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

COMMENTARY NUMBER 942-A

Industrial Production Benchmarking, February New Orders, Freight Index, Home Sales

March 23, 2018

**Industrial Production Revised Meaningfully Lower,
Dominated by Much-Weaker Manufacturing, As Predicted**

**Signals Mount for First-Quarter GDP Contraction, as the
Fourth-Quarter 2017 Disaster-Recovery Boom Turns to a Bust**

**Real Durable Goods Orders, Both Aggregate and Ex-Commercial-Aircraft,
Showed an Unfolding Flat-to-Minus First-Quarter, Versus a Fourth-Quarter Boom**

**Real New Orders Activity Remained Shy in Aggregate by 8.0% (-8.0%), and in
Ex-Commercial Aircraft by 5.3% (-5.3%) from Recovering Pre-Recessions Highs**

**Still Shy by 11.2% (-11.2%) of Recovering its Pre-Recession Peak,
February Freight Index Hit a Post-Recession High**

**Both New- and Existing-Home Sales Showed Large Fourth-Quarter Gains
Turning into Large First-Quarter Contractions**

**Monthly New- and Existing-Home Sales Were Mixed, but Held
Shy of Their Pre-Recession Peaks by 55.5% (-55.5%) and 23.8% (-23.8%)**

PLEASE NOTE: The Commentary planned for Monday, March 26th, will provide detailed analysis of the Industrial Production revisions, published March 23rd, along with February New Order for Durable Goods, the Freight Index and New- and Existing-Home Sales, where all those series are impacted by the new production detail. A separate missive will follow on Wednesday, March 28th, reviewing the third estimate of Fourth-Quarter 2017 GDP.

Best wishes — John Williams (707) 763-5786

RECENT ECONOMIC ACTIVITY WAS OVERSTATED

ECONOMIC WEAKNESS SHOULD INTENSIFY ANEW

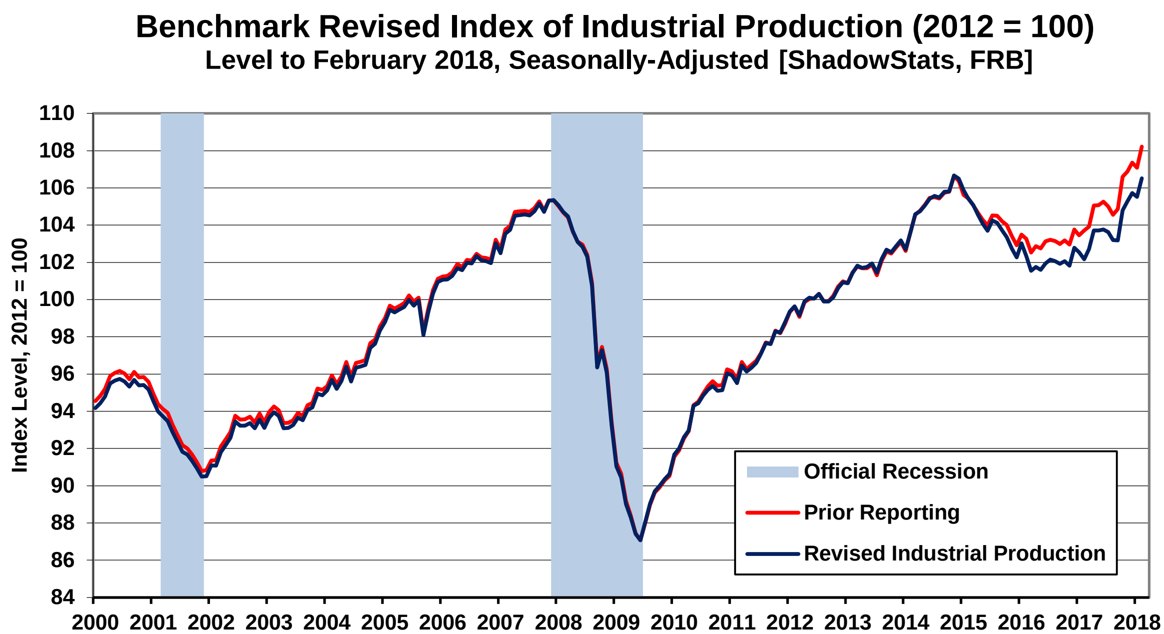
Industrial Production Benchmark Revision Was Sharply to the Downside; Worse Follows. Suggested in *Commentary No. 941*, today's, March 23rd, Federal Reserve *Industrial Production Benchmark Revision* restated recent economic history to the downside. What happened there likely will be repeated in the upcoming benchmark revisions to series such as New Orders for Durable Goods, Retail Sales and the comprehensive revision to Gross Domestic Product (GDP), back to 1929.

Only some summary graphs of the Industrial Production benchmarking follow here, given the volume of new information published today with the production series, and implications for other numbers reported, including new orders and the freight series. Extensive analysis of the production revisions, related industries and implications for broad economic activity will follow in *Commentary 942-B* of March 26th.

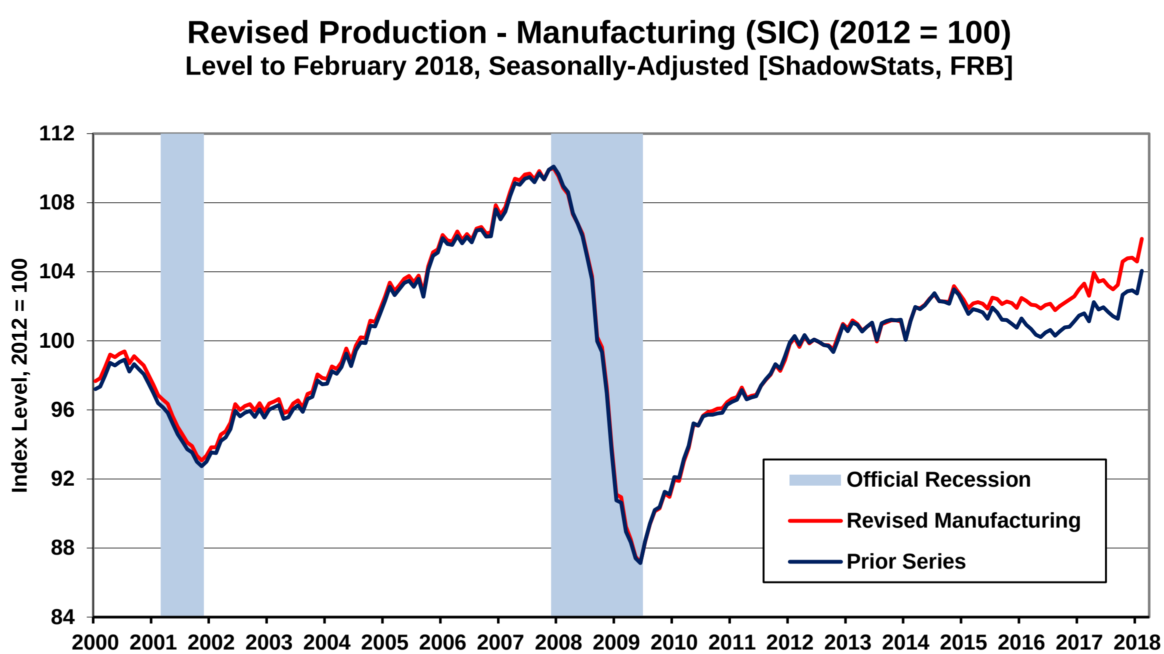
Odds Increase for Recognition of an Ongoing or New Recession Post-2014. Both aggregate production and manufacturing activity revised lower in recent years, with an outright economic contraction more obvious now for 2015 than had been recognized earlier. Still in a record 122 months of non-expansion, the Manufacturing sector in February 2018 was shy of recovering its pre-recession peak by 3.7% (-3.7%) as of the headline March 16th reporting. A week later, that now is shy by 5.4% (-5.4%), in the benchmarking. Recently, Industrial Production had recovered its short-lived peak in late 2014. That no longer is the case. Again, extensive coverage of the benchmarking detail and implications for other series and the general economy will follow on Monday.

Graphs 1 to *4* plot the revised Industrial Production series and its major components: Manufacturing, Mining and Utilities. The blue lines reflect the new data, the red lines the prior reporting.

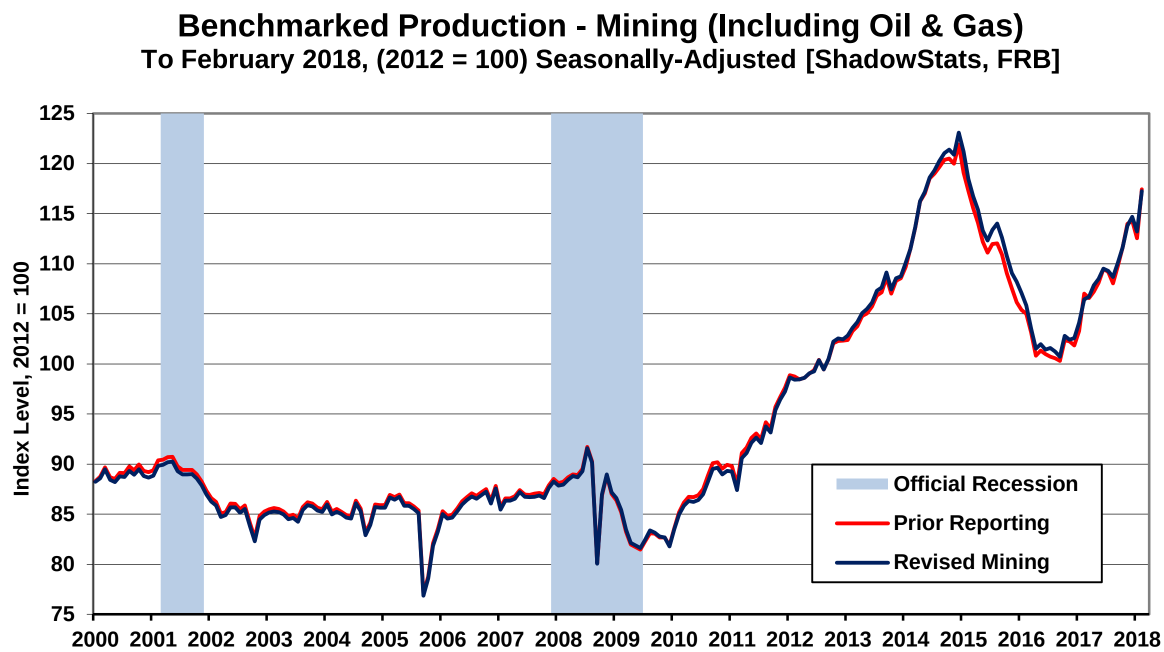
Graph 1: Industrial Production Benchmark Revisions of March 23, 2018



Graph 2: Industrial Production Benchmarking – Manufacturing Sector



Graph 3: Industrial Production Benchmarking – Mining Sector (Oil and Gas, Coal, Gold)



Graph 4: Industrial Production Benchmark – Utilities Sector