

John Williams'  
**Shadow Government Statistics**  
*Analysis Behind and Beyond Government Economic Reporting*

**COMMENTARY NUMBER 836**  
**Second-Quarter GDP Second Revision, August Household Income**

**September 29, 2016**

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**Economic Activity Still Remains Far from Recovery**

**Gross Domestic Income (GDP Equivalent)**  
**Declined by 0.2% (-0.2%) in a Quarterly Contraction**

**Gross Domestic Product and Gross National Product**  
**Growth Rates Revised Higher as per Market Expectations**

**Nonsense Reporting: Upside Revision of 0.32% to GDP Growth Was**  
**More than Accounted for by the Health Care Contribution**  
**to GDP Growth Revising from 0.44% to 0.83%**

**Headline GDP Growth Patterns Run Counter to the Recession**  
**Seen in Freight Traffic, Petroleum Usage, Corporate Revenues and**  
**Broad Employment Indicators**

**Real Median Household Income Continued to Stagnate in August**

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*PLEASE NOTE: The next regular Commentary, scheduled for Wednesday, October 5th, will cover the full August trade deficit and construction spending. A subsequent Commentary on October 7th will cover the September employment and unemployment numbers.*

*Best wishes to all — John Williams*

## OPENING COMMENTS AND EXECUTIVE SUMMARY

**No Recovery Here, Despite the Upside Revision to Second-Quarter GDP Growth.** When domestic freight activity and inflation-adjusted corporate revenues are in year-to-year decline, when industrial production (65% of GDP) shows annual and quarterly contractions unprecedented outside of formal recessions, when real retail sales show growth patterns consistent with recession, when public and private measures of employment activity show traditional recession signals, how can the economy not be in recession? Understated inflation and a goodly amount of positive assumptions, modeling and guessing at nebulous services data, such as “health care,” and at theoretical constructs, such as “intellectual property,” will do the trick.

The health care contribution to annualized second-quarter real GDP growth, for example revised from 0.44% last month, to 0.83% in the latest revision. That more than accounted for the entire 0.32% upside revision in second-quarter GDP growth to 1.42%. As a result, that nonsensical health care reporting now accounts for 58% of total economic growth in second-quarter 2016.

Comparative graphs follow later in these *Opening Comments* that show the economy never recovered from its collapse into 2009 and/or has begun to turn down anew.

Fortuitously for the markets and politicians, the headline GDP detail moved as expected, but there was a negative surprise in the headlines. The third GDP estimate of second-quarter 2016 was accompanied by second estimates for Gross Domestic Income (GDI) and Gross National Product (GNP).

Where GDI is the theoretical equivalent of the GDP, the second estimate of second-quarter 2016 GDI revised to an outright, annualized real quarterly contraction of 0.18% (-0.18%), versus last month’s initial reporting of a 0.18% gain, and down from 0.81% in the first quarter.

The broader GNP measure, which includes the trade balance in interest and dividend payments, saw some continuing, unusual volatility, with second-quarter growth revising higher to 2.16%, from initial reporting of 1.59%, up from 0.00% in first-quarter 2016. Such reflected both the upside changes in the underlying GDP as well as a less-negative balance in factor-income flows.

Year-to-year real growth still slowed to multi-year lows in second-quarter 2016 for each of the GDP, GDI and GNP series. Annual growth in the various measures peaked in third-quarter 2014 (GNP), fourth-quarter 2014 (GDI) and first-quarter 2015 (GDP), with the beginning of the sharp downturn in annual growth—typical of the onset of a recession—centered on fourth-quarter 2014. ShadowStats still expects the underlying “new” recession eventually to be timed from December 2014.

The GDP (or the broader GNP detail headlined in earlier decades) simply remains the most worthless of the popular government economic series, in terms of determining what really is happening to U.S. business activity. The series is the most-heavily-modeled, politically-massaged and gimmicked government indicator of the economy. It has been so since at least the 1960s, and that reporting quality deteriorated anew, sharply in the 2016 GDP benchmarking (see [Commentary No. 823](#)).

**Today's Commentary (September 29th).** These *Opening Comments* cover the summary of the third estimate of second-quarter 2016 GDP detail, as well as an update to consumer conditions for August real median household income and September consumer confidence. Extended GDP information follows in the *Reporting Detail*.

The *Week and Month Ahead* previews next week's reporting of the full trade deficit and construction spending for August and the labor conditions detail for September.

**Gross Domestic Product (GDP)—Second-Quarter 2016, Third Estimate, Second Revision—Quarterly Contraction in Real Gross Domestic Income.** The third estimate of, second revision to second-quarter 2016 GDP showed a revised, statistically-insignificant, real (inflation-adjusted), annualized, quarterly headline gain of 1.42%. That was revised from 1.10% in its second estimate and 1.22% in its first or “advance” estimate.

The upside revision to the headline quarterly number was in line with consensus expectations, although the entire revision was more than fully accounted for by an upside revision to otherwise meaningless (heavily guessed at) estimates of health care spending. That headline detail is final, now, until the annual benchmark revisions of July 2017.

The revised, annualized second-quarter 2016 real growth of 1.42% followed quarterly real growth rates of 0.83% in first-quarter 2016, 0.87% in fourth-quarter 2015 and 1.99% in third-quarter 2015.

*Graphs 11* and *13* in the *Reporting Detail* plot headline levels of real quarterly GDP activity, respectively showing short-term (since 2000) and long-term (since the historical onset of the quarterly GDP series in 1947) perspectives.

Shown in *Graphs 12* and *14*, headline year-to-year real GDP growth in second-quarter 2016 revised slightly higher to 1.28%, still the weakest growth in three years, since second-quarter 2013. That was down from 1.57% annual growth in first-quarter 2016, and 1.88% in fourth-quarter 2015. Real annual growth has been in continual decline since the near-term peak of 3.31% in first-quarter 2015, the post-recession high annual growth for the series. The sharp downtrend in annual growth is common at the onset of formal recessions.

**Second-Quarter 2016 GDP, Second Estimate - Growth Distribution.** The third estimate to second-quarter 2016 GDP took the annualized growth rate to a revised 1.42%, versus 1.10% in the second estimate and 1.22% in the initial reporting. Such was against growth of 0.83% in first-quarter 2016, 0.87% in fourth-quarter 2015, 1.99% in third-quarter 2015, 2.61% in second-quarter 2015 and 2.05% in first-quarter 2015. A nonsensical surge in revised healthcare contribution to second-quarter GDP growth, from 0.44% to 0.83%, more than accounted for the entire upside revision.

The annualized growth number in each sub-category of consumer spending, business/residential investment, trade deficit and government spending is the additive contribution to the total, headline change in GDP, where  $2.88\% - 1.34\% + 0.18\% - 0.30\% = 1.42\%$ . [Commentary No. 828](#) of August 26th detailed the growth-distribution for the second estimate of second-quarter GDP.

Regrouped by general product line, the BEA estimated that the headline 1.42% [previously 1.10%, initially 1.22%] revised quarterly GDP growth rate included a 1.48% [previously 1.46%, initially 1.36%] growth-rate contribution from services and a 0.66% [previously 0.52%, initially 0.54%] contribution from goods, with a growth-rate subtraction of 0.73% (-0.73%) [previously 0.88% (-0.88%), initially down by 0.68% (-0.68%)] from structures (rounding differential).

**Contributing Growth Factors.** The headline gain in second-quarter 2016 GDP was dominated by consumer spending (health care) and some faux trade contribution, with the other factors negative in their second-quarter GDP-growth contribution. The revisions largely were positive in health care, with less-negative contributions from nonresidential fixed investment and inventories, with some further positive distortions in net-exports and minimal added contribution from government spending.

- **Consumer Spending Contributed 2.88% [Previously 2.94%, Initially 2.83%] to Second-Quarter 2016 GDP Growth; First-Quarter Growth Contribution was 1.11%.** The dominant GDP growth contribution from consumer spending remained about evenly split between goods and services. The dominant factors, accounting for about half the gain the consumer sector, where utility usage—due to unseasonable weather—revised to 0.54% from 0.52% GDP growth contribution, while the highly questionable measurement of non-productive healthcare, boomed to a revised 0.83%, from a prior 0.44% GDP growth contribution.
- **Business/Residential Investment Subtracted 1.34% (-1.34%) [Previously 1.67% (-1.67%), Initially 1.68% (-1.68%)] from Second-Quarter 2016 GDP Growth; Subtracted 0.56% (-0.56%) from First-Quarter Growth.** Nonresidential structures reversed from contraction to growth, while investment in equipment turned less negative. A less-negative pace of inventory growth accounted for a shallower, revised 1.16% (-1.16%) [previously 1.26% (-1.26%), initially 1.16% (-1.16%)] negative GDP growth contribution for that category. Accordingly, headline final sales—GDP net of inventory change—rose at a revised annualized quarterly pace of 2.57% [previously 2.36%, initially 2.38%] in second-quarter 2016, versus 1.24% in first-quarter 2016.
- **Net Exports Added 0.18% [Previously 0.10%, Initially 0.23%] to Second-Quarter 2016 GDP Growth; Added 0.01% to First-Quarter Growth.** The improvement here was in the wrong direction. It should have reversed to a contraction, given existing trade-deficit detail.
- **Government Spending Subtracted 0.30% (-0.30%) [Previously 0.27% (-0.27%), Initially 0.16% (-0.16%)] from Second-Quarter 2016 GDP Growth, Contributed 0.28% to First-Quarter Growth.** Both headline second-quarter and first-quarter growth contributions and today's revisions remained dominated by large swings in state and local government investment, likely tied to Affordable Care Act disruptions. The federal government appears to have serious issues in generating meaningful data here.

**Implicit Price Deflator (IPD).** The third-estimate, second-revision to second-quarter 2016 GDP inflation, or the implicit price deflator (IPD), showed annualized quarterly change of 2.29% [previously 2.31%], versus an annualized 0.46% in first-quarter 2016, 0.91% in fourth-quarter 2015, 1.22% in third-quarter 2015, 2.25% in second-quarter 2015 and 0.04% in first-quarter 2015.

As general guidance, the weaker the inflation rate used in deflating an economic series, the stronger will be the resulting inflation-adjusted growth, and vice versa. The downside revision to the second-quarter

2016 IPD of 0.02% (-0.02%) accounted for only a small portion of the upside revision to real (inflation-adjusted) second-quarter GDP growth of 0.32%.

Year-to-year, headline second-quarter IPD inflation was unrevised at 1.22%, versus 1.21% in first-quarter 2016, 1.10% in fourth-quarter 2015, 1.00% in third-quarter 2015, 1.11% in second-quarter 2015 and 1.10% in first-quarter 2015.

**Gross National Product (GNP).** The second estimate of second-quarter 2016 GNP was published, along with the third estimate to second-quarter GDP. GNP remains the broadest measure of U.S. economic activity, where GDP is GNP net of trade flows in factor income (interest and dividend payments). As a reporting gimmick aimed at boosting the headline reporting of economic growth for net-debtor nations such as the United States, international reporting standards were shifted some decades back to reporting headline GDP instead of what had become a relatively weaker GNP.

The headline, annualized real second-quarter 2016 GNP growth revised higher to 2.16% [previously 1.59%] versus an “unchanged” 0.00% [a fractional annualized quarterly contraction of 0.003% (-0.003%)] in first-quarter 2016, and against an annualized 1.32% gain in fourth-quarter 2015 GNP.

On a year-to year basis, second-quarter 2016 GNP revised to 1.28% [previously 1.14%]—still the lowest level since second-quarter 2013—versus 1.31% in first-quarter 2016, and 1.72% in fourth-quarter 2015.

**Gross Domestic Income (GDI).** GDI is the theoretical income-side equivalent to the consumption-side GDP estimate. The GDP and GDI are made to equal each other, every quarter, with the addition of a “statistical discrepancy” to the GDI-side of the equation, but the discrepancy just as easily could be added to the GDP number. Increasingly touted by the BEA as *the* GDP counterpart, the regularly-unstable GDI has been bloated heavily by effectively-worthless income reporting out of the Bureau of Labor Statistics (BLS). The purported income gains have reflect heavily-upside-biased income estimates out of the otherwise-rigged nonfarm payroll survey, held in almost perpetual growth by built-in upside biases (see the *Birth-Death/Bias Factor* discussion in [Commentary No. 829](#)). Nonetheless, there appears to have some catch up in the latest GDI estimate, with today’s revision.

The second estimate of second-quarter 2016 GDI activity was published, along with the third estimate of second quarter GDP. Reflecting ongoing significant overstatement of income growth in the GDI, and other instabilities in the headline reporting, the nominal first-quarter 2016 “statistical discrepancy” narrowed to a revised, negative \$192.6 billion (previously \$224.2 billion) in second-quarter 2016, from \$264.3 billion in first-quarter 2013.

Annualized real GDI growth in second-quarter 2016 revised to a contraction of 0.18% (-0.18%), having shown previously a 0.18% gain. That was against a gain of 0.81% in first-quarter GDI and 1.48% in the fourth-quarter 2015. Year-to-year real GDI growth narrowed to a revised 1.14%, previously 1.23%, in second-quarter 2016, the weakest level since first-quarter 2013, versus 1.33% in first-quarter 2016 and 1.51% in fourth-quarter 2015.

**Underlying Economic Reality.** Despite the broadly neutral, and artificially-smoothed 2016 GDP benchmark revisions of July 29th (see [Commentary No. 823](#)), and what widely still is viewed as weak growth in second-quarter 2016 GDP, the U.S. economy continued in a deepening and as-yet-unrecognized “new” recession. Headline monthly reporting activity in subsidiary economic series generally has



continued to move market expectations in that general direction (the ShadowStats contention remains that the “new” downturn is in reality just a continuation of the economic crash into 2009).

The third-estimate of second-quarter 2016 GDP at an annualized real quarterly pace of 1.42% remained statistically-insignificant. That followed downwardly-benchmarked and also statistically-insignificant annualized real quarterly growth of 0.83% in first-quarter 2016 and 0.87% in fourth-quarter 2015. Those remain the weakest three consecutive quarters of real GDP growth since 2012, and otherwise since formally exiting the 2007 recession.

Discussed in the benchmarking [Commentary No. 823](#), the benchmark revisions effectively were neutral in aggregate, with the business-cycle reporting “smoothed” by the BEA. The revisions were not of a nature to trigger formal immediate recognition of a “new” recession, which likely still should be clocked from December 2014. While such eventually will happen, the focus now shifts to the rapidly weakening economy in the current period and near-term months, which should trigger the “formal” recession recognition. More detail will follow in the *ShadowStats Special Report* (see *Week and Month Ahead*).

Formal headline GDP activity continues to run well above economic reality as signaled by a number of business indicators, such as domestic freight activity (see *Graph 5*), domestic consumption of petroleum products (see *Graph 6*), corporate revenues (see *Graph 7*). A variety of better-quality economic series, such as industrial production, new orders for durable goods and real retail sales also confirm lack of economic recovery, as detailed most recently in [Commentary No. 832](#), [Commentary No. 835](#) and [Commentary No. 833](#).

Either the GDP reporting is wrong, or all other major economic series are wrong. While the GDP is heavily modeled, imputed, theorized and gimmicked, it also encompasses reporting from those various major economic series and private surveys, which still attempt to measure real-world activity. Flaws in the GDP inflation methodologies and simplifying reporting assumptions have created the “recovery.”

Accordingly, the broad ShadowStats economic outlook has not changed, and the gist of most of the following text remains along the lines of other recent GDP *Commentaries*. The details and numbers, however, are updated to reflect the latest headline detail and benchmarking.

Discussed in [Commentary No. 739](#), which covered last year’s 2015 GDP annual benchmark revisions, annual benchmarkings increasingly are reshaping the GDP-reporting history into a post-2007 collapse pattern of successive multiple dips, irrespective of the current gimmicked revisions. By the next comprehensive GDP benchmark revision in July 2018, post-2007 historical GDP reporting should be confirming a non-recovering, multiple-dip economic collapse including a “new” or ongoing recession.

That circumstance should encompass the evolving, current downturn in broad, domestic economic activity, discussed previously in [No. 777](#) and [No. 742 Special Commentary: A World Increasingly Out of Balance](#). Where again, the present “new” recession or multiple-dip downturn remains likely to be timed from December 2014, without headline back-to-back contractions of quarterly GDP currently in place, formal recognition of same remains pending, although the consecutive quarterly GDP contractions no longer are necessary for formal recession recognition (see the opening paragraphs of [Commentary No. 823](#)). Recognition of the onset of the December 2007 recession was not formalized until November 28, 2008, but did have consecutive GDP contractions.

Ongoing monthly economic-reporting details for key series, public and private, increasingly confirm the patterns of declining or collapsing economic activity. For example, consider the discussion in [Commentary No. 820](#) on The Conference Board Help Wanted OnLine® Advertising, which was generating a signal for an economic downturn. Published on August 31st, details of the August 2016 help-wanted online advertising are available here: [The Conference Board Help Wanted OnLine®](#). A review of those numbers shows that the year-to-year declines in the monthly data continue unabated. Historically, such activity has been among the best of the leading indicators to an unfolding economic

In combination, these various collapsing economic indicators should engender a formal recession call, irrespective of the timing of actual, headline quarterly contractions in real GDP or related political gaming of the data out of Washington.

Fundamental, real-world economic activity shows that the broad economy began to turn down in 2006 and 2007, plunged into 2009, entered a protracted period of stagnation thereafter—never recovering—and then began to turn down anew in recent quarters. Irrespective of the reporting gimmicks introduced in the July 2013, July 2014 and July 2016 GDP benchmark revisions—including a recent pattern of inclusion and estimation of highly-questionable data on the Affordable Care Act (ACA)—a consistent, fundamental pattern of faltering historical activity is shown in the accompanying “corrected” GDP graphs.

Please note that the pattern of activity shown for the “corrected” GDP series is much closer to the patterns shown in the graphs of unemployment (see *Graph 8* and [Commentary No. 829](#)), monthly real median household income and other consumer measures (see the *Consumer Liquidity Update* in the next section and the full liquidity review in [Commentary No. 833](#)). This also has been detailed in [No. 742 Special Commentary: A World Increasingly Out of Balance](#) and [No. 692 Special Commentary: 2015 - A World Out of Balance](#). Similar patterns are found in economic series not otherwise reliant on understated inflation for their reported growth, such as housing starts (see [Commentary No. 834](#) and [2014 Hyperinflation Report—Great Economic Tumble – Second Installment](#)).

With liquidity-strapped consumers unable to fuel sustainable growth in consumption, a full business recovery could not have taken place since 2009, and a recovery will not be forthcoming until consumer structural income and liquidity problems are resolved, including more-normal credit functioning of the domestic banking system.

**Official and Corrected GDP.** Usually discussed in these *Commentaries* covering the quarterly GDP reporting and monthly updates, the full economic recovery indicated by the official, real GDP numbers remains an illusion. It is a statistical illusion created at least partially by using a too-low rate of inflation in deflating (removing certain inflation effects) from the GDP series. The accompanying graphs tell that story, updated for the third estimate of second-quarter 2016, as well as reflecting other elements of economic reality.

The first set of graphs (*Graphs 1* and *2*) updates the detail 1970-to-date, expressed in billions of 2009 dollars as used with the headline GDP. The graphs show official periods of recession as shaded areas, with ShadowStats-defined recessions indicated by the lighter shading in *Graph 2*, the second graph of the first set, as published initially in [2014 Hyperinflation Report—Great Economic Tumble](#).

The second set of graphs (2000-to-date) is the one that traditionally has been incorporated in the *GDP Commentaries*. *Graphs 3* and *4* show short-term detail, expressed on an index base where first-quarter 2000 = 100.0.

Shown in the first graph of each set (*Graphs 1* and *3*) of official *Headline Real GDP*, GDP activity has been reported above pre-2007 recession levels—in full recovery—since second-quarter 2011, and headline GDP has shown sustained growth since (growth pauses or interruptions for second-half 2012 and first-quarter 2014 excepted). Adjusted for GDP inflation (the implicit price deflator - IPD), headline second-quarter 2016 GDP currently stands 10.6% above its pre-recession peak-GDP estimate of fourth-quarter 2007. In contrast, the “corrected” GDP version, in the second graph of each set (*Graphs 2* and *4*), shows second-quarter 2016 GDP activity to be down from its pre-recession peak of first-quarter 2006 by 7.4% (-7.4%).

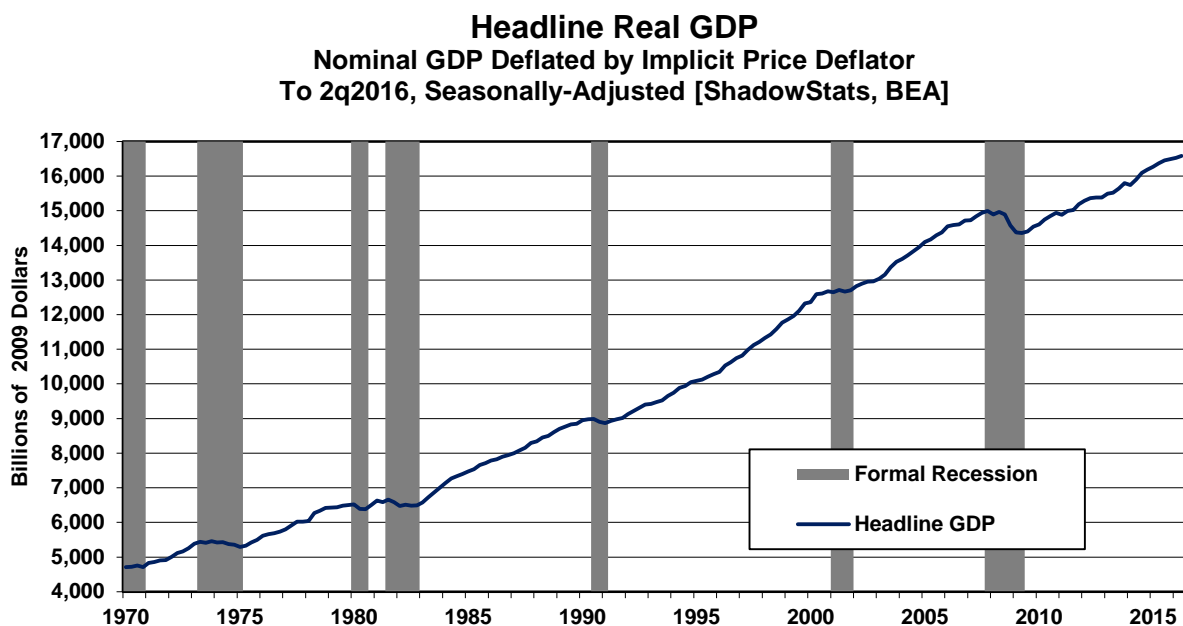
Again, the second graph in each series (*Graphs 2* and *4*) plots the *Corrected Real GDP*, corrected for the understatement inherent in official inflation estimates (see [Public Commentary on Inflation Measurement](#)), with the deflation by the implicit price deflator (IPD) adjusted for understatement of roughly two-percentage points of annual inflation in recent years. The inflation understatement has resulted from hedonic-quality adjustments, also as discussed in the *Hyperinflation Reports*.

The pattern of economic collapse into 2009, followed by some minimal recovery, low-level stagnation and renewed contraction is seen with many series. As shown in *Graphs 5* to *8*, independent numbers, some non-U.S. government, put the lie to the gimmicked headline reporting that has been massaged for decades by government agencies and consulting academics.

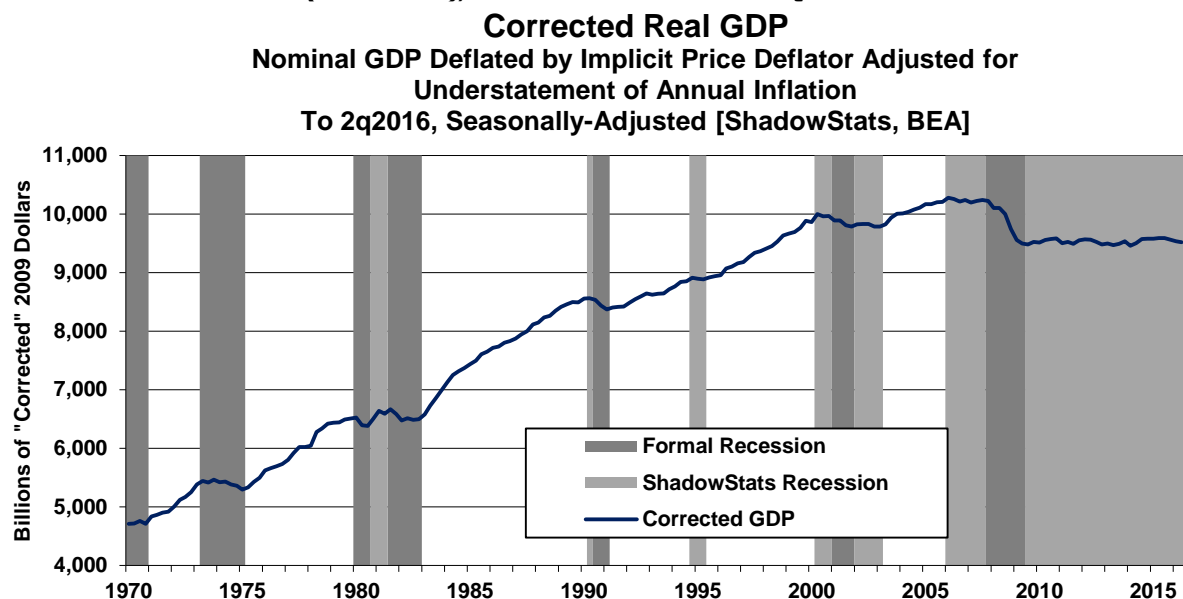
[Graphs 1 to 8 begin on the next page]

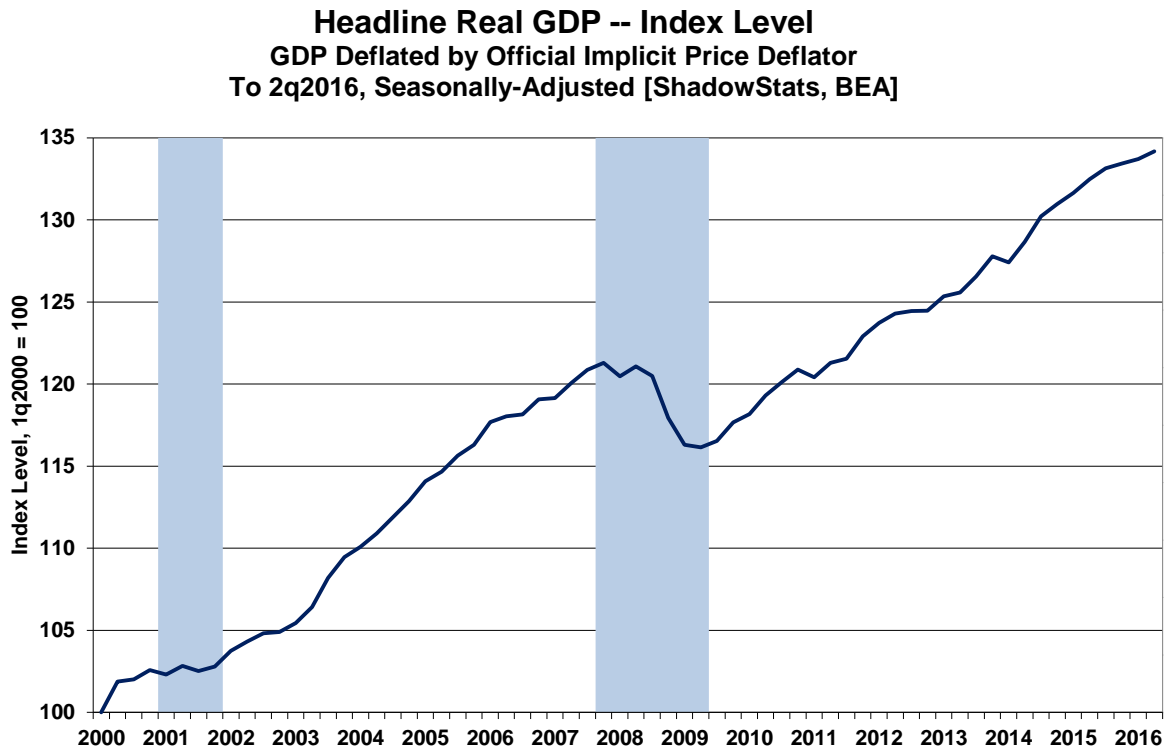


**Graph 1: Real GDP Index (1970-2016), Third Estimate of Second-Quarter 2016**



**Graph 2: "Corrected" Real GDP (1970-2016), Third Estimate of Second-Quarter 2016**



**Graph 3: Real GDP Index – Headline Real GDP through Third Estimate of Second-Quarter 2016**

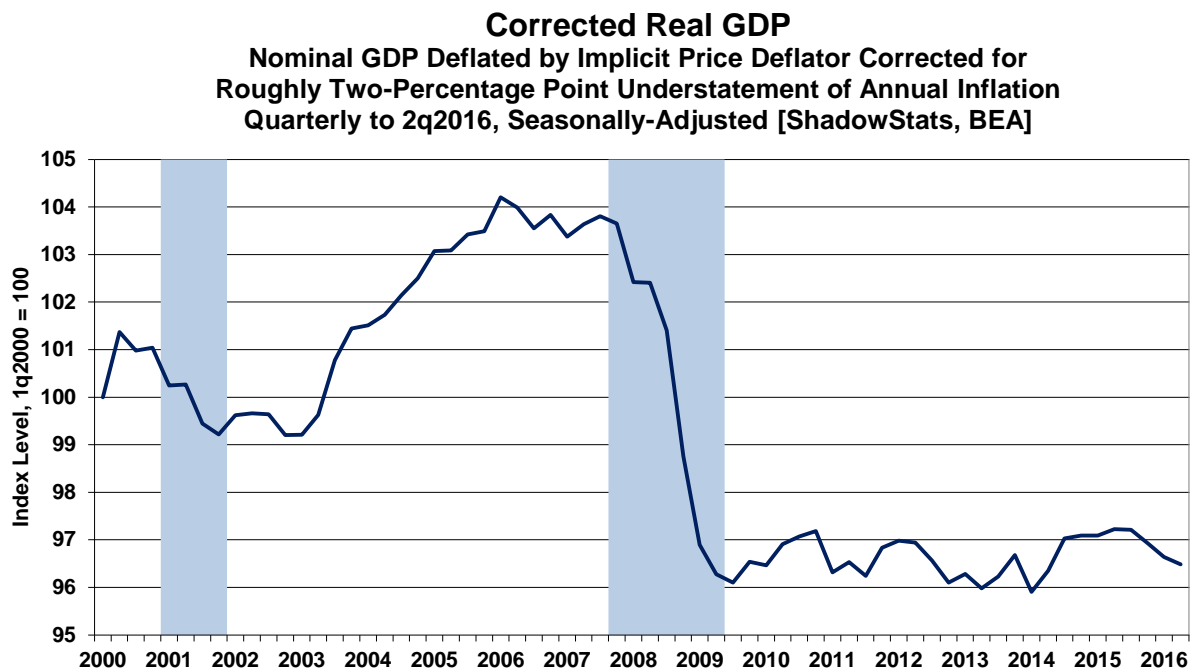
**Comparative Indicators.** Graph 4 of the “corrected” GDP series follows on the next page. Added for comparison there and after are several graphs. The first one, Graph 5, is the Cass Freight Index™, a measure of North American freight volume, used with the permission of Cass Information Systems, Inc. (see [Commentary No. 834](#)). Few measures better reflect the actual flow of goods in commerce than freight activity. As a broad measure of basic domestic economic activity, the index has much more in common with the “corrected” GDP in Graph 4, than with the headline GDP of Graph 3 shown above.

Graphs 6 to 8 have been lifted from [Commentary No. 829](#), and generally confirm the story from the “corrected” GDP graph, the economy never recovered from its collapse into 2009, and with the possible exception of Graph 6 on petroleum consumption, that the economy is in renewed downturn. The U.S. aggregate consumption of crude oil petroleum product, measured in physical barrel count, is an extraordinarily broad indicator of general activity [The [U.S. Energy Information Agency](#) (EIA)].

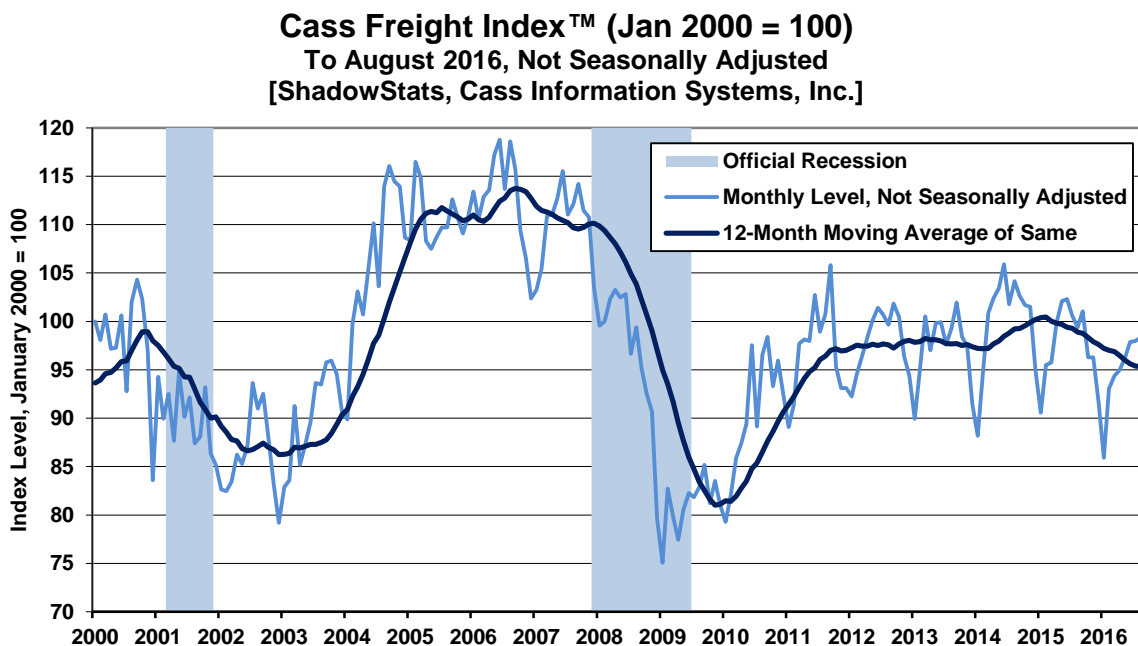
As with the CASS index, where the monthly data are not seasonally adjusted, ShadowStats has plotted the petroleum series using a trailing twelve-month average, through the headline monthly detail of June 2016. The resulting smoothed pattern reflects the economic collapse into 2009, followed by a protracted period of variable, low-level stagnation, and an upside notch into first-half 2016. In contrast, the CASS index continues to turn down in its twelve-month trailing average, with monthly year-to-year contractions.

Graph 7 of S&P 500 revenues is plotted (not seasonally adjusted) on a quarterly basis, adjusted for the estimated impact of share buybacks and inflation. Graph 8 of the employment to population ratio is a solid indicator of underlying labor conditions in the context the broad population and long-term discouraged and displaced workers.

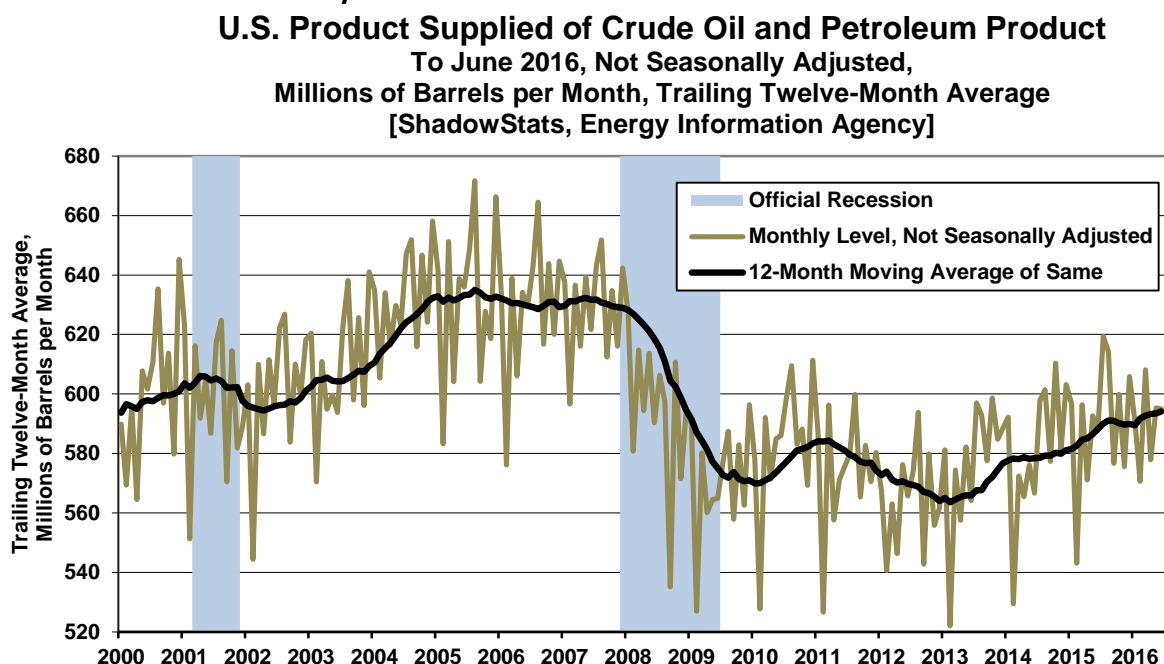
**Graph 4: "Corrected" Real GDP Index (2000-2016), Third Estimate of Second-Quarter 2016**



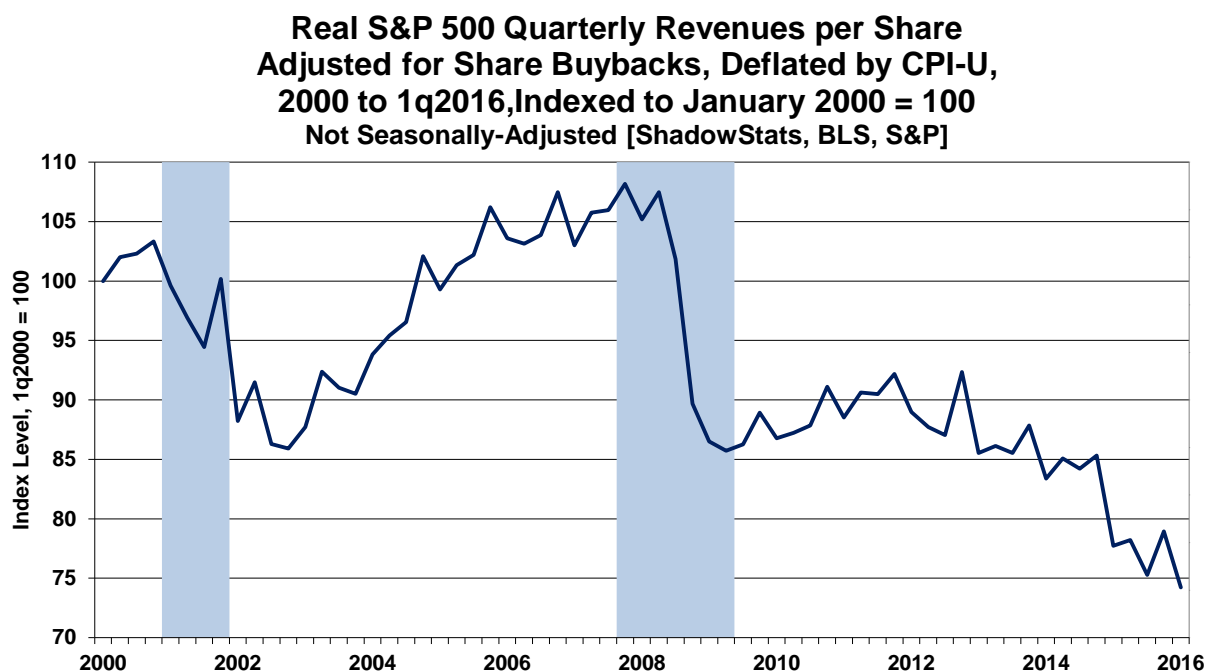
**Graph 5: Cass Freight Index™ (2000-August 2016)**

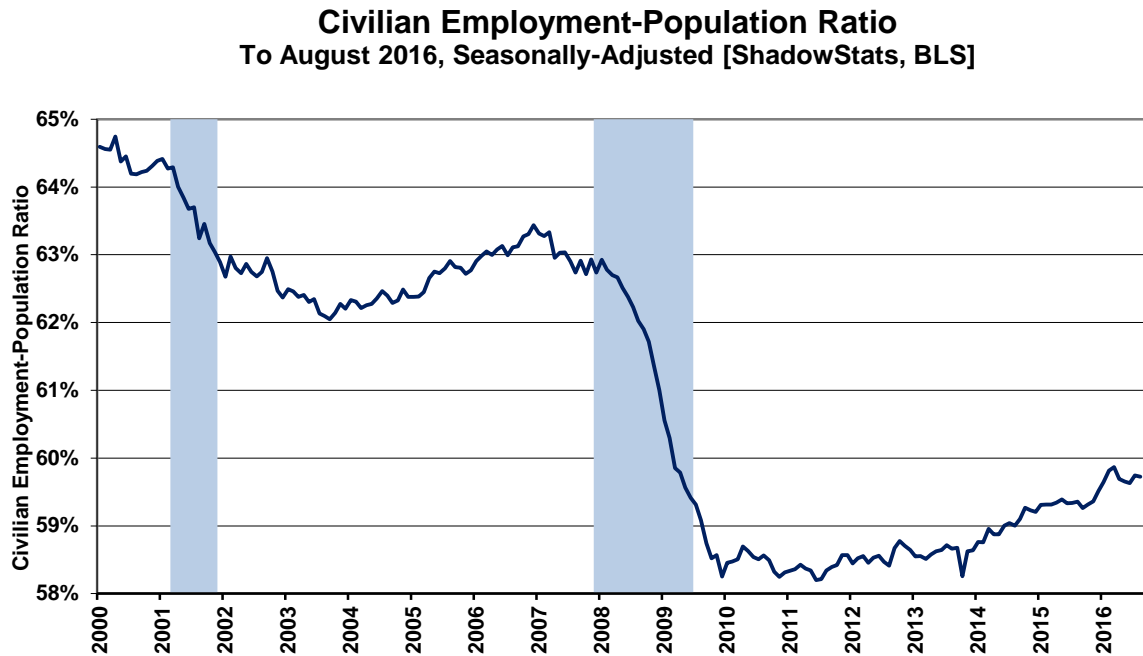


**Graph 6: U.S. Petroleum Consumption to June 2016**



**Graph 7: Real S&P 500 Sales Adjusted for Share Buybacks (2000 - 2015), Indexed to January 2000 = 100**



**Graph 8: Civilian Employment-Population Ratio**

**Consumer Liquidity—Latest Confidence and Monthly Real Median Household Income.** Consumer liquidity and annual household income measures were fully updated in [Commentary No. 834](#) (consumers remain in a liquidity bind). Two subsequent releases are updated here. First, [Sentier Research](#) released today (September 29th) its monthly real median household income estimate for August 2016. Second, the Conference Board released its preliminary September consumer confidence number on September 27th.

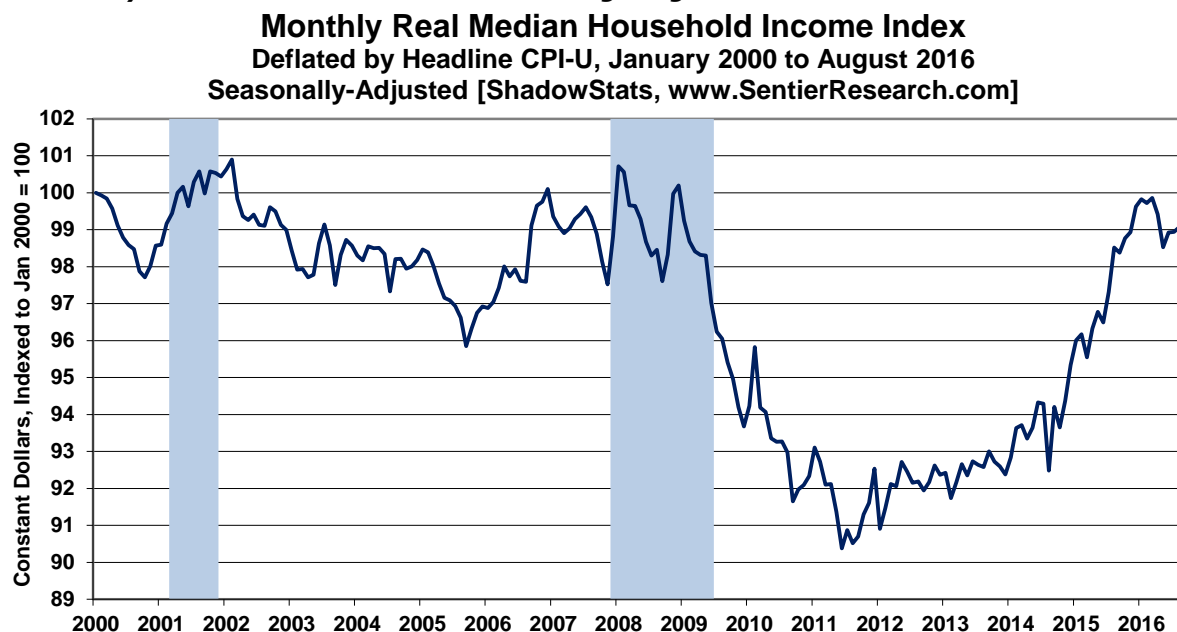
Reflected in *Graph 9*, headline median household income reporting had turned down anew, with a statistically-significant monthly decline in May 2016, after several months of statistically-insignificant flutterings around its near-term January 2016 peak, and with statistically-insignificant flutterings again in June, July and August 2016. The minimal headline gain in August was not statistically meaningful.

On a monthly basis, when headline GDP purportedly started its solid economic recovery in mid-2009, the monthly household income number nonetheless plunged to new lows. Generally, the income series had been in low-level stagnation, with the recent uptrend in the monthly index boosted specifically by collapsing gasoline prices and the related, negative headline CPI-U consumer inflation. The index reached pre-recession levels in the December 2015 reporting, but it remains minimally below the pre-recession highs for both the formal 2007 and 2001 recessions. It should continue to turn down anew, as headline monthly consumer inflation continues to pick-up in the months ahead.

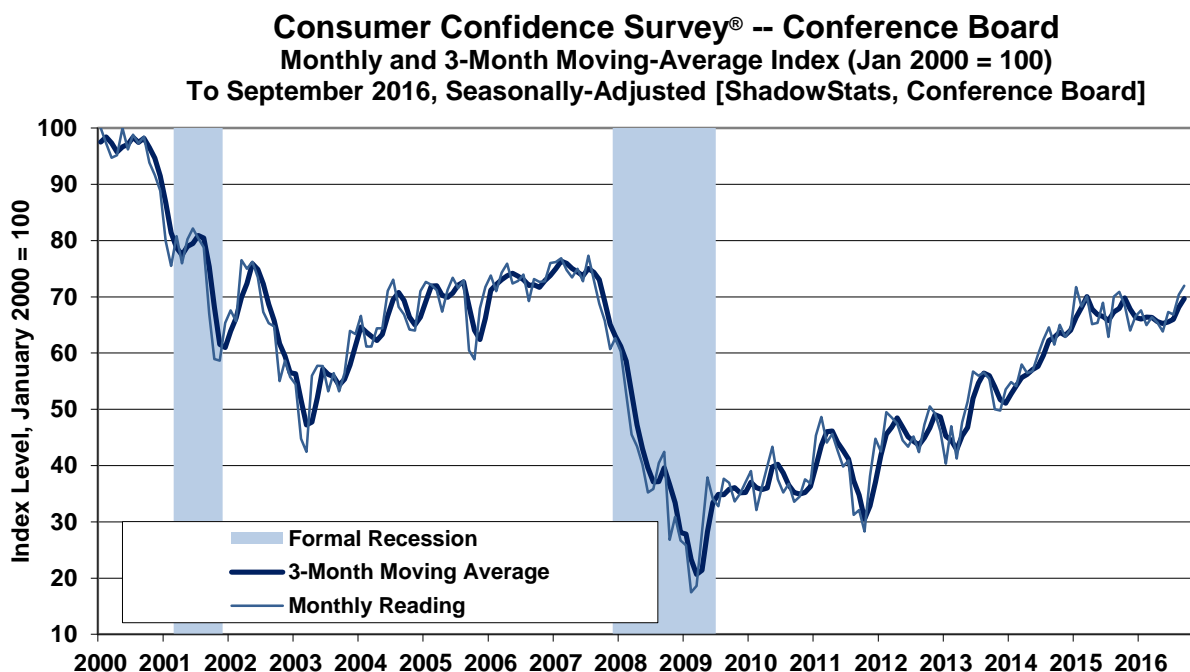
The Conference Board's seasonally-adjusted [unadjusted data are not available] Consumer-Confidence Index<sup>®</sup> (*Graph 10*) jumped sharply in its September 2016 reading, but the three-month moving average continued to hold below its March 2015 near-term peak. Large movements usually reflect a changing tone in the press as to economic activity, major movements in the stock market or shifting political circumstances. A fully updated liquidity review will follow in *Commentary No. 839* of October 14th.



**Graph 9: Monthly Real Median Household Income through August 2016**



**Graph 10: Consumer Confidence to September 2016**



*[The Reporting Detail section contains significant additional GDP analysis and graphs.]*

## REPORTING DETAIL

### GROSS DOMESTIC PRODUCT—GDP (Second-Quarter 2016, Third Estimate, Second Revision)

**Recession Continues in Play, Despite Heavily-Massaged GDP Detail.** *[Portions of this section (up to Notes ... ) are repeated from the Opening Comments section.]* Broad economic weakness has continued in underlying economic series such as industrial production, new orders for durable goods, real retail sales, trade activity and better-quality construction reporting, along with a variety of private indicators ranging from S&P 500<sup>®</sup> revenues and the Cass Freight Index<sup>™</sup> to the Conference Board's Help Wanted OnLine<sup>®</sup> advertising survey. Where a number of series have shown clear and continuing recession, the real-world U.S. economy has been in a “new” recession since December 2014. That said, the second revision to, third estimate of second-quarter 2016 Gross Domestic Product (GDP) and related detail rebounded into more-positive territory. Despite the still generally weak GDP data, there has been no headline recession, new or otherwise, yet, in the government's national income reporting.

**Still-Troubled Activity.** Annualized second-quarter 2016 GDP real growth revised higher to 1.42% from 1.10% in its second estimate and from 1.22% in its initial reporting, versus an annualized gain of 0.83% in first-quarter 2016. The headline revision matched consensus expectations at 1.4%, which by itself was highly suspect for the second straight month. The consensus rarely is that good at forecasting, unless the Bureau of Economic Analysis (BEA) targets its reporting accordingly.

Where the entire upside revision was more than accounted for by guessed-at, surging health expenditures, other areas also were well shy of reality. Still missing from today's revisions was adequate accounting for the trade deficit, which should have shown a widening, not narrowing, in the quarterly shortfall.

Fortuitously for the markets and the politicians, the economy held as expected, but there was a negative surprise in the broad numbers. The third estimate of second-quarter 2016 GDP was accompanied by the second estimates for Gross Domestic Income (GDI) and Gross National Product (GNP). Where GDI is the theoretical equivalent of the GDP, the second GDI estimate was for an outright annualized real quarterly contraction of 0.18% (-0.18%), revised from last month's initial reporting of a 0.18% gain, and down from a 0.81% gain in the first quarter.

The broader GNP measure, which includes the trade balance in interest and dividend payments, saw some continuing, unusual volatility, with second-quarter growth revising higher to 2.16%, from initial reporting of 1.59%, up from 0.00% in first-quarter 2016.

Nonetheless, annual real growth still slowed to multi-year lows in second-quarter 2016 for each of the GDP, GDI and GNP. Annual growth in the various series peaked in third-quarter 2014 (GNP), fourth-quarter 2014 (GDI) and first-quarter 2015 (GDP), with the beginning of the sharp downturn in annual growth—typical of the onset of a recession—centered on fourth-quarter 2014. ShadowStats expects the underlying “new” recession eventually to be timed from December 2014.

***Heavily Followed but of Extremely Poor Quality.*** In this most-politically-sensitive of popularly followed domestic economic series, the GDP does not reflect properly or accurately the changes to the underlying economic fundamentals and measures that drive the broad economy. Separately reported, real-world economic activity has shown that the general economy began to turn down in 2006 and 2007, plunged into 2009, entered a protracted period of stagnation thereafter—never recovering—and then began to turn down anew in late-2014 (see graphs in the *Opening Comments*).

The GDP (or the broader GNP detail headlined in earlier decades) simply remains the most worthless of the popular government economic series, in terms of determining what really is happening to U.S. business activity. The series is the most-heavily-modeled, politically-massaged and gimmicked government indicator of the economy. It has been so since at least the 1960s, and that reporting quality deteriorated anew, sharply in 2016 benchmarking (see the *Opening Comments* of [Commentary No. 823](#)).

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### **Notes on GDP-Related Nomenclature and Definitions**

*For purposes of clarity and the use of simplified language in the text of the GDP analysis, here are definitions of several key terms used related to GDP reporting:*

**Gross Domestic Product (GDP)** is the headline number and the most widely followed broad measure of U.S. economic activity. It is published quarterly by the Bureau of Economic Analysis (BEA), with two successive monthly revisions, and with an annual revision in the following July.

**Gross Domestic Income (GDI)** is the theoretical equivalent to the GDP, but the popular press generally does not follow it. Where GDP reflects the consumption side of the economy and GDI reflects the offsetting income side. When the series estimates do not equal each other, which almost always is the case, since the series are surveyed separately, the difference is added to or subtracted from the GDI as a “statistical discrepancy.” Although the BEA touts the GDP as the more accurate measure, the GDI is relatively free of the monthly political targeting the GDP goes through.

**Gross National Product (GNP)** is the broadest measure of the U.S. economy published by the BEA. Once the headline number, now it rarely is followed by the popular media. GDP is the GNP net of trade in factor income (interest and dividend payments). GNP growth usually is weaker than GDP growth for net-debtor nations. Games played with money flows between the United States and the rest of the world tend to mute that impact on the reporting of U.S. GDP growth.

**Real (or Constant Dollars)** means the data have been adjusted, or deflated, to reflect the effects of inflation.

**Nominal (or Current Dollars)** means growth or level has not been adjusted for inflation. This is the way a business normally records revenues or an individual views day-to-day income and expenses.

**GDP Implicit Price Deflator (IPD)** is the inflation measure used to convert GDP data from nominal to real. The adjusted numbers are based on “Chained 2009 Dollars,” as introduced with the 2013 comprehensive revisions, where 2009 is the base year for inflation. “Chained” refers to the substitution methodology, which gimmicks the reported numbers so much that the aggregate of the deflated GDP sub-series missed adding to the theoretically-equivalent deflated total GDP series by \$105.5 billion in “residual,” as of the second estimate of second-quarter 2016.

**Quarterly** growth, unless otherwise stated, is in terms of seasonally-adjusted, annualized quarter-to-quarter growth, i.e., the growth rate of one quarter over the prior quarter, raised to the fourth power, a compounded annual rate of growth. While some might annualize a quarterly growth rate by multiplying it by four, the BEA

uses the compounding method, raising the quarterly growth rate to the fourth power. So a one percent quarterly growth rate annualizes to  $1.01 \times 1.01 \times 1.01 \times 1.01 = 1.0406$  or 4.1%, instead of  $4 \times 1\% = 4\%$ .

**Annual** growth refers to the year-to-year change of the referenced period versus the same period the year before.

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**Gross Domestic Product (GDP).** Published September 29th, by the Bureau of Economic Analysis (BEA), the third estimate of, second revision to second-quarter 2016 GDP showed a revised, statistically-insignificant, real (inflation-adjusted), annualized, quarterly headline gain of 1.42% [previously 1.10%, initially 1.22%] +/- 3.5% (95% confidence interval). Distribution of the revised second-quarter 2016 GDP growth by major category is detailed in the *Opening Comments*. The current headline detail remains in the context of the July 29th annual GDP benchmark revisions discussed in [Commentary No. 823](#).

The upside revision to the annualized, headline quarterly growth rate was in line with consensus expectations. That detail is final, now, until the annual benchmark revisions of July 2017. The revised, annualized second-quarter 2016 real growth of 1.42% followed quarterly real growth rates of 0.83% in first-quarter 2016, 0.87% in fourth-quarter 2015 and 1.99% in third-quarter 2015.

*Graphs 11* and *13* plot headline levels of real quarterly GDP activity, respectively showing short-term (since 2000) and long-term (since the historical onset of the quarterly GDP series in 1947) perspectives.

Shown in *Graphs 12* and *14*, headline year-to-year real GDP growth in second-quarter 2016 revised slightly higher to 1.28% [previously 1.20%, initially 1.23%], still the weakest growth in three years, since second-quarter 2013. That was down from 1.57% annual growth in first-quarter 2016, and 1.88% in fourth-quarter 2015. Real annual growth has been in continual decline since the near-term peak of 3.31% in first-quarter 2015, the post-recession high annual growth for the series. The sharp downtrend in annual growth is common at the onset of formal recessions.

The current-cycle trough in annual change was in second-quarter 2009 (see *Graphs 12* and *14*), reflecting a year-to-year decline of 4.09% (-4.09%). That was the deepest year-to-year contraction for any quarterly GDP in the history of the series, which began with first-quarter 1947 (1948 in terms of available year-to-year detail). *Graph 12* shows current year-to-year quarterly detail, from 2000-to-date, where *Graph 14* shows the same series in terms of its full quarterly, year-to-year history back to 1948.

**Implicit Price Deflator (IPD).** The third-estimate, second-revision to second-quarter 2016 GDP inflation, or the implicit price deflator (IPD), showed annualized quarterly change of 2.29% [previously 2.31%, initially 2.21%], versus an annualized 0.46% in first-quarter 2016, 0.91% in fourth-quarter 2015, 1.22% in third-quarter 2015, 2.25% in second-quarter 2015 and 0.04% in first-quarter 2015.

As general guidance, the weaker the inflation rate used in deflating an economic series, the stronger will be the resulting inflation-adjusted growth, and vice versa. The downside revision to the second-quarter 2016 IPD of 0.02% (-0.02%) accounted for only a small portion of the upside revision to real (inflation-adjusted) second-quarter GDP growth of 0.32%.

Year-to-year, headline second-quarter IPD inflation was unrevised at 1.22% [initially 1.20%], versus 1.21% in first-quarter 2016, 1.10% in fourth-quarter 2015, 1.00% in third-quarter 2015, 1.11% in second-quarter 2015 and 1.10% in first-quarter 2015.

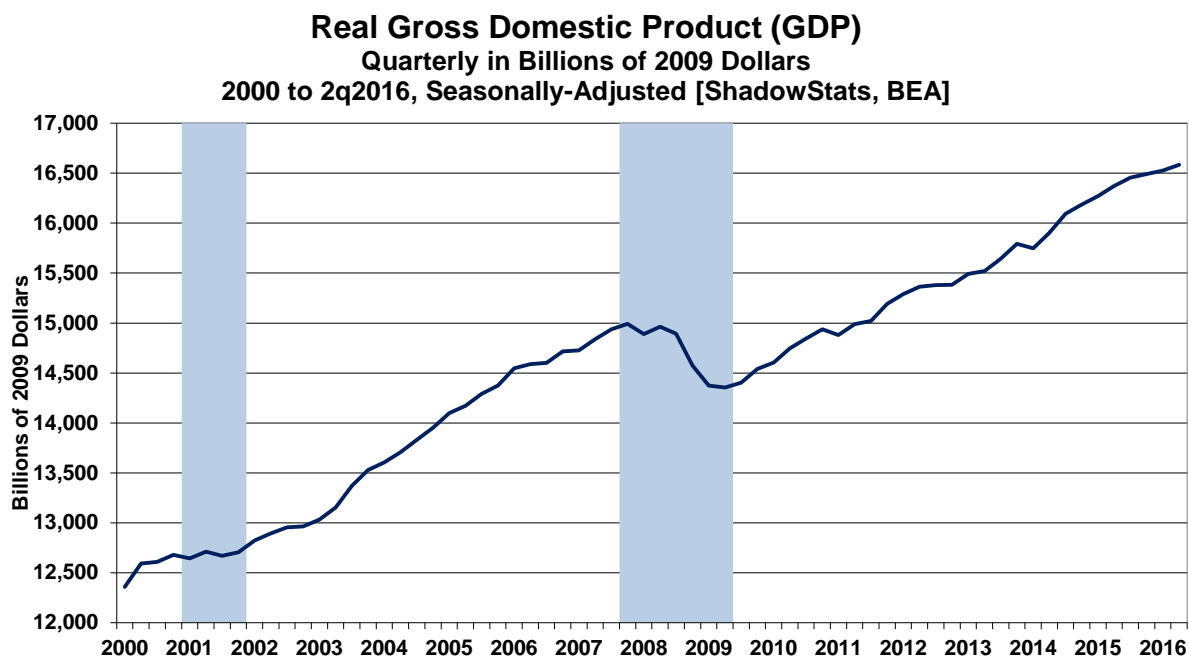
For purposes of comparison, the seasonally-adjusted Consumer Price Index CPI-U rose by an annualized 2.54% in second-quarter 2016, versus a decline of 0.31% (-0.31%) in first-quarter 2016, a 0.77% gain in fourth-quarter 2015, a 1.38% gain in the third quarter, a 2.44% gain in the second quarter and a quarterly contraction of 2.86% (-2.86%) in the first quarter of 2015.

Unadjusted, year-to-year quarterly CPI-U inflation showed a year-to-year second-quarter 2016 gain of 1.05%, versus a first-quarter 2016 gain of 1.08%, a fourth-quarter 2015 gain of 0.47%, a third-quarter 2015 gain of 0.11%, an annual contraction of 0.04% (-0.04%) in second-quarter 2015 and a year-to-year decline of 0.06% (-0.06%) in first-quarter 2015 (see [Commentary No. 820](#)).

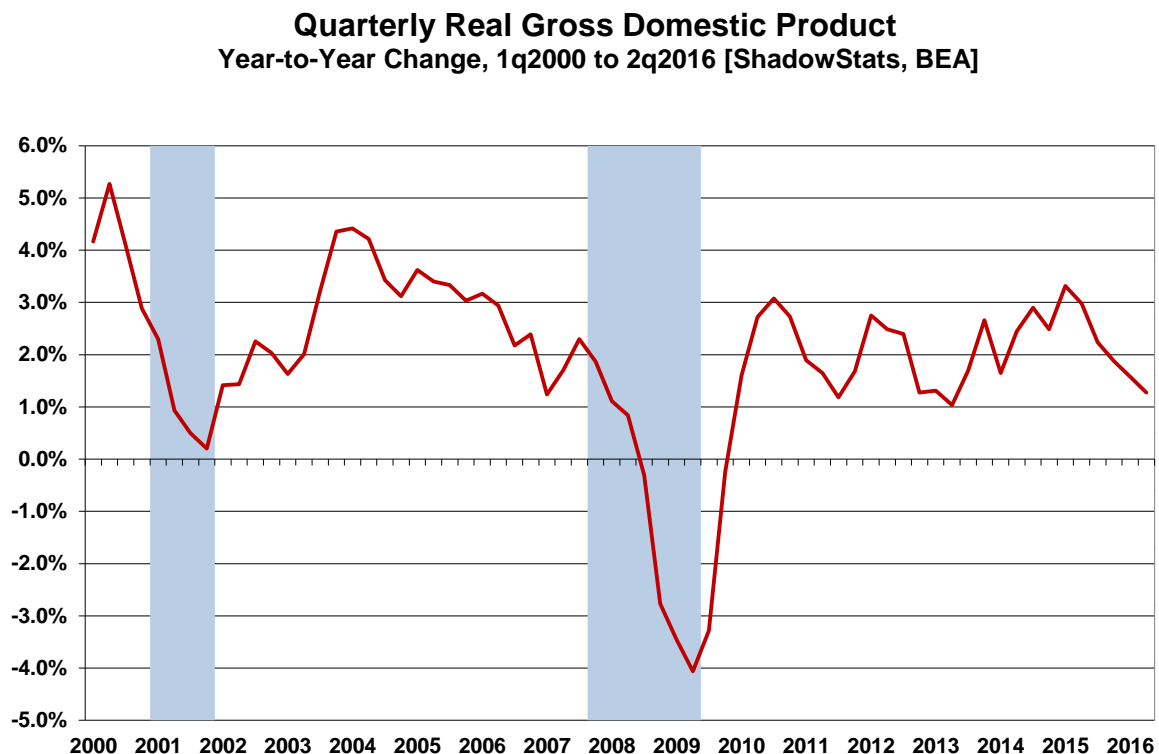
[Graphs 11 to 14 begin on the next page]



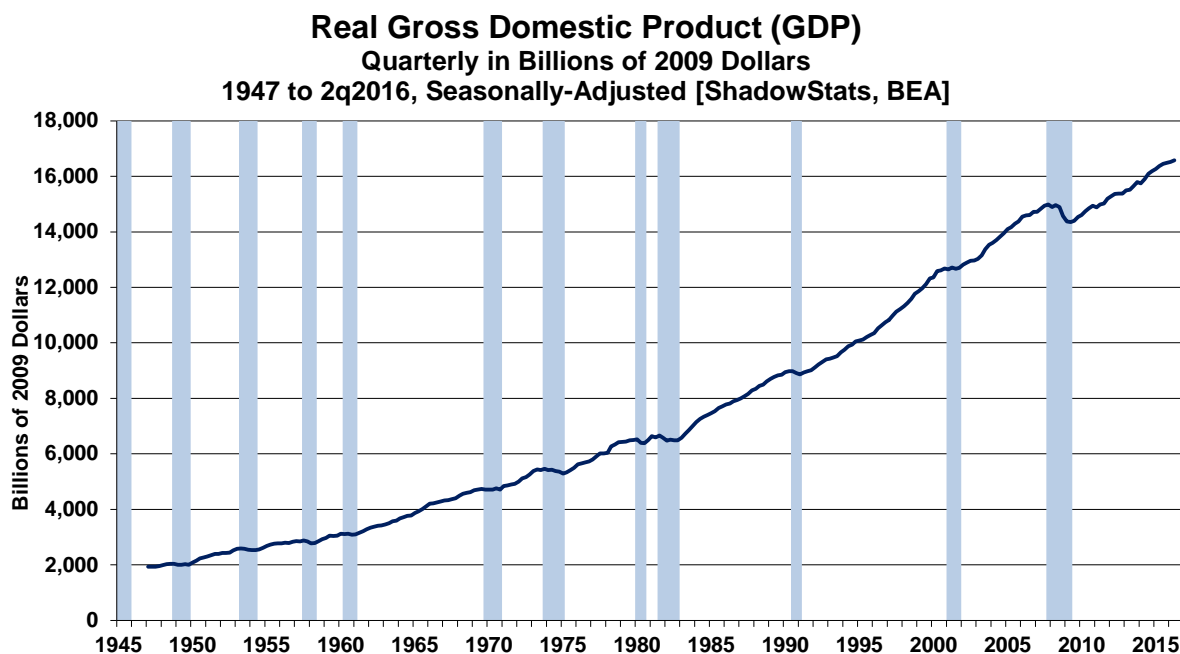
**Graph 11: Quarterly GDP in Billions of 2009 Dollars (2000 to 2016), Third Estimate of Second-Quarter 2016**



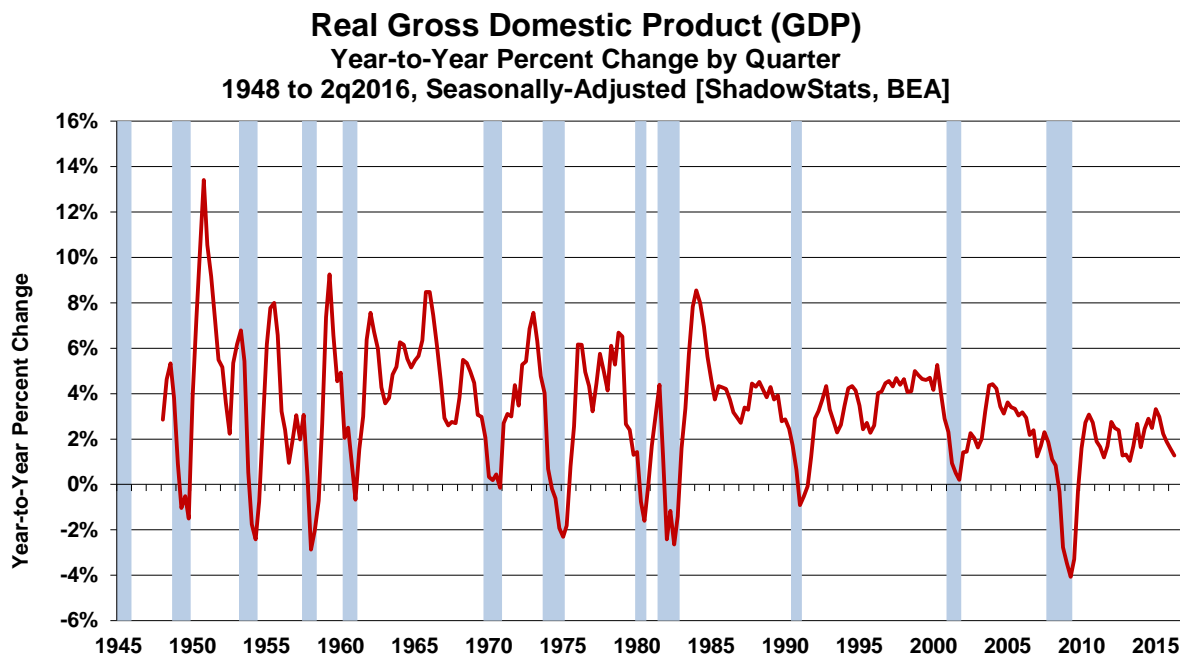
**Graph 12: Quarterly GDP Real Year-to-Year Change (2000 to 2016), Third Estimate of Second-Quarter 2016**



**Graph 13: Quarterly GDP in Billions of 2009 Dollars (1947-2016), Third Estimate of Second-Quarter 2016**



**Graph 14: Year-to-Year GDP Real Change (1948-2016), Third Estimate of Second-Quarter 2016**



**Gross National Product (GNP).** The second estimate of second-quarter 2016 GNP was published, along with the third estimate to second-quarter GDP, this morning, September 29th. GNP remains the broadest measure of U.S. economic activity, where GDP is GNP net of trade flows in factor income (interest and

dividend payments). As a reporting gimmick aimed at boosting the headline reporting of economic growth for net-debtor nations such as the United States, international reporting standards were shifted some decades back to reporting headline GDP instead of what had become a relatively weaker GNP.

The headline, annualized real second-quarter 2016 GNP growth revised higher to 2.16% [previously 1.59%] versus an “unchanged” 0.00% [a fractional annualized quarterly contraction of 0.003% (-0.003%)] in first-quarter 2016, and against an annualized 1.32% gain in fourth-quarter 2015 GNP.

On a year-to year basis, second-quarter 2016 GNP revised to 1.28% [previously 1.14%]—still the lowest level since second-quarter 2013—versus 1.31% in first-quarter 2016, and 1.72% in fourth-quarter 2015.

**Gross Domestic Income (GDI).** GDI is the theoretical income-side equivalent to the consumption-side GDP estimate. The GDP and GDI are made to equal each other, every quarter, with the addition of a “statistical discrepancy” to the GDI-side of the equation, but the discrepancy just as easily could be added to the GDP number. Increasingly touted by the BEA as *the* GDP counterpart, the regularly-unstable GDI has been bloated heavily by effectively-worthless income reporting out of the Bureau of Labor Statistics (BLS). The purported income gains have reflect heavily-upside-biased income estimates out of the otherwise-rigged nonfarm payroll survey, held in almost perpetual growth by built-in upside biases (see the *Birth-Death/Bias Factor* discussion in [Commentary No. 829](#)). Nonetheless, there appears to have some catch up in the latest GDI estimate.

The second estimate of second-quarter 2016 GDI activity was published, along with the third estimate of second quarter GDP, this morning, September 20th.

Reflecting ongoing significant overstatement of income growth in the GDI, and other instabilities in the headline reporting, the nominal first-quarter 2016 “statistical discrepancy” narrowed to a revised, negative \$192.6 billion (previously \$224.2 billion) in second-quarter 2016, from \$264.3 billion in first-quarter 2013.

Annualized real GDI growth in second-quarter 2016 revised to an annualized quarterly contraction of 0.18% (-0.18%), having shown previously a 0.18% gain. That was against a gain of 0.81% in first-quarter GDI and 1.48% in the fourth-quarter 2015. Year-to-year real GDI growth narrowed to a revised 1.14% [previously 1.23%] in second-quarter 2016, the weakest level since first-quarter 2013, versus 1.33% in first-quarter 2016 and 1.51% in fourth-quarter 2015.

**ShadowStats-Alternate GDP.** The ShadowStats-Alternate GDP estimate for second-quarter 2016 GDP remained a year-to-year contraction of 2.0% (-2.0%), versus the third estimate of the second-quarter annual real headline GDP gain of 1.3%. That was against a ShadowStats 1.8% (-1.8%) annual decline estimate for first-quarter 2016, versus the official headline gain of 1.6% in first-quarter 2016 GDP.

While the annualized, real quarterly growth rate is not estimated formally on an alternate basis, the statistically-insignificant 1.4% annualized, headline quarter-to-quarter gain in second-quarter 2016 (second-revision) was much weaker, net of all the happy assumptions and regular reporting gimmicks coming into the headline detail. Actual quarterly contractions appear to have been a realistic possibility for inflation-adjusted GDP in most quarters since the official, second-quarter 2009 end to the 2007 recession.

Adjusted for understated inflation and other methodological changes—such as the inclusion of intellectual property, software and recent accounting for the largely not-measurable and questionable impact of the Affordable Care Act (ACA)—the business collapse that began in 2006/2007 is ongoing; there has been no meaningful economic rebound. The “corrected” real GDP graphs (see *Graphs 2 and 4* in the *Opening Comments*), updated from [2014 Hyperinflation Report—Great Economic Tumble – Second Installment](#), are based on the removal of the impact of hedonic quality adjustments that have reduced the reporting of official annual GDP inflation by roughly two-percentage points. It is not the same measure as the ShadowStats-Alternate GDP, here, which reflects reversing additional methodological distortions (“Pollyanna Creep”) of recent decades.

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## WEEK AND MONTH AHEAD

**Near-Term Headline Economic Deterioration Should Intensify, Increasingly Frustrating Fed Provocateurs, Pummeling the U.S. Dollar and Boosting Gold, Silver and Eventually Oil Prices.** Market expectations for business activity should continue to deteriorate, amidst intensifying, negative headline economic reporting. Irrespective of any continuing talk of near-term rate hike by the FOMC, Fed-policy retrenchment likely should remain very much alive, shifting towards renewed quantitative easing in the months ahead (post-election), as discussed in the *Opening Comments* of [Commentary No. 835](#), which reviewed August durable goods orders, home-sales activity and the FOMC inaction.

[Commentary No. 834](#) detailed August activity in residential construction, while underlying consumer liquidity and household income conditions were updated fully in [Commentary No. 833](#), along with continuing discussion of FOMC options and the latest consumer inflation detail.

The general trend in weakening expectations for business activity and movement towards looming recession recognition, reflect an ongoing broad spectrum of market-disappointing headline data, such as seen in [Commentary No. 832](#). Earlier FOMC considerations also were covered in [Commentary No. 831](#), while the initial payroll benchmark revision for 2016 was discussed in [Commentary No. 830](#), following the latest headline detail on payrolls, trade and construction spending in [Commentary No. 829](#).

Broad economic and systemic details detail otherwise have been reviewed most recently in [Commentary No. 827](#), [Commentary No. 826](#), [Commentary No. 825](#), [Commentary No. 824](#), [Commentary No. 823](#), [Commentary No. 822](#), [Commentary No. 821](#), [Commentary No. 820](#), [Commentary No. 818](#), [Commentary No. 817](#), [General Commentary No. 811](#), [Supplemental Commentary No. 807-A](#), [Commentary No. 800](#), [Commentary No. 799](#), [Commentary No. 796-A](#), [Commentary No. 796](#) and [No. 777 Year-End Special Commentary](#).

Negative market reactions had surfaced in trading of the U.S. dollar and in related financial markets, with some upside pressure on gold, silver and oil prices, subsequent to recent, weaker-than-expected headline economic data or suggestions of a less-aggressive tightening stance by the Fed. Fed rate-hike jawboning, however, had put a temporary flutter into those market movements, placing some Fed-desired support under the U.S. currency.

The fundamental liquidity issues facing the Fed, however, remain dominated by the impact of perpetual U.S. economic non-recovery and a renewed, intensifying downturn. If the Fed should raise rates in the near future, ongoing negative economic pressures still will mount, forcing the U.S. central bank back into a position of having to support domestic financial- and banking-system liquidity needs. Effectively, the Fed will have no way out other than to return to some form of expanded quantitative easing.

Temporary jawboning aside, market reactions increasingly should reflect a renewed sense of Federal Reserve impotence in the wake of the latest no rate hike, with bleak longer-term implications for the U.S. dollar. While anything is possible, Fed tightening prior to the election appears now to be out of consideration, with renewed quantitative easing becoming the likely target of post-election speculation, as the deepening recession unfolds.

Rapidly weakening, regular monthly economic reporting should continue and result in much worse-than-expected—increasingly negative—reporting for at least the next several quarters of GDP (and GDI and GNP).

CPI-U consumer inflation—intermittently driven lower in 2015 and early-2016 by collapsing prices for gasoline and other oil-price related commodities—likely has seen its near-term, year-to-year low. Headline monthly March to June 2016 detail moved into positive headline territory, in tandem with rising gasoline prices. CPI inflation was “unchanged”—minimally negative—with a switch to positive seasonal adjustments for gasoline prices only partially offsetting the unadjusted monthly drop in gasoline prices in July. August CPI was boosted by “core” inflation. Going forward, a weakening U.S. dollar increasingly should boost inflation, with a related upturn in oil prices, gasoline and other commodities. The [Public Commentary on Inflation Measurement](#) reviews fundamental reporting issues with the headline CPI.

***Note on Reporting-Quality Issues and Systemic-Reporting Biases.*** Significant reporting-quality problems remain with most major economic series. Beyond the pre-announced gimmicked changes to reporting methodologies of the last several decades, which have tended to understate actual inflation and to overstate actual economic activity, ongoing headline reporting issues are tied largely to systemic distortions of monthly seasonal adjustments.

Data instabilities—induced partially by the still-evolving economic turmoil of the last nine-to-eleven years—have been without precedent in the post-World War II era of modern-economic reporting. The severity and ongoing nature of the downturn provide particularly unstable headline economic results, with the use of concurrent seasonal adjustments (as seen with retail sales, durable goods orders, employment and unemployment data). That issue is discussed and explored in the labor-numbers related [Supplemental Commentary No. 784-A](#) and [Commentary No. 695](#).

Further, discussed in [Commentary No. 778](#), a heretofore unheard of spate of “processing errors” surfaced in recent surveys of earnings (Bureau of Labor Statistics) and construction spending (Census Bureau). This is suggestive of deteriorating internal oversight and control of the U.S. government’s headline



economic reporting. That construction-spending issue now appears to have been structured as a gimmick to help boost the recently-published 2016 GDP benchmark revisions, aimed at smoothing the headline reporting of the GDP business cycle, instead of detailing the business cycle and reflecting broad economic trends accurately, as discussed in [Commentary No. 823](#).

Combined with ongoing allegations in the last year or two of Census Bureau falsification of data in its monthly Current Population Survey (the source for the BLS Household Survey), these issues have thrown into question the statistical-significance of the headline month-to-month reporting for many popular economic series (see [Commentary No. 669](#)). John Crudele of the *New York Post* continues his investigations in reporting irregularities: [Crudele Investigation](#). In the 1990s, the Census Bureau and BLS played political-reporting games with the nature of statistical sampling size in “inner cities” in the Census Bureau surveying tied to the monthly Household Surveys and the annual piggy-backed Poverty Survey. Such had major distorting impact on the headline data, and it may be in the works, again.

### ***PENDING RELEASE:***

**Construction Spending (August 2016).** The Commerce Department will release its estimate of August 2016 construction spending on Monday, October 3rd. Detail will be covered in ShadowStats *Commentary No. 837* of October 5th. As usual, headline monthly changes should not be statistically-significant. Irrespective of almost perpetually-positive market expectations for this series, the detail generally should continue in down-trending stagnation, particularly in real terms, net of inflation.

**U.S. Trade Balance (August 2016).** The Commerce Department and Bureau of Economic Analysis (BEA) will release their full version of the monthly U.S. trade balance for August 2016 on Wednesday, October 5th, which will be covered in *Commentary No. 837* of that date. The full version of the August 2016 deficit will revise today’s generally worthless September 28th “advance” estimate in merchandise trade, which showed little change month-to-month, with a continuing high-level spike in agricultural exports. Irrespective of the games being played around the GDP and pre-election reporting, the deficit generally should continue to widen.

**Employment and Unemployment (September 2016).** The Bureau of Labor Statistics (BLS) will publish its September 2016 labor data on Friday, October 7th. Headline detail will be covered in *Commentary No. 838* of that date. Both the more-inclusive unemployment-rate numbers, as well as the headline payroll-employment details, are open for continuing negative headline surprises, given the ongoing, general weakening tone in a number of business indicators.

In the context of recent the extreme volatility and inconsistencies in the last several months of payroll and unemployment detail, almost anything is possible with the BLS, particularly with the presidential race in full swing. To the extent that pre-election political influences come into play, the reporting of September’s data and next month’s October data are the months mostly likely to be affected.

Nonetheless, underlying reality remains a much weaker-than-expected economy, which increases the odds of a hefty downside surprise to the headline payroll gain in September.

The headline unemployment detail, however, remains completely unstable and not comparable month-to-month, due to the inconsistent use of published seasonally-adjusted numbers. Such has been demonstrated in recent reporting, as discussed fully in [Commentary No. 819](#). That said, again, anything is possible in the next month, but the Household-Survey data increasingly should trend weaker than expected.

Underlying economic fundamentals continue to weaken, suggesting continued slowing or negative month-to-month growth in headline payrolls, as well as stagnation or deterioration in the broader unemployment rates such as U.6 and particularly the ShadowStats Alternate Unemployment Measure.

**PLANNED UPDATES: Comprehensive *Special Report* and ShadowStats Website.** The plan is to update fully, into one, massive background piece—a *Special Report (Commentary)*—the latest broad outlook for the U.S. and global economies, financial markets and systems, and inflation (U.S. hyperinflation). All of that will be in the context of incorporating and fully revising, wherever necessary, the materials in the [2014 Hyperinflation Report—The End Game Begins](#), [2014 Hyperinflation Report—Great Economic Tumble](#), [No. 777 Year-End Special Commentary](#) and other intervening missives, including the most-recent *Hyperinflation Outlook Summary* as found in [Commentary No. 783](#).

The various background articles available at the [www.ShadowStats.com](http://www.ShadowStats.com) site also will be updated in the process, including those first published in 2004 as introductory articles to the site. As usual, all original material will remain available to subscribers (all original public material also will remain available to anyone visiting the site).

As to timing, the *Special Report* is progressing and should be published in the next several weeks. It will include updated, consistent GAAP-based financial detail on the U.S. government's financial condition through September 30, 2015 and initial prospects for the fiscal year ended September 30, 2016.

Updates to the various public materials on the Web site will be staggered through year-end. The introduction of the [2004 Primer Series](#) will be first (the link is to the initial background article that addressed among other issues political manipulation of data).

We also will introduce, in conjunction with the *Special Report*, a section with links to books and articles that we have found of particular interest and substance. Anyone with materials they would like to have considered for inclusion should send details in an e-mail to [johnwilliams@shadowstats.com](mailto:johnwilliams@shadowstats.com) or call John Williams directly at (707) 763-5786.