January 2021 Manufacturing Declined Year-to-Year for the 19th Consecutive Month, Still in the Downturn Induced by the FOMC 15 Months Before the Pandemic Collapse

Where January 2021 Year-to-Year Manufacturing Contracted by 1.0% (-1.0%), It Also Contracted by 1.8% (-1.8%) from January 2019, Two Years Ago

While the January 2021 Cass Freight Index® Gained Year-to-Year for the Fourth Straight Month, It Also Contracted by 1.6% (-1.6%) from Two Years Ago

Despite Happy Headline Gains in January 2021 Real Retail Sales, Production and Construction, the Underlying Payroll Employment Numbers Tell the Opposite Story

First-Quarter 2021 GDP Remains at Risk of Relapsing into Quarterly Contraction

January 2021 Producer Price Index Monthly Inflation Hit a Record, 10-Year High

U.S. Dollar Collapse Accelerates

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Irrespective of Massive Economic Stimulus, Major U.S. Dollar Debasement Will Continue

Holding Physical Gold, Silver and More Stable Currencies, Such as the Swiss Franc, Protects U.S. Dollar Purchasing Power

At or Just Off Historic Highs, the Current DJIA® and S&P 500® Remain Inconsistent With Horrific Economic Conditions

Collapsing Economic Activity Usually Is Not Long-Term Bullish for the Equity Markets

Watch for Continued, Intensifying Weakness in the U.S. Dollar

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Note to Subscribers

Evolving Circumstances and *ShadowStats Commentaries*. Observations in recent *Commentaries* as to deteriorating economic, Pandemic and political circumstances broadly continue to evolve negatively, despite the transition to a new Administration in Washington, and despite advances in COVID-19 vaccines and treatments. The long-planned *Special Benchmark Commentary* should publish late next week. It will provide a broad review of the economy, inflation and the financial markets, with an updated *ShadowStats Outlook* for 2021 and beyond. Specifically covered will be the continuing movement towards a U.S. hyperinflation and economic collapse, along with an updated assessment of the evolving domestic political and Pandemic circumstances, as they affect the economy and the markets. Today’s *Flash Economic Commentary, Issue No. 1458* updates the January 2021 Cass Freight Index®, Industrial Production, Retail Sales, New Residential Construction and Producer Price Index. Recovery from the Pandemic-driven collapse has stalled, with faltering U.S. economic activity on the brink of a relapsed contraction, along with a potential inflation surge picking up, albeit slowly. The latest financial-market activities are graphed as usual, along with some brief, related observations as the system broaches its first full year of Pandemic collapse and disruptions.

The broad *ShadowStats Outlook* continues to evolve, but, again, it has not changed dramatically. The general themes and elements of the outlook for the U.S. economy, inflation and financial markets, including extreme Federal Reserve Monetary and Federal Government Fiscal Policies, still foreshadow rapidly escalating risk of a *Hyperinflationary Depression*. The Pandemic already has inflicted lingering, massive structural damage on the United States’ economy and on the lives and psyche of its people. Renewed, intensifying economic damage from the Pandemic appears likely in at least the next quarter or two. One can hope that circumstances will begin to stabilize, as vaccines and treatments begin to tame the Pandemic and potentially restore some confidence to the public outlook. Nonetheless, continuing major, expansive Federal Reserve Monetary Policies are being hyped into 2023, and further, expansive new Federal Government Fiscal Policies already are pending, some in final negotiation. Such stimulus likely will be needed well into 2022 and beyond. Increasing risks of a hyperinflationary economic collapse by the end of 2021, early 2022 remain uncomfortably high.  – *WJW*

Background *ShadowStats Features*: New circumstances, breaking economic news and ShadowStats Schedule Changes are highlighted, as they happen, in the *Daily Update* Section of the *ShadowStats Home Page*. Covered are rapidly shifting headlines, reporting details, intervening events, unusual developments in the markets, with the FOMC or the economy, and *ShadowStats* scheduling. Initial assessments are reviewed there usually within a couple hours of the official posting of a given news development.

General background to the current *ShadowStats Outlook* includes key economic, market and systemic assessments of the last year, including *Special Commentary, Issue No. 1429* (FOMC Panic), *Special Commentary, Issue No. 1430* (Systemic Solvency), *Flash Commentary, Issue No. 1433* (Retail Sales Benchmarking), *Flash Commentary, Issue No. 1434* (1q2020 GDP), *Special Economic Commentary, Issue No. 1437* (Economic Update), *Special Hyperinflation Commentary, Issue No. 1438* (Risks of a...


**ShadowStats Broad Outlook for the Economy, Inflation and the Markets**

In context of the new Administration in Washington and the still-evolving COVID-19 crisis, the ShadowStats broad outlook in the weeks and months ahead remains for:

- A continuing and potentially hyperinflationary U.S. economic collapse, with significant bottom bouncing and an unfolding, troubled and protracted “L”-shaped non-recovery, reflected in
- Continued flight to safety in precious metals, with accelerating upside pressures on gold and silver prices, likely headed for new record high levels, irrespective of any temporary market interventions, machinations or corrections to the contrary,
- Continued mounting selling pressure on the U.S. dollar, against the Swiss Franc and other more-stable currencies, as broadly measured against the ShadowStats Financial-Weighted Dollar (FWD) and the Federal Reserve’s Trade-Weighted Advanced-Foreign-Economies (AFE) Dollar.
- Despite recent extreme Stock Market volatility and current record or near-record high levels in the popular U.S. stock-market indices, ongoing high risk of major instabilities and a pending massive liquidation of U.S. equities,
- Complicated by ongoing direct, supportive market interventions arranged by the U.S. Treasury Secretary, as head of the President's Working Group on Financial Markets (a.k.a. the “Plunge Protection Team”), and/or as otherwise gamed by the FOMC.

Your questions and comments always are welcomed. Please call or e-mail me any time. Leave a message if your call goes to Voicemail. I shall be back to you.

John Williams (707) 763-5786, johnwilliams@shadowstats.com
OVERVIEW

Given the Downturn Induced by FOMC Tightening in Late-2018, Some Economic Series Have Recovered 2020 Pre-Pandemic Highs, but Not Their Pre-Economic Downturn Highs

January 2021 Cass Freight Index® Showed Its Fourth Month of Positive Annual Growth, Recovering Pre-Pandemic Activity

Yet, the Cass Freight Index® Also Continued in Its Non-Recovering, Two-Year Stacked Economic Contraction

Despite a Monthly Gain in January Manufacturing, Related Payrolls Turned Lower in the Month

Also Running Contrary to Weakening, Related Underlying Labor Activity, Real Retail Sales Exploded Amidst Unusual Seasonal Adjustments

In Context of Weakening Construction Labor, January Building Permits Surged, While Unstable Housing Starts Showed Collapsing Activity

January 2021 Monthly PPI Inflation Was the Highest in Its 10-Year History

Holdings of Physical Gold and Silver Help Investors Preserve the Purchasing Power of Their U.S. Dollar Assets Against Dollar-Debasing Inflation

Darkening Economic Outlook Continues to Intensify for Early First-Quarter 2021. Subsequent to ShadowStats Economic Commentary, Issue No. 1455, which covered the bulk of December 2020 economic releases, Flash Commentary, Issue No. 1456, which reviewed the initial Fourth-Quarter 2020 GDP estimate, among other areas, and prior Flash Commentary, Issue No. 1457, which covered January Labor Data, CPI and Money Supply numbers, today’s Flash Commentary, Issue No. 1458 provides significant further economic updates for January 2021, including the Cass Freight Index®, Industrial Production, Real Retail Sales, New Residential Construction and headline CPI and PPI inflation. Key economic releases of the last two weeks or so are covered here, specifically in:

Section 1 – Cass Freight Index® – January 2021, beginning on page 9, showed a fourth consecutive month of year-to-year increase, while continuing in ongoing, consecutive two-year stacked declines, holding below levels of activity seen in January 2019. Plots of the year-to-year and two-year changes are included, along with parallel plots of some related series.
Section 2 – Index of Industrial Production – January 2021, beginning on page 14, also remained down with its two-year change, as did its Manufacturing and Mining Sectors. U.S. Manufacturing has yet to recover its pre-Great Recession (2007) peak levels of activity.

Section 3 – Real Retail Sales – January 2021, beginning on page 24, showed a deepening quarterly contraction in Fourth-Quarter 2020, in revision but exploded in its initial January 2021 estimate, despite related downturns in underlying employment activity.

Section 4 – New Residential Construction – January 2021, beginning on page 30, showed statistically meaningful gains in Building Permits, but the declines in Housing Starts were not statistically meaningful, although they were more consistent with underlying labor trends.

Section 5 – Producer and Consumer Prices Indices – January 2021 Produce Price Index, beginning on page 37, showed a record monthly gain in the 10-year old series. For comparison purposes, details of the previously reviewed January 2021 Consumer Price Index (see prior Issue No. 1457) are repeated here. Unfolding Oil-Industry developments and Monetary conditions suggest inflation may be about to pick up meaningfully.


[Section 1 – Coverage of the January 2021 Cass Freight Index® begins on the next page.]
Section 1 – Cass Freight Index® – January 2021

Some Sectors of the Economy Have Recovered Pre-Pandemic Collapse Levels

Yet, Most of Those Sectors Still Have NotRecovered from the FOMC-Induced Economic Downturn That Began in Late-2018, Early-2019

January 2021 Cass Freight Index® Gained 8.6% Year-to-Year, but Still Was Down by 1.6% (-1.6%) from Two Years Ago; Freight Rates Surged 10% Year-to-Year. The January 2021 Cass Freight Index® gained year-to-year for the fourth straight month, but continued in contraction from two years ago for the 16th straight month, as released February 18th by CassInfo.com (see detail at https://www.cassinfo.com/freight-audit-payment/cass-transportation-indexes/january-2021). Beyond the headline Index numbers, the current monthly Cass Report also raised meaningful issues as to rapidly rising freight rates, and discusses how COVID-19 problems have disrupted timely unloading of cargo ships, with resulting production disruptions extending into domestic manufacturing and production costs.

The January 2021 Cass Freight Index® gained 8.61%, year-to-year, following annual gains of 6.65%, 2.67% and 2.43% back to October 2020, and a 1.84% (-1.84%) annual decline in September 2020. Those year-to-year increases in freight activity were the first seen since the Federal Reserve’s tightening of November 2018 began strangling U.S. Economic Activity. As much of the economy declined into an unofficial “recession,” Freight Activity and the Cass Freight Index® did, too (see Graphs 1 to 8, beginning on the next page). As of January 2021, the “Two-Year Stacked Change” in the Index held negative for the 16th straight month, down by 1.60% (-1.60%) from January 2019 (see Graphs 3 and 4). In like manner, the “Two-Year Stacked Change” in U.S. Manufacturing held negative for the 19th straight month, down by 1.84% (-1.84%) from January 2019. What that means is that although freight activity and some of parts of the U.S. economy have recovered their 2020 pre-Pandemic levels [manufacturing has not recovered that level], those pre-Pandemic levels already were below actual peak freight and economic activity at the end of 2018, when the Fed began its tightening. Freight and related areas such as Manufacturing still have not recovered their true (albeit unofficial) pre-recession peaks, which, again, were pre-Pandemic, also discussed briefly in the Section 2 – Index of Industrial Production, beginning on page 14.

Graphs 1 and 3 plot the unadjusted level of the Cass Freight Index® along with its 12-month trailing or moving average, plus the year-to-year change in the Index, against formal recessions since 2000 (darker-blue shading), as well as against prospective or “missed” recessions (lighter-blue shading) of recent decades, discussed frequently here. Graphs 2 and 4 respectively show the seasonally-adjusted Freight Index, and a plot of Two-Year Change in activity. Graphs 5 to 8 plot a variety of measures tied to Industrial Production and related Capacity Utilization, where peaks and troughs in Utilization traditionally have been used to establish the timing of the U.S. business cycle, specifically recessions. Those latter measures have yet to recover pre-Pandemic or pre-2019 FOMC action highs.
ShadowStats regularly follows and analyzes the Cass Freight Index® as a highest-quality coincident and leading indicator of underlying economic reality. We thank Cass for their permission to graph and to use their numbers in our Commentaries.

*Graph 1: Cass Freight Index®, Re-Indexed to January 2000 = 100, Unadjusted, (2000 to January 2021)*

![Graph 1: Cass Freight Index®, Re-Indexed to January 2000 = 100, Unadjusted, (2000 to January 2021)](image)

*Graph 2: Cass Freight Index®, Seasonally Adjusted, Re-Indexed to Jan 2000 = 100 (2000 to January 2021)*

![Graph 2: Cass Freight Index®, Seasonally Adjusted, Re-Indexed to Jan 2000 = 100 (2000 to January 2021)](image)
Graph 3: Cass Freight Index®, One Year, Year-to-Year Percent Change (2000 to January 2021)

Cass Freight Index®
Year-to-Year Percent Change, to January 2021
Plotted Against Formal and Unofficial Recessions
Not Seasonally Adjusted [ShadowStats, CassInfo.com]

Graph 4: Cass Freight Index®, Two-Year "Stacked" Percent Change (2000 to January 2021)

Cass Freight Index®
"Stacked" Two-Year Percent Change, to January 2021
Plotted Against Formal and Unofficial Recessions
Unadjusted [ShadowStats, CassInfo.com]
Graph 5: Capacity Utilization (2000 to January 2021)

Monthly Capacity Utilization: Total U.S. Industry to January 2021
Plotted Against Formal and Unofficial Recessions
Percent of Capacity, Seasonally-Adjusted [ShadowStats, FRB]

Graph 6: Capacity Utilization, Headline and Smoothed 12-Month Moving Average (2000 to January 2021)

Capacity Utilization: Total U.S. Industry
Plotted Against Formal and Unofficial Recessions, 2000 to January 2021
Percent of Industrial Capacity, Seasonally-Adjusted [ShadowStats, FRB]
Graph 7: Manufacturing, Headline and Smoothed 12-Month Moving Average (2000 to January 2021)

U.S. Manufacturing (Re-Indexed to January 2000 = 100)
Monthly and 12-Month Moving Average, to January 2021
Plotted Against Formal and Unofficial Recessions
Seasonally-Adjusted [ShadowStats, FRB]

Graph 8: Mining – Oil Exploration (January 2000 to January 2021)

Mining - Oil Exploration (2012 = 100)
Plotted Against Formal and Unofficial Recessions
Level to January 2021, Seasonally-Adjusted [ShadowStats, FRB]
Section 2 – Industrial Production – January 2021

January 2021 Industrial Production gained 0.93% month-to-month, on top of upwardly revised December 2020 activity, yet the January detail showed the 17th straight monthly year-to-year decline in Production (beginning seven months before the Pandemic). Reported February 17th by the Federal Reserve Board (FRB), headline January Industrial Production gained 0.93% in the month [up by 1.38%, net of the prior month’s revisions], down year-to-year by 1.83% (-1.83%), versus an annual decline of 3.15% (-3.15%) in December 2020. The patterns of movement in total Industrial Production are reflected in Graphs 9 to 14, with each successive series of graphs showing a narrowed timeframe of plotted detail, ranging from 102 years to the last 25 months. The aggregate Industrial Production numbers are composed of:

1. The Manufacturing Sector, which gained 1.00% in the month of January [up by 1.64%, net of the prior month’s revisions], and was down year-to-year by 1.04% (-1.04%) in January 2021, versus an annual decline of 2.14% (-2.14%) in December 2020 (see Graphs 15 to 22). Consider that Graphs 21 and 22 plot the flattening headline monthly levels of and annual growth in Manufacturing Employment, which do not support the headline level of Manufacturing activity.

2. The Mining Sector, which gained 2.52% in the month of January [up by 1.94%, net of the prior month’s revisions], down year-to-year by 11.15% (-11.15%), versus an annual decline of 12.65% (-12.65%) in December 2020 (see Graphs 23 and 24).

3. The residual balancing numbers always are in the weather-randomized activity of the Utility Sector (see Graphs 25 and 26).

In context of the headline monthly gains and uptrend in annual growth reflected in Graphs 19 and 20 of Manufacturing activity, consider the flattened activity the related Graphs 21 and 22 of Manufacturing Employment (beginning on page 21).

Keep in mind the year-to-year change in aggregate Production already had turned negative in September 2019, thanks to the Fed’s excessive tightening efforts to slow the economy. As a result, Industrial Production has been in annual decline for seventeen straight months.

Again, the following series of graphs show successively shorter timeframes for Industrial Production and its dominant Manufacturing Sector, down to the most recent 25-month period, with related employment detail tied to the short-range Manufacturing plots, along with standard plots of Mining and Utilities since 2000.

[Graphs 9 to 26 begin on the next page.]
Graph 9: Industrial Production (1919 to January 2021)

Index of Industrial Production (2012 = 100)
102 Years of Industrial Production Jan 1919 to Jan 2021
Seasonally-Adjusted [ShadowStats, Federal Reserve Board]

Graph 10: Industrial Production, Year-to-Year Percent Change (1920 to January 2021)

Industrial Production (Year-to-Year Percent Change)
Jan 1920 to Jan 2021, Seasonally-Adjusted [ShadowStats, FRB]
Graph 11: Industrial Production (January 2000 to January 2021)

Index of Industrial Production (2012 = 100)
January 2000 to January 2021, Seasonally-Adjusted [ShadowStats, FRB]

Graph 12: Industrial Production, Year-to-Year Change (January 2000 to January 2021)

Industrial Production (Year-to-Year Percent Change)
To January 2021, Seasonally-Adjusted [ShadowStats, FRB]
Graph 13: Industrial Production (January 2019 to January 2021)

Graph 14: Industrial Production, Year-to-Year Change (January 2019 to January 2021)
**Graph 15: Manufacturing Level (1919 to January 2021)**

Manufacturing Sector of Industrial Production (2012 = 100)
102 Years of Manufacturing, January 1919 to January 2021
Seasonally-Adjusted [ShadowStats, Federal Reserve Board]

**Graph 16: Manufacturing, Year-to-Year Percent Change (1920 to January 2021)**

Manufacturing Sector (Year-to-Year Percent Change)
January 1920 to January 2021, Seasonally-Adjusted [ShadowStats, FRB]
**Graph 17: Manufacturing Level (January 2000 to January 2021)**

Manufacturing (SIC) Sector of Industrial Production (2012 = 100)
Level 2000 to January 2021, Seasonally-Adjusted [ShadowStats, FRB]

**Graph 18: Manufacturing, Year-to-Year Percent Change (January 2000 to January 2021)**

Manufacturing Sector (Yr-to-Yr Percent Change)
To January 2021, Seasonally-Adjusted [ShadowStats, FRB]
Graph 19: Manufacturing Level (January 2019 to January 2021)

Manufacturing
January 2019 to January 2021, Seasonally-Adjusted [ShadowStats, FRB]

Graph 20: Manufacturing, Year-to-Year Percent Change (January 2019 to January 2021)

Manufacturing (Year-to-Year Percent Change)
To January 2021, Seasonally-Adjusted [ShadowStats, FRB]
Graph 21: Manufacturing - Payroll Employment (January 2019 to January 2021)

Headline Manufacturing Payrolls - Monthly Level in Millions
January 2019 to January 2021, Seasonally Adjusted [ShadowStats, BLS]

Graph 22: Manufacturing - Payroll Employment, Year-to-Year Change (January 2019 to January 2021)

Manufacturing Payrolls Year-to-Year Percent Change
January 2019 to January 2021, Not Seasonally Adjusted [ShadowStats, BLS]
Graph 23: Mining Activity (January 2000 to January 2021)

Mining Sector of Industrial Production (Including Oil & Gas)
2000 to January 2021, (2012 = 100) Seasonally-Adjusted [ShadowStats, FRB]

Graph 24: Mining, Year-to-Year Percent Change (January 2000 to January 2021)

Mining Sector of Industrial Production (Yr-to-Yr % Change)
2000 to January 2021, Seasonally-Adjusted [ShadowStats, FRB]
Graph 25: Utilities (January 2000 to January 2021)

Utilities Sector - Industrial Production (2012 = 100)
Level to January 2021, Seasonally-Adjusted [ShadowStats, FRB]

Graph 26 Utilities, Year-to-Year Percent Change (January 2000 to January 2021)

Utilities Sector of Industrial Production (Yr-to-Yr % Change)
To January 2021, Seasonally-Adjusted [ShadowStats, FRB]
Section 3 – Real Retail Sales – January 2021

Real Fourth-Quarter 2020 Retail Sales Annualized Quarterly Contraction Deepened to 1.1% (-1.1%) from 0.8% (-0.8%)]

January 2021 Monthly Real Sales Explosion Was Not Credible on Several Fronts, Particularly Tied To Declining, Related Labor Numbers

Allowing for sharp, downside prior-period revisions, and for unusually volatile, strongly positive seasonal adjustments, the heavily enhanced January 2021 Real Retail Sales headline adjusted annual and monthly gains of 7.4% and 5.3% still reflected an unusually strong showing. Reported February 17th by the Census Bureau, in the context of annual revisions to the seasonally-adjusted CPI-U, and related revisions to Real Retail Sales (see Section 5 – Producer and Consumer Prices Indices – January 2021), real sales contracted at annualized quarterly rates of 0.5% (-0.5%) in Fourth-Quarter 2019 (Pre-Pandemic), by 9.6% (-9.6%) in First-Quarter 2020, by 23.1% (-23.1%) in Second-Quarter 2020, gained 62.7% in Third-Quarter 2020, but fell back into a quarterly contraction of 1.1% (-1.1%) [previously 0.8% (-0.8%)] in Fourth-Quarter 2020. Headline January 2021 activity was off to a record start, with respective headline nominal monthly and annual gains of 5.3% and 7.4%. Beyond both the monthly and annual gains being boosted by relative downside revisions to the month-ago December 2020 and year-ago January 2020 numbers, consider that the headline “unadjusted” annual gain of 7.4% was 5.8% seasonally adjusted, an indication of unusual seasonal-adjustment patterns in play.

Regular monthly reporting games aside, the headline, seasonally-adjusted January 2021 Real Retail Sales (deflated by the CPI-U, as usually followed by ShadowStats, and otherwise as calculated by the St. Louis Fed) showed January 2021 sales up by 5.0% in the month and by 6.0% year-to-year, December 2020 sales down by 1.3% (-1.3%) in the month, up 1.2% year-to-year and November 2020 sales down by 1.4% (-1.4%) in the month, up 2.6% year-to-year. A major problem with these happy numbers is that they are not supported, yet, by underlying activity in related Retail Trade and Leisure & Hospitality Payroll Employment. In context of the headline monthly gains and uptrend in annual growth reflected in the short-term Graphs 31 and 32 of surging Retail Sales activity, consider the declining activity in related Graphs 33 to 36 of Retail Trade and Leisure & Hospitality Employment (beginning on page 28).

The following series of Graphs 27 to 32 graphs show successively shorter timeframes for the Real Retail Sales series, down to the most recent twenty-five month period, with related employment detail tied to the short-range Retail Trade and Leisure & Hospitality sectors encompassed by the Retail industry, as plotted in Graphs 33 to 36.

[Graphs 27 to 36 begin on the next page.]
Graph 27: Real Retail Sales (1947 to January 2021)

Real Retail Sales (Deflated by the CPI-U)
1947 to January 2021, Seasonally-Adjusted [ShadowStats, St. Louis Fed]

Graph 28: Real Retail Sales, Year-to-Year Change (1948 to January 2021)

Real Retail Sales Year-to-Year Percent Change
1948 to January 2021, Seasonally-Adjusted [ShadowStats, St. Louis Fed]
Graph 29: Real Retail Sales (2000 to January 2021)

Graph 30: Real Retail Sales, Year-to-Year Percent Change (2000 to January 2021)
**Graph 31: Real Retail Sales (January 2019 to January 2021)**

Real Retail Sales, January 2019 to January 2021
Seasonally-Adjusted [ShadowStats, Census Bureau]

![Graph 31: Real Retail Sales (January 2019 to January 2021)](image)

**Graph 32: Real Retail Sales, Year-to-Year Percent Change (January 2019 to January 2021)**

Real Retail Sales (Year-to-Year Percent Change)
To January 2021, Not Seasonally Adjusted [ShadowStats, Census Bureau]

![Graph 32: Real Retail Sales, Year-to-Year Percent Change (January 2019 to January 2021)](image)
**Graph 33: Retail Trade Payroll Employment (January 2019 to January 2021)**

Retail Trade Payrolls - Monthly Level in Millions
Jan 2019 to Jan 2021, Seasonally Adjusted [ShadowStats, BLS]

**Graph 34: Retail Trade - Payroll Employment, Year-to-Year Change (January 2019 to January 2021)**

Retail Trade Employment Year-to-Year Percent Change
Jan 2019 to Jan 2021, Not Seasonally Adjusted [ShadowStats, BLS]
Section 4 – New Residential Construction begins on the next page.
Section 4 – New Residential Construction – January 2021

January 2021 Building Permits Jumped Meaningfully Month-to-Month and Year-to-Year

Yet, Housing Starts Declined Month-to-Month and Year-to-Year, Suggestive of Increasingly Negative Economic Pressures

January 2021 Housing Starts Plunged 6.0% (-6.0%) in Context of Regular Nonsense Monthly Volatility, While Building Permits Exploded by a Statistically Meaningful 10.4%. Reported February 18th by the Commerce Department, January 2021 Housing Starts plunged in context of regularly extreme, nonsensical monthly volatility, while Building Permits showed a meaningful surge. January 2021 Building Permits gained a statistically meaningful 10.4% [90% confidence interval] month-to-month, and 22.5% year-to-year, on top of a 0.3% (-0.3%) downside revision to December activity.

In contrast, January Housing Starts declined by a far from statistically meaningful 6.0% (-6.0%) in the month, and by 2.3% (-2.3%) year-to-year, on top of a 0.7% upside revision to December 2020, and a 1.6% (-1.6%) downside revision to November 2020 Starts.

As headlined, January 2021 Building Permits and Housing Starts respectively had rebounded by 76.5% and 69.2% from their Pandemic-driven April 2020 troughs, and stood 22.5% above and 2.3% (-2.3%) below their respective January 2020 pre-Pandemic levels. That said, both headline January 2021 Permits and Starts still held shy of ever recovering their pre-Great Recession peak levels of activity, respectively by 16.7% (-16.7%) and 30.5% (-30.5%).

The regular Housing Starts and Building Permits Graphs 37 to 48 begin on the next page. In context of the headline, monthly surge in January Building Permits and downturn in Housing Starts, with the short-term plot of Starts reflected in Graphs 45 and 46, consider the downturn in the related Graphs 47 and 48 of Construction Employment (beginning on page 36).

[Graphs 37 to 48 begin on the next page.]
Graph 37: Housing Starts, Monthly Rate (1946 to January 2021)

Housing Starts (Annual Rate by Month)
1946 to January 2021, Seasonally-Adjusted [ShadowStats, Census and HUD]

Graph 38: Housing Starts, Year-to-Year Change (1947 to January 2021)

Housing Starts (Yr-to-Yr Percent Change)
1947 to January 2021, Seasonally-Adjusted [ShadowStats, Census and HUD]
Graph 39: Housing Starts, Monthly Rate (2000 to January 2021)

Housing Starts (Annual Rate by Month)
January 2000 to January 2021, Seasonally-Adjusted [ShadowStats, Census]

Graph 40: Housing Starts, Year-to-Year Change (2000 to January 2021)

Housing Starts (Yr-to-Yr Percent Change)
January 2020 to January 2021, Seasonally-Adjusted [Census Bureau]
Graph 41: Single- and Multiple-Unit Housing Starts (Monthly Rate), 2000 to January 2021

Single- and Multiple-Unit Housing Starts (Additive Monthly Rate)
To January 2021, Seasonally-Adjusted [ShadowStats, Census and HUD]

Graph 42: Single- and Multiple-Unit Housing Starts (Six-Month Moving Average), 2000 to January 2021

Single- and Multiple-Unit Starts (Additive 6-Month Moving Average)
To January 2021, Seasonally-Adjusted [ShadowStats, Census and HUD]
Graph 43: Building Permits, Monthly Rate (2000 to January 2021)

Building Permits (Monthly Rate)
To January 2021, Seasonally-Adjusted [ShadowStats, Census and HUD]

Graph 44: Building Permits Monthly, Year-to-Year Change (2000 to January 2021)

Building Permits (Year-to-Year Change by Month)
To January 2021, Seasonally-Adjusted [ShadowStats, Census and HUD]
Graph 45: Housing Starts (January 2019 to January 2021)

Housing Starts, January 2019 to January 2021
Seasonally-Adjusted [ShadowStats, Census Bureau]

Graph 46: Housing Starts, Year-to-Year Change (January 2019 to January 2021)

Housing Starts (Year-to-Year Percent Change)
To January 2021, Seasonally Adjusted [ShadowStats, Census Bureau]
**Graph 47: Construction - Payroll Employment (January 2019 to January 2021)**

*Headline Construction Payrolls - Monthly Level in Millions*
Jan 2019 to Jan 2020, Seasonally Adjusted [ShadowStats, BLS]

**Graph 48: Construction - Payroll Employment, Year-to-Year Change (January 2019 to January 2021)**

*Construction Payrolls Year-to-Year Percent Change*
Jan 2019 to Jan 2021, Not Seasonally Adjusted [ShadowStats, BLS]
Section 5 – January 2021 Consumer and Producer Price Indices

January 2021 Producer Price Index Showed a Record Monthly Gain of 1.3%

PPI Final-Demand Goods Inflation Annual Inflation Hit a 12-Month High 1.3%

Amidst Surging Oil Prices, Annual CPI Inflation Hit a 10-Month High of 1.4%

January 2021 Aggregate (Goods and Services) Producer Price Index-Final Demand (PPI-FD) monthly inflation jumped by an historic 1.34% month-to-month, with “Core” Goods Inflation up by a record 0.75%. Noted February 17th by the Bureau of Labor Statistics (BLS), the January 2021 monthly [aggregate headline] price “... advance is the largest since the index began in December 2009.” The unusual factor here remains that within the dominant, mal-defined “Services” sector or sub-index of the PPI, rising gasoline prices create “negative inflation pressures” on profit margins, as seen again in the January reporting, yet the monthly inflation in that definitionally impaired sector still held at 1.32%.

Most often, those “Services” sector, negative profit-margin inflation pressures meaningfully offset inflation pressures in the “Goods” sector, which otherwise often moves with Energy prices, as commonly seen otherwise in the Consumer Price Index (CPI). The January 2021 aggregate PPI-FD inflation rose by 1.68% year-to-year, the highest annual reading since January 2020, with the PPI-FD Goods annual inflation also at a 12-month high of 1.38%, as reflected in Graph 49.

Graph 49: Headline PPI – Final-Demand Goods annual Inflation (December 2010 to January 2021)
The more traditional, better-quality “Goods” PPI sub-index showed an eight-month high monthly gain of 1.38%, up from 1.04% in December 2020, with unadjusted annual inflation at a 12-month high of 1.29%. All the headline seasonally adjusted numbers just went through minimal benchmark revisions back to 2016. The composite “Goods” index in January 2021 reflected a 5.12% monthly jump in the Energy Sector, a 0.24% gain in in the Food Sector and a record monthly gain of 0.75% in “Core” inflation Sector. Separately the January 2021 PPI index for Construction showed annual inflation at 0.77%, a four-year low, for the fourth month, despite continued soaring materials prices and building costs headlined in Construction Industry publications.

Spiked by a Seasonally Adjusted 7.4% Monthly Jump in Gasoline Prices, January 2021 CPI Inflation Gained the Expected 0.3%, on top of a Downwardly Revised 0.2% Gain in December.

Largely repeated here from prior Flash Commentary, Issue No. 1457, and as reported February 10th by the BLS, annual January 2021 CPI-U inflation gained 1.4%, unchanged at the first decimal point against 1.4% in December 2020, held back by slowing annual Food and “Core” inflation, despite surging Gasoline and Energy Prices.

In context of regular January 2021 revisions to the last five years of seasonally adjusted CPI-U history (the unadjusted series never is revised), January 2021 CPI-U gained 0.26% (adjusted) in the month, 1.40% (unadjusted) year-to-year, following a downwardly revised monthly gain in December of 0.24% [previously 0.37%], and an unrevised annual gain of 1.36%. The revamped history of the seasonally-adjusted CPI-U series has direct, parallel impact on the inflation- and seasonally-adjusted monthly and quarterly growth in Real Retail Sales (see Section 3 – Real Retail Sales – January 2021, beginning on page 24). That said, given the unusually large, dramatic scale of the swing in Pandemic-disrupted Retail Sales activity, the impact of the CPI-U seasonal-adjustment revisions are visually negligible and are plotted here only on a revised basis.

With the revised seasonals, annualized Fourth-Quarter 2020 CPI-U revised from 2.2% to 2.4%, with Third-Quarter 2020 revising from 5.2% to 4.7%. Reflecting an unadjusted and unrevised monthly surge of 6.9% in January 2021 Gasoline prices, the year-to-year decline in prices narrowed to 8.6% (-8.6%), from 15.2% (-15.2%) in December 2020, and to 3.6% (-3.6%) in January 2021, from 7.0% (-7.0%) for the full Energy Sector inflation, boosting relative month-to-month CPI-U inflation. A continuing monthly surge in February 2021 Gasoline prices suggest a further monthly increase in the headline the February CPI, with further narrowing in the annual year-to-decline in gasoline prices.

In contrast, the unadjusted January 2021 year-to-year inflation gains in the Food and “Core” (ex-Food and Energy) Sectors declined respectively from 3.9% to 3.8% and from 1.6% to 1.4%, softening headline CPI inflation.

The January 2021 ShadowStats Alternate CPI (1980 Base) increased 9.2% year-to-year, up from 9.0% in December 2020, 8.8% in November and against 8.9% in October. Again, repeated from Flash Commentary, Issue No. 1457 for comparison purposes, following Graph 50 plots the ShadowStats Alternate CPI-U estimate, which restates current headline CPI-U inflation so as to reverse the government’s inflation-reducing gimmicks of the last four decades, otherwise specifically designed to reduce/understate U.S. Government Cost of Living Adjustments (COLAs).
2021 Social Security COLA should be about 9.0%, not the headline 1.3%. ShadowStats Alternate annual average inflation was 8.9% in 2020, down from 9.5% in 2019. Where the 2021 Social Security Cost of Living Adjustment (COLA) formally was set at 1.3%, based on the headline year-to-year change in the September 2020 CPI-W, a more realistic number would have been 9.0%, using ShadowStats corrective adjustments. Dodging expensive COLAs has been the primary motivation behind Federal Government moves to gimmick headline inflation reporting, a practice generally encouraged over the years by the Federal Reserve, as will be discussed in the pending ShadowStats Benchmark Commentary.

Related graphs and methodology are available on the updated ALTERNATE DATA tab on the www.ShadowStats.com home page, along with data downloads and an Inflation Calculator.

Graph 50: Headline CPI-U versus ShadowStats Alternate Inflation, (1970 to January 2021)
Section 6 - Financial Markets and Graphs
Updated Through Trading on February 23, 2021

Irrespective of Massive Economic Stimulus, Major U.S. Dollar Deposition Will Continue

**Holding Physical Gold, Silver and More Stable Currencies, Such as the Swiss Franc, Protects U.S. Dollar Purchasing Power**

At or Just Off Historic Highs, the Current DJIA® and S&P 500® Remain Inconsistent With Horrific Economic Conditions

Collapsing Economic Activity Usually Is Not Long-Term Bullish for the Equity Markets

Watch for Continued, Intensifying Weakness in the U.S. Dollar

[Please note that today’s February 24th Flash Commentary No. 1458 went to press before the U.S. financial markets opened for the day. Hence, Graphs 51 to 59 reflect closing market prices or values for February 23rd.]

The DJIA® and S&P 500® Crashed in the Pandemic, Have Recovered and Exceeded Pre-Pandemic Historic Highs, but Have Had Mixed Results Versus Gold and the Swiss Franc. Where the Dow Jones Industrial Average® (DJIA) and S&P 500® (S&P) hit respective historic highs on February 12th and 19th in 2020, both indices crashed, respectively by 37.1% (-37.1%) and 33.9% (-33.9%) through March 23rd. Both Indices since have recovered their pre-Pandemic peaks and have gone on to set recent new closing highs. Where the DJIA never recovered its equivalent pre-crash levels of Gold and the Swiss Franc, viewed as alternatives going into the Pandemic-driven crash, the S&P has recovered both minimally.

**Graphs 51 and 52** plot the Dow Jones Industrial Average and the S&P 500 against Gold (London PM Fix, when available) and the Swiss Franc (CHF, 4 PM New York), with each instrument set equal to 100.0, coincident with the then pre-Coronavirus stock-market record closing highs in February 2020. Massive new fiscal and monetary stimuli loom for the United States economy and markets in the year ahead. Both Gold and the CHF should continue to help preserve the purchasing power of Investors’ dollars. Where DJIA and S&P 500 pre-Pandemic peaks were a week apart, indexing of the pre-Pandemic peak close, and same-day Gold and Swiss Franc all to 100 varies slightly between the graphs. Extended review of potential U.S. economic, inflation and financial-market conditions (including interest rates, equities and precious metals) follows in the pending **ShadowStats Benchmark Economic Commentary**.
Flight from the U.S. Dollar Accelerates. Given the darkening outlook for the domestic U.S. economy, the massive ongoing Monetary Stimulus from the Federal Reserve and the massive ongoing Fiscal Stimulus proposed by the Administration, the best bet here remains that there will be significant future inflation. Stock prices often will move higher with inflation. Yet, in the context of ongoing accelerating economic collapse, that circumstance suggests a better option is holding assets in the physical precious metals of gold and silver, and in stronger currencies versus the U.S. dollar such as the Swiss Franc.

U.S. Dollar Weakness Has Intensified on Varied Fronts. The U.S. Dollar (USD) on Trade-Weighted (the Fed’s AFE measure) and Financial-Weighted (ShadowStats) bases were down respectively year-to-year by 8.0% (-8.0%) and 9.2% (-9.2%), as of February 23rd [see Graphs 55 and 56]. At the same time, the annual decline in the USD has exceeded 8.0% (-8.0%) versus the Swiss Franc, Euro and British Pound, with the year-to-year drop against the Australian Dollar (AUD) pushing 15% (-15%). Where the Dollar weakness against the CHF has been of longer standing, the latter AUD circumstance appears to be timed primarily against the 2020 U.S. Presidential Election results in November.

U.S. Inflation Pressures Continue to Mount from Rising Oil Prices. U.S. gasoline prices continue to soar, on top of surging oil prices (see Graph 59), headline February 2021 CPI inflation should continue to pick up month-to-month and year-to-year, against last year’s Oil Price War.

[Regular Financial-Market Graphs 51 to 59 begin on the next page.]
Graph 51: February 3, 2020 to February 23, 2021 Daily Financial Markets (Dow Jones Industrial Average)

February 3, 2020 to February 23, 2021 Financial Markets
Dow Jones Industrial Average vs. Gold and Swiss Franc
DJIA, Gold and CHF All Indexed to Feb 12 = 100 (DJIA Then All-Time High)

February 3, 2020 to February 23, 2021 Financial Markets
S&P 500 vs. Gold and Swiss Franc
S&P 500, Gold, CHF Indexed to Feb 19 = 100 (S&P 500 Then All-Time High)
Graph 53: Dow Jones Industrial Average versus Gold (Monthly Average and Latest)

London P.M. Gold Fix versus the Dow Jones Industrial Average
Monthly Average Jan 2000 to Jan 2021, Indexed to Jan 2000 = 100
PM Gold Fix, Dow Jones Industrial Average Close Feb 23, 2021
[ShadowStats, St. Louis Fed, S&P Dow Jones Indices, Kitco]

Graph 54: Total Return S&P 500® versus Gold (Month-End and Latest)

London P.M. Gold Fix versus the Total Return S&P 500® Index (Reinvested Dividends)
Month-End Jan 2000 to Jan 2021, Indexed to Jan 2000 = 100
PM Gold Fix, S&P Total Return NY Close Feb 23, 2021
[ShadowStats, St. Louis Fed, S&P Dow Jones, Kitco]
**Graph 55: U.S. Financial- vs. Trade-Weighted U.S. Dollar**

**Financial- vs. Trade-Weighted Advanced Foreign Economies (AFE) U.S. Dollar**
Monthly Average Indices through Jan 2021
Last Point is Late-Day N.Y. for Feb 23, 2021
ShadowStats FWD and FRB AFE Major Currency TWD
Indices, Jan 1985 = 100 [ShadowStats, FRB, WSJ]

![Financial- vs. Trade-Weighted Advanced Foreign Economies (AFE) U.S. Dollar](image)

**Graph 56: U.S. Financial- vs. Trade-Weighted U.S. Dollar, Year-to-Year Change**

**Financial- vs. Trade-Weighted AFE U.S. Dollar**
Monthly Average Year-to-Year Percent Change to Jan 2021
Last Point is Late-Day New York for Feb 23, 2021
ShadowStats FWD-C and FRB Major Currency TWD Indices
[ShadowStats, FRB, WSJ]

![Financial- vs. Trade-Weighted AFE U.S. Dollar, Year-to-Year Change](image)

Graph 57: Gold versus Swiss Franc

Gold versus Swiss Franc (CHF) in U.S. Dollars
Monthly Average Price or Exchange Rate to January 2021
Latest Points - February 23, 2021 [ShadowStats, Kitco, FRB, WSJ]

Graph 58: Gold versus Silver

Gold versus Silver Price Levels
Monthly Average Price in U.S. Dollars per Troy Ounce to January 2021
Latest Points - February 23, 2021 [ShadowStats, Kitco, Stooq]
Graph 59: Gold versus Oil

Gold versus Oil (Brent/WTI)
Monthly Average Prices to January 2021, Pre-1987 is WTI
Latest Points - February 23, 2021 [ShadowStats, Kitco, EIA]