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

COMMENTARY NUMBER 847
October Nominal Retail Sales

November 15, 2016

Headline Nominal October 2016 Retail Sales Boomed
On Top of Significant Upside Revisions to September and August

Other Than a Spike from Inflation, Details Were Not Credible in the
Context of Underlying Weak Consumer Conditions and Anecdotal Evidence

Similar Surges in Recent Years Usually Have Been Followed by
Downside Revisions or Offsetting Declines in Subsequent Reporting

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PLEASE NOTE: The next regular Commentary, *scheduled for tomorrow, Wednesday, November 16th will cover October Industrial Production and the PPI, followed by one on Friday, November 18th, covering the CPI, Real Retail Sales and Housing Starts and a review of post-election market circumstances.*

Please call at (707) 763-5786 if you have questions or would like to discuss current issues or otherwise. Best wishes to all — John Williams

OPENING COMMENTS AND EXECUTIVE SUMMARY

October Retail Sales Strength Ran Counter to Anecdotal Evidence. Consumer activity certainly has picked up, if one believes the happy headline news on October 2016 retail sales. The 0.8% monthly boom in nominal activity, against upwardly revised September sales, ran counter to collapsing consumer confidence and sentiment measures in October, and to stagnant real median household income and stagnant-to-negative consumer credit outstanding in September (see prior *Commentary No. 846*). Nonetheless, patterns of short-lived headline boosts to monthly activity—particularly net of inflation—have been reasonably common since the March 2009 trough in real sales activity. Such reported gains standardly have been followed by downside revisions or offsetting downturns in subsequent activity.

The headline monthly detail also ran counter to broadly-based anecdotal accounts of October retail activity having faltered in the context of pre-election uncertainty, including restaurant traffic being hit unusually hard. Instead, headline activity in October sales, in the context of upside September revisions, was strong, largely across-the-board, with the exceptions of restaurants and general merchandise stores.

Shy of a much higher than-expected 0.4% monthly October CPI-U inflation (ShadowStats estimate is 0.3%), inflation-adjusted real growth in October sales still would be unusually robust (see the *Week and Month Ahead* section).

Headline Retail Activity Should Boost Near-Term GDP Estimates. October 2016 retail sales reporting was highly unusual, both in terms of the magnitude of its headline monthly surge of 0.8% (1.3% net of prior-period revisions), and in the accompanying strong upside revisions of monthly growth to 1.0% (previously up by 0.6%) in September sales, and an upside revision in August monthly activity to "unchanged" from a prior decline of 0.2% (-0.2%). That translated into annual gains of 4.3% for October 2016, 3.2% (previously 2.7%) in September 2016 and 2.2% (previously 2.1%) in August.

Accordingly, the headline detail and revisions published with October retail sales should boost, at least temporarily, both expectations for the first revision to third-quarter GDP (November 29th) and forecasts of fourth-quarter GDP activity. That all could be offset some, however, by an unexpectedly-weak, countervailing headline estimate of October 2016 industrial production in tomorrow's November 16th reporting.

Today's *Commentary* (November 15th). More complete coverage of headline October 2016 retail sales follows in the *Reporting Detail* of today's brief *Commentary*.

The *Week and Month Ahead* updates the reviews of this week's remaining releases (tomorrow) of October Industrial Production and the PPI, and Thursday's releases of the October CPI, real Retail Sales and Earnings and New Residential Construction (Housing Starts). Again, the Friday Commentary will cover the Thursday releases tied to the CPI and housing starts, along with a review of financial market circumstances.

REPORTING DETAIL

NOMINAL RETAIL SALES (October 2016)

Even in the Context of Up-Ticking Consumer Inflation, Headline October Sales Boomed. Noted and discussed in the *Opening Comments*, the unexpectedly strong headline monthly gain of 0.8% in October nominal retail sales, in the context of upside revisions to the level of September and August activity, likely will generate upside expectations to third-quarter GDP revisions and fourth-quarter GDP forecasts. While the sales gains reflected higher inflation, they appear to have gone well beyond that, running counter to activity suggested both by consumer liquidity conditions and by anecdotal evidence. Since the 2009 trough in the economic collapse, patterns similar to the current circumstance generally have seen downside revisions and/or offsetting declines in subsequent monthly reporting.

Nominal (Not-Adjusted-for-Inflation) Retail Sales—October 2016. In the context of upside revisions to previously-reported levels of retail sales in August and September 2016, the Census Bureau reported today (November 15th) that headline nominal Retail Sales for October 2016 rose by 0.82% month-to-month, versus a positively revised 0.96% [previously 0.62%] gain in September, and a positively revised, effectively "unchanged" monthly decline of 0.03% (-0.03%) [previously down by 0.19% (-0.19%), initially down by 0.29% (-0.29%)] in August.

That seasonally-adjusted, headline October gain of 0.82% +/- 0.59% was statistically-significant (all confidence intervals are expressed at the 95% level). Net of prior-period revisions, October sales rose by 1.33%. The revised headline September 2016 monthly retail sales gain of 0.96% +/- 0.23% also was statistically-significant.

Year-to-Year Annual Change. October 2016 nominal year-to-year change showed a statistically-significant increase of 4.30% +/- 0.82%, versus an upwardly-revised 3.23% [previously 2.67%] gain in September 2016 and an upwardly-revised annual gain of 2.23% [previously 2.06%, initially 1.90%] in August 2016.

October 2016 Core Retail Sales, Net of Food and Gasoline. Reflecting an environment that should be seeing rising, seasonally-adjusted food prices and gasoline prices [an unadjusted October gain of 1.38% per the Department of Energy in gasoline prices], seasonally-adjusted monthly grocery-store sales increased by 0.75% in October 2016, with gasoline-station sales up by 2.20% for the month.

Under normal conditions, the bulk of non-seasonal variability in food and gasoline sales is in pricing, instead of demand. "Core" retail sales—consistent with the Federal Reserve's historical preference for ignoring food and energy prices when "core" inflation is lower than full inflation—are estimated using two approaches:

Version I: October 2016 versus September 2016 seasonally-adjusted retail sales series—net of total grocery store and gasoline-station sales—rose by 0.71%, versus the official headline aggregate sales gain of 0.82%.

Version II: October 2016 versus September 2016 seasonally-adjusted retail sales series—net of the monthly change in the level of revenues for grocery stores and gas stations—rose by 0.58%, versus the official headline aggregate sales gain of 0.82%.

Real Retail Sales (October 2016). Coincident with the release of the October CPI on Thursday, November 17th, headline nominal October Retail Sales will be adjusted for inflation and recast as real Retail Sales. Such will be covered in *Commentary No. 849* of November 18th (see discussion in the *Week Ahead* section).

Where headline October CPI-U likely will show a strong monthly increase, there is a parallel chance for the monthly real change in October retail sales to weaken sharply from today's headline nominal monthly gain of 0.82%. The pace of annual CPI-U inflation also should increase, sharply, but likely not enough to reduce the headline nominal annual growth rate of 4.30% to below the recession-signal-generating threshold of 2.0%.

Structural Liquidity Issues Continue to Impair Retail Sales. An extreme consumer-liquidity bind continues to constrain retail sales activity, as updated in the *Liquidity Conditions* section of prior *Commentary No. 846*. Without sustainable growth in real income, and without the ability and/or willingness to take on meaningful new debt in order to make up for the income shortfall, the U.S. consumer remains unable to sustain positive growth in domestic personal consumption, including retail sales, real or otherwise, irrespective of the headline October retail sales detail. That circumstance—in the last nine-plus years of economic collapse and stagnation—has continued to prevent a normal recovery in broad U.S. economic activity, 70% of which is dependent on personal spending.

As headline consumer inflation continues its upside climb in the year ahead, and as overall retail sales continue to suffer from the ongoing consumer liquidity squeeze, these data generally should continue to trend meaningfully lower, in what eventually should gain recognition as a formal "new" recession.

Detectable Seasonal-Factor Distortions Had Minimal Impact on Headline October Sales, Although Regular Instabilities Persist. Unlike the headline reporting detail for September 2016—discussed in this same section of *Commentary No. 839*—the regular inconsistent shifting in seasonal-adjustment factors had negligible impact on the headline October 2016 detail. Headline detail in this series is subject to a pattern of distorted revisions, unique to the inconsistent reporting of the government's concurrent-seasonal-factor-adjustment process, as seen regularly in reporting of retail sales in recent years. Where the usual seasonal-factor games had been reasonably inactive in the reporting period since the April 2016 benchmarking of this series, they came back into play with the headline August and September 2016 reporting, but they were of muted impact for October.

Where the headline data reflect new seasonal-factor adjustments each month, the presumed comparable historical series do not. The only "comparable" headline historical detail published with today's headline October 2016 sales data were the sales levels for the prior two months of September 2016 and August 2016, and the year-ago months of October and September 2015.

Revisions to the year-ago periods are tip-offs as to how the current, headline month's seasonal factors have been altered. The headline month-to-month gain of 0.82% in October 2016, reflected negligible negative net impact of 0.03% (-0.03%) [a revised reduction of 0.05% (-0.05%) in September 2015 sales (a relative positive for October), and a more-than-offsetting downside revision to October 2015 sales of 0.08% (-0.08%)]. Those changes reflect the implied seasonal factor changes for the same months in 2016. Net of those distortions, the headline monthly gain in October 2016 sales would have about 0.79%, instead of 0.82%.

In today's headline detail, the year-ago revisions simply were junk reporting, due solely to shifts in their seasonal adjustments that resulted from the unique calculations of the seasonal factors generated with the headline October 2016 detail. These revisions were not due to the availability of any new historical data back in September or October 2015, but rather due to just the inconsistent shifts in the published versus unpublished seasonal adjustments.

Given Census Bureau reporting procedures, the headline detail is not comparable with nearly all earlier reporting. As a result, current data can reflect growth shifts from earlier periods, without those specifics being published. The adjustment issues here are the same as with the employment and unemployment series. The principles and issues with the way the government reports economic series adjusted by concurrent seasonal factors were explored, in-depth, in *Commentary No. 695* and discussed in *Supplemental Commentary No. 784-A*. The reporting fraud is not in the use of concurrent seasonal-factor adjustments *per se*, but rather in the Census Bureau's not publishing related, fully-consistent historical data each month.

Beyond inconsistencies in the published, adjusted historical data, the stability of the seasonal-adjustment process (particularly the concurrent-seasonal-adjustment process) and sampling methods have been disrupted severely by the unprecedented depth and length of the current economic downturn in the post-World War II era, the period of modern economic reporting. The effect remains that the "adjusted" monthly data are not fully comparable with each other.

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WEEK AND MONTH AHEAD

Despite the Pending Change in Government, Near-Term Economic Deterioration Should Intensify, Increasingly Frustrating Fed Provocateurs, Pummeling the U.S. Dollar and Boosting Gold, Silver and Oil Prices. Despite expectations of better business conditions under the Trump Administration, market expectations for business activity still should continue to falter, amidst still intensifying, negative headline economic reporting. Likely new fiscal stimulus has at least a nine-month lead-time before its impact will surface in headline economic activity, most likely early in 2018. The new administration also will have a difficult time working with or around the Federal Reserve's global banking-system liquidity woes, as well as its own Treasury's funding needs as the federal deficit swells initially with new spending and tax cuts, before hoped-for increased tax revenues begin to flow in from the strengthened economy, as discussed in *Commentary No. 846*.

Irrespective of continuing talk by some FOMC members of a near-term rate hike, the still-ongoing and deepening domestic economic downturn promises intensified stress on systemic liquidity. That circumstance ultimately dooms the U.S. central bank to an intensified quantitative easing, post-election. The circumstance remains in play, even if the FOMC hikes rates at its December meeting, which ends on December 14th.

Covered in *Commentary No. 845*, October employment and unemployment and September construction spending did not offer a brightening economic outlook. The sharp narrowing in the September and third-quarter 2016 trade deficit generally reflected nonrecurring elements of highly suspect quality.

Reviewed in *Commentary No. 844,* the above-consensus "advance" estimate of third-quarter 2016 GDP remained well above any realistic estimate of domestic U.S. economic activity. Separate from today's strong headline detail in October retail sales, other headline detail from that just-closed month likely will surprise on the downside, as was seen with October labor conditions. Where the retail sales would suggest an upside revision, production and housing detail remain good bets to trigger downside revisions to third-quarter GDP growth estimates.

Commentary No. 843 offered a *Special Comment* on background economic circumstances and the then pending election, following up on *No. 841*. Headline related details from September new- and existing-home sales and from new orders for durable goods reporting also were reviewed. That followed *Commentary No. 842*, which assessed the negative shifts in monthly, quarterly and annual growth patterns of the housing-starts series.

Noted in *Commentary No. 841*, consumer inflation started to rebound, along with higher gasoline prices, yet the economy continued to falter as indicated in September freight activity, and as seen in the headline detail of September housing starts. The *Special Comments* in *No. 841* also looked a little deeper into the likely impact of unusually protracted and negative economic conditions on the presidential election and on the post-election environment for the U.S. dollar and precious metals.

September industrial production detail disappointed market expectations and deteriorated sharply in the context of downside, prior-period revisions. Such was reviewed in *Commentary No. 840*. *Commentary No. 839* provided the opening salvo of comments on the November 8th election and potential aftermath for the economy and the markets. Consumer liquidity conditions also were updated, along with a review of September 2016 nominal Retail Sales and the PPI.

September employment and unemployment circumstances were covered in *Commentary No. 838*. Fed-policy retrenchment should remain very much alive, shifting towards that renewed quantitative easing, in the post-election environment, as discussed in the *Opening Comments* of *No. 839*, and those of *Commentary No. 837* and *Commentary No. 835*, which respectively also reviewed the August trade deficit and construction spending, and August durable goods orders, home-sales activity and the most-recent FOMC inaction.

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 the industrial production detail (*No. 840*) and 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*.

Broad economic and systemic details otherwise have been reviewed regularly 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*.

Post-election market activity has seen positive boosts to the equity markets and the U.S. dollar, with sharply negative impact on prices of precious metals. Market concerns as to the Federal Reserve's quagmire should resurface fairly quickly, where 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 pre-election, weaker-than-expected headline economic data or suggestions of a less-aggressive tightening stance by the Fed. Then, Fed rate-hike jawboning put a temporary flutter into those market movements, placing some Fed-desired support under the U.S. currency. The post-election market circumstances will be reviewed in November 18th *Commentary No. 849.*

Again, though, the fundamental liquidity issues facing the Fed remain dominated by perpetual U.S. economic non-recovery and a renewed, intensifying downturn. Even 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, post-election.

Temporary jawboning aside, market reactions increasingly should reflect a renewed sense of Federal Reserve impotence in the wake of the last no rate hike, with bleak longer-term implications for the U.S. dollar. Irrespective of any near-term, one-shot rate hike, renewed quantitative easing increasingly should become the target of post-election speculation, as the deepening recession continues to unfold.

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). Although such was not in place with the headline, "advance" reporting of third-quarter 2016, with the exception of second-quarter 2016 GDI, downside revisions loom there in the next two months, with quarterly economic contractions fair bets in fourth-quarter 2016 and first-quarter 2017.

CPI-U consumer inflation—intermittently driven lower in 2015 and early-2016 by collapsing prices for gasoline and other oil-price related commodities—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, while the September CPI was spiked by gasoline prices and positive seasonal adjustments. The October CPI looks to be similarly destined (see *Pending Releases*). 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,* and as updated on October 24th: *Crudele*. 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 RELEASES:

***Updated* - Index of Industrial Production (October 2016).** The Federal Reserve Board will publish its estimate of October 2016 Industrial Production activity tomorrow, Wednesday, November 16th, with coverage in *Commentary No. 848* of that date. Headline reporting likely will resume a monthly contraction (following a minimal gain in September, a decline in August and gains in July and June), along with continued and uninterrupted annual contractions (the 14th straight month). While consensus expectations are on the plus-side of flat, a headline monthly production drop remains likely, reflecting weaker manufacturing. That also should be in the context of downside revisions within the last six months of data and a continuing pattern of negative growth never seen outside of formal recessions

***Updated* - Producer Price Index—PPI (October 2016).** The Bureau of Labor Statistics (BLS) also will release the October 2016 PPI tomorrow, Wednesday, November 16th, with detail covered in *Commentary No. 848* of that date. Odds favor a solid headline gain in wholesale inflation, at least on the goods side of the reporting, due to stronger oil prices and a positive effect from related seasonal-factor adjustments. Consensus forecasts for the aggregate number are centered on 0.3%, which is credible for the goods side, but which is subject to heavy distortions on the volatile, conceptually-inconsistent and dominant services side.

Unadjusted oil prices increased in October 2016, along with higher gasoline prices. Based on the two most-widely-followed oil contracts, not-seasonally-adjusted, monthly-average oil prices rose by 6.3% and 10.2%. That was accompanied by a 5.6% increase in unadjusted, monthly-average wholesale gasoline prices (Department of Energy). Where PPI seasonal adjustments for energy costs in October are strongly positive, that should contribute to pushing the adjusted Final Demand Goods component of the PPI to the plus side.

Energy- and other goods-related inflation will be supplemented or hit by counterintuitive "inflation" or "deflation" in the dominant Final Demand Services sector, from rising or falling "margins." Guesstimation in that services sector remains highly problematic. Counterintuitive pricing pressures from shrinking profit margins with the sharply rising oil prices, for example are discussed in *Inflation that Is More Theoretical than Real World?* in *Commentary No. 839*.

***Updated* - Consumer Price Index—CPI (October 2016).** The Bureau of Labor Statistics (BLS) will release the October 2016 CPI on Thursday, November 17th, which will be covered in *Commentary No. 849* of Friday, November 18th. The headline October CPI-U is a fair bet to show a strong month-to-month increase, perhaps up by 0.3%, again reflecting rising gasoline prices exacerbated by strongly-positive seasonal adjustments to same. Headline year-to-year annual inflation for October 2016 likely will increase to about 1.6%, versus 1.5% in September 2016. Consensus expectations are centered on a 0.4% month-to-month gain, which is credible.

Continuing Positive Monthly Inflation Impact from Gasoline Prices. Average retail gasoline prices rose in October 2016, up by 1.38% for the month on a not-seasonally-adjusted basis, per the Department of Energy (DOE). Where BLS seasonal adjustments to gasoline prices in October are strongly on the plus-side, they should exacerbate the unadjusted price increase in gasoline, with seasonally-adjusted gasoline prices contributing roughly a positive 0.19% to the headline monthly change in the CPI-U. Boosted further by higher food and "core" (net of food and energy) inflation, a headline monthly CPI-U reading of 0.3%, plus or minus, is a reasonable expectation.

***Annual Inflation Rate*.** Noted in *Commentary No. 841*, year-to-year, CPI-U inflation would increase or decrease in the headline October 2016 reporting, dependent on the seasonally-adjusted month-to-month change, versus the adjusted, headline gain of 0.19% in October 2015 CPI-U. The adjusted change is used here, since that is how consensus expectations are expressed. To approximate the annual unadjusted inflation rate for October 2016, the difference in October's headline monthly change (or forecast of same), versus the year-ago monthly change, should be added to or subtracted directly from the September 2016 annual inflation rate of 1.46%. For example, a seasonally-adjusted, gain of 0.3% in the monthly

October 2016 CPI-U, would move the annual CPI-U inflation rate for October 2016 up to about 1.6%, plus-or-minus, depending on rounding.

Real Retail Sales (October 2016). The Census Bureau released October 2016 nominal (not-adjusted-for-inflation) Retail Sales today (November 14th), showing a headline monthly gain of 0.82%, with annual growth of 4.30%. Those gains were boosted by rising inflation, and they will be adjusted for the headline October 2016 CPI-U inflation detail in *Commentary No. 849* of November 18th. With a likely strong increase in the monthly CPI-U, October real sales growth should be weaker than the headline nominal sales activity, but not enough to turn monthly real retail sales to a contraction, or to turn annual real retail sales growth to below 2.0%.

Discussed in the *Consumer Liquidity* update of prior *Commentary No. 846*, without sustainable growth in real income, and without the ability and/or willingness to take on meaningful new debt in order to make up for an income shortfall, the liquidity-strapped U.S. consumer is unable to sustain growth in broad economic activity, including personal-consumption expenditures and retail sales. Without sustainable growth in real income, and without the ability and/or willingness to take on meaningful new debt in order to make up for an income shortfall, the U.S. consumer is unable to sustain positive growth in domestic personal consumption, including retail sales, real or otherwise.

***Updated* - Residential Construction—Housing Starts (October 2016).** The Census Bureau will release October 2016 residential construction detail, including Housing Starts, on Thursday, November 17th, which will be covered in *Commentary No. 849* of Friday, November 18th. In line with common-reporting experience of recent years, monthly results are likely to be unstable and not statistically meaningful, holding in a general pattern of down-trending stagnation. Where consensus estimates most frequently settle on the upside, and they have done so strongly here, they are virtually certain also to be shy of meaningful, statistically-significant change.

Irrespective of the generally meaningless headline detail, the broad pattern of housing starts should remain consistent with the low-level, stagnant housing starts activity seen at present, with September 2016 starts having been down by 54% (-54%) from the pre-recession high of the series. Such is particularly evident with the headline detail viewed in the context of a six-month moving average. Again, this series remains subject to regular and extremely-large, prior-period revisions.

Discussed in *Commentary No. 660* on the August 2014 version of this most-unstable of major monthly economic series, the headline detail here simply is worthless. The series best is viewed in terms of a six-month moving average. Again, not only is month-to-month reporting volatility frequently extreme, but also the headline monthly growth rates rarely come close to being statistically significant.

Again, discussed in the *Consumer Liquidity* update in prior *Commentary No. 846*, without sustainable growth in real income, and without the ability and/or willingness to take on meaningful new debt in order to make up for an income shortfall, the liquidity-strapped U.S. consumer is unable to sustain growth in broad economic activity, including demand for residential construction.

PLANNED UPDATES: Comprehensive *Special Report* and ShadowStats Website. ShadowStats is updating 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). Publication date and other details will follow in Friday's (November 18th) *Commentary No. 849*.

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*. 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.

The various background articles available at the 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).

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 and/or our readers have found of particular interest and substance. Many thanks to those who already have submitted recommendations of specific books and publications. Anyone with materials they would like to have considered for inclusion should send details in an e-mail to johnwilliams@shadowstats.com or call John Williams directly at (707) 763-5786.

