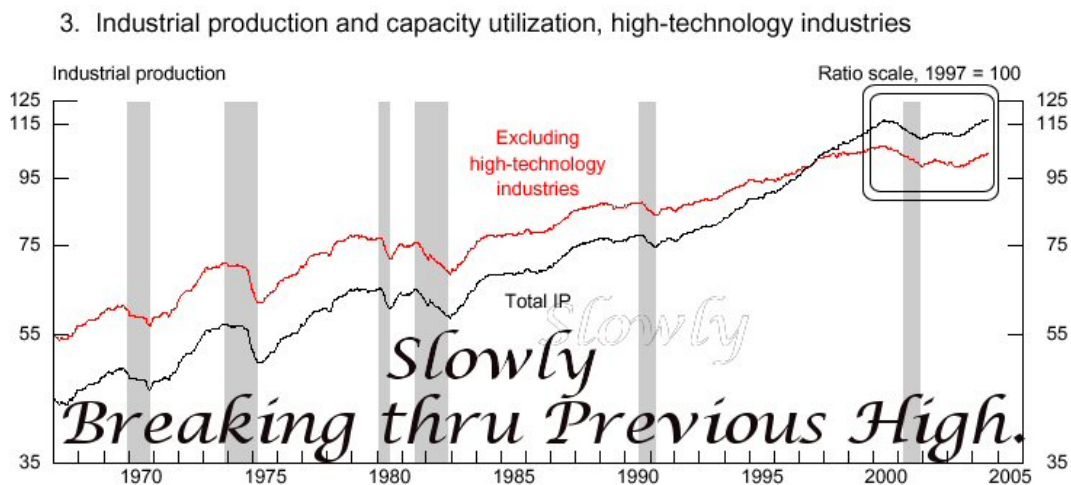
Again we return to one of our favorite economists, Pierre Rinfret, for two charts which depict the current state of the economic struggle in our economy. The 1st chart is a long-term view of industrial production going back over 20 years. Please note several things:

1. Excluding the high tech industries, the rest of the industrial sector has been flat since about 1997. This, of course, is due to our high cost manufacturing sector competing primarily with China. Nothing is going to change this for quite a while. To become competitive again, the U.S. must continue to reduce their cost structure.
2. Including the tech sector, we have not even come close to reaching the level of 2000. Four long years and no new high.

In summary, there is a recovery from the trough of the last recession but no new all time high is in sight. Stronger, but weaker on an historical basis seems about right.

The second chart is the current reflection of retail sales over the last three months ended August 2004. Early indications are that September sales will certainly be nothing to write home about. In summary, the consumers is in the process of closing his purse strings.

Conclusion: The industrial sector is doing somewhat better as the consumer appears to be slowing down; slow economic growth at best, more probably a recession is in the offing.



From Previous Month Retail Sales

