

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

**SHADOWSTATS BULLET EDITION NUMBER TEN**

**May 22, 2019**

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**FREIGHT, PRODUCTION, RETAIL, CONSTRUCTION, CONSUMER OPTIMISM**

**Economic Downturn Continued into Second-Quarter 2019;  
Faltering April Freight Volume Presaged Declines in Production and Retail Sales**

**April Manufacturing Turned Negative Year-to-Year for First Time Since 2015,  
When Freight Volume Also Turned Negative, Signaling the Onset of an  
Unofficial Double-Dip Recession in Production and Manufacturing**

**Production and Manufacturing Suffered Heavy Downside Revisions  
Along With Unexpected Sharp Declines in April Activity**

**April Single-Unit Building Permits Signaled an Unexpected Deepening Downturn**

**April Existing-Home Sales Declined Month-to-Month and Year-to Year**

**Fourth-Quarter 2018 and First-Quarter 2019 Quarterly Contractions in  
Real Retail Sales Held in Place, Along With an Unexpected, Sharp April Decline**

**Shutdown-Disrupted Retail Sales Data Remain of Suspect Quality**

**Latest Round of Economic Data Implied Downside Revisions to  
First-Quarter 2019 GDP, With an Intensifying Second-Quarter Downturn**

**Surging Consumer Optimism Tends to Mirror the Tone of the Popular Press**

**Market Sentiment Should Continue Shifting Towards Renewed Fed Easing**

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**Note to Subscribers:** [\*Special Commentary No. 983-B\*](#) of April 22nd provided extended coverage of the ShadowStats' broad outlook for the U.S. economy and financial markets, with the current economic circumstance updated in [\*Bullet Edition No. 7\*](#), [\*No. 8\*](#), [\*No. 9\*](#) and today's missive. The forecast of a formal new recession has not changed materially, and the major points in *No. 983-B* remain intact. "Advance" first-quarter GDP reporting of 3.2% was overstated meaningfully against underlying economic reality, likely due to government-shutdown distortions and disruptions to headline economic data. Discussed in the *Overview*, unusually large and sharp downside revisions to first-quarter GDP are a fair bet, given major significant revisions just seen with April Industrial Production, and as likely will follow with pending annual benchmark revisions to Retail Sales and other series. The potential remains in play for an outright quarterly contraction in the GDP, in revision, as will be assessed more fully in the context of pending series revisions and hard reporting in the weeks ahead.

**The *ShadowStats* general outlook has not changed, specifically including a deepening U.S. economic downturn, mounting downside pressures on the U.S. dollar and stock market, and upside pressures on gold and silver prices in the weeks and months ahead.**

**Your comments and suggestions are invited; always happy to discuss what is happening.**

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- The *Daily Update* posts regularly on the *ShadowStats* home page ([www.ShadowStats.com](http://www.ShadowStats.com)), covering major economic releases as published by the issuing authorities, usually within two-to-three hours of the headline publication. Unusual market circumstances, as well as the pending *ShadowStats* publishing schedule also are covered.
  - The *Bullet Edition* publishes multiple times per month, as dictated by economic and financial-market developments. Simply put, the *Bullet Edition* conveys brief communications and analyses on topics of particular near-term significance.
    - Today's *Bullet Edition* reviews major economic releases of the last week and implications for the near-term broad economic outlook.
  - *Regular Commentaries* should publish about once per month, providing a broader, more comprehensive overview of unfolding conditions and likely developments, occasionally in the context of a *Special Commentary*.
    - [\*Special Commentary No. 983-B\*](#) posted April 22nd.
    - *Commentary No. 984* is planned to follow the May 30th First-Quarter 2019 GDP revision.
  - *Hyperinflation* and *Consumer Liquidity Watches* should update once per month, with alternating updates roughly every other week. *Consumer Liquidity Watch No. 6* should post May 28th.
  - All *Current* and *Earlier Commentaries* and other writings (back to 2004) are available in the *Archives Section*, left-hand column of the [ShadowStats Home Page](http://www.ShadowStats.com) ([www.ShadowStats.com](http://www.ShadowStats.com)).
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## **Overview: The Economy Keeps Turning Down**

### **Key Data Disappointed Market Expectations**

#### **Consumer Sectors of Production and Housing Took Particularly Heavy Hits**

#### **The Consumer Directly Supports 72% of GDP**

#### **“Booming” GDP Will Prove Short Lived Without Consumer Support**

#### **Some Downside Revision to 1q2019 GDP Is Likely With the May 30th Second Estimate**

#### **FOMC Will Have to Reconsider an Easing in the Near Future**

**April 2019 Industrial Production, Retail Sales and New Residential Construction All Showed Deteriorating Consumer Activity Continuing Into Second-Quarter 2019.** Against flat-to-positive consensus expectations for April Production and Manufacturing, both series declined in the month by 0.5% (-0.5%), on top of downside revisions to earlier months. First-quarter 2019 quarterly contractions deepened in revision, with second-quarter activity starting on even deeper, negative trends for both series. Discussed in the **Industrial Production** section, April Manufacturing turned negative year-to-year for the first time since March 2015, with the headline series still shy of recovering its December 2007 pre-recession peak by 4.9% (-4.9%), continuing its record string of 136 consecutive months of economic non-expansion (a circumstance never seen previously in the 100-plus years of Manufacturing reporting, see *Graph 11*). A major factor in recent downside revisions and intensified rates of decline in these series is Manufacturing of Consumer Goods.

**Retail Sales.** Against expectations of a small positive gain in nominal April 2019 Retail Sales, nominal sales fell in the month by 0.2% (-0.2%), including a 1.1% (-1.1%) drop in Automobile Sales. Net of inflation, real April Retail Sales declined by 0.5% (-0.5%), with both fourth-quarter 2018 and first-quarter 2019 activity holding in their deepening, back-to-back real quarterly contractions (although April declined versus March, it was higher than the first-quarter 2019 average, a potential uptrend going into second-quarter activity). Discussed in the **Retail Sales** section, an unusual shift seen in monthly retail sales revision activity raises questions as to the reporting-quality of the late-fourth-quarter 2018, and the bulk of first-quarter 2019 government shutdown impacted Retail Sales surveying and reporting. The Annual Retail Sales Benchmarking on June 25th (prior to the June 27th Third-Estimate of First-Quarter 2018 GDP, and one month before the July 26th Annual GDP Benchmarking) may well prove key to getting more-realistic headline GDP numbers.

***New Residential Construction.*** Against expectations of a sharp jump in April Housing Starts, Housing Starts jumped in the context of their usual nonsense volatility and statistically meaningless gyrations. Yet, there was one series that was statistically meaningful, Single-Unit Building Permits, mentioned by Grant Noble in one of his recent letters. I have done some new analysis on that series in the later **New Residential Construction Spending** section. The Single-Unit count (Permits or Starts) usually accounts for roughly two-thirds of the aggregate total count (Multiple-Unit counts are wildly unstable in terms of volatility and revisions). Single-Unit Permits is statistically more stable than the Starts series, less revised and often significant in its initial reporting. It also has a 98% coincident (theoretically leading) correlation with its Housing Starts counterpart, once that latter series stabilizes after three-to-four months of revisions. Discussed and plotted later (*Graphs 37 and 38*), April 2019 Single-Unit Building Permits declined for the fifth straight month, down monthly by 4.2% (-4.2%), down year-to-year by 9.4% (-9.4%). Quarterly patterns have shown rapidly deepening quarter-to-quarter contractions from fourth-quarter 2018, to first-quarter 2019 and to early-trend second-quarter 2019.

***Surveys of the Consumer Outlook.*** Discussed in the **Consumer Surveying** section, Consumer Sentiment just jumped to a fifteen year high, with Consumer Confidence off peak, but also elevated in terms of recent history. While that might seem incongruous in an environment of faltering economic activity, that happens frequently, where Sentiment and Confidence often reflect the tone of the popular press.

**May 30th Second Estimate of First-Quarter 2019 GDP Likely Will See Some Downside Revision; Bigger Revisions Loom on June 27th and July 26th; FOMC Easing Remains Likely by September.** Shy of any startling negative revisions to April New Orders for Durable Goods reporting on May 24th, most of the numbers affecting the second estimate of, first revision to First-Quarter 2019 GDP are in place. The second estimate of first-quarter GDP likely will revise somewhat lower in the context of the new Industrial Production numbers, and other data, including new estimates of the Services Sector. Yet, as discussed in [Bullet Edition No. 7](#), [No. 8](#) and [No. 9](#), and confirmed by April 2019 Industrial Production revisions, there remains a missing component tied to weaker consumer activity. That has a fair shot of surfacing in the Retail Sales benchmarking (see the earlier *Retail Sales* paragraph), or it could show up in a much larger inventory buildup. In the latter case, there would be a downside revision to second-quarter “Final Sales” (GDP net of Inventory Change).

Nonetheless, a recession is in play. That is an increasingly uncomfortable circumstance for the Federal Reserve’s Federal Open Market Committee (FOMC), which likely should be easing, possibly with renewed Quantitative Easing, by September 2019, despite current Fed protestations to the contrary. The weakening economic numbers should intensify market expectations for same, increasingly hit the U.S. stock market, the U.S. Dollar and boost gold and silver prices. As headline economic activity weakens sharply, meaningful downtrends in the stocks and the dollar should become dominant, along with rallying precious metals prices, as flight capital (domestic and foreign) increasingly seeks higher rates and safety outside the dollar and U.S. assets.



## Freight Index and Capacity Utilization Signal Unfolding Recession

**The April 2019 CASS Freight Index™ Fell Year-to-Year at a Deepening Pace, and Its 12-Month Moving Average Declined Month-to-Month—Both for the Fifth Straight Month, Signaling Continued Economic Contraction into Second-Quarter 2019.** An independent, reliable private indicator of real-world economic activity and shifting business patterns, unadjusted annual growth in the April 2019 [Cass Freight Index](#)™ declined year-to-year for the fifth straight month, down at a deepening annual pace of 3.24% (-3.24%). Unadjusted year-to-year change is one approach to neutralize seasonality effects on this unadjusted series. The smoothed 12-month-moving average for the Index, also used to neutralize seasonality here, declined for the fifth month, too, having peaked in November 2018. Cass published the April details on May 14th, and we thank them for their permission to plot and use the data.

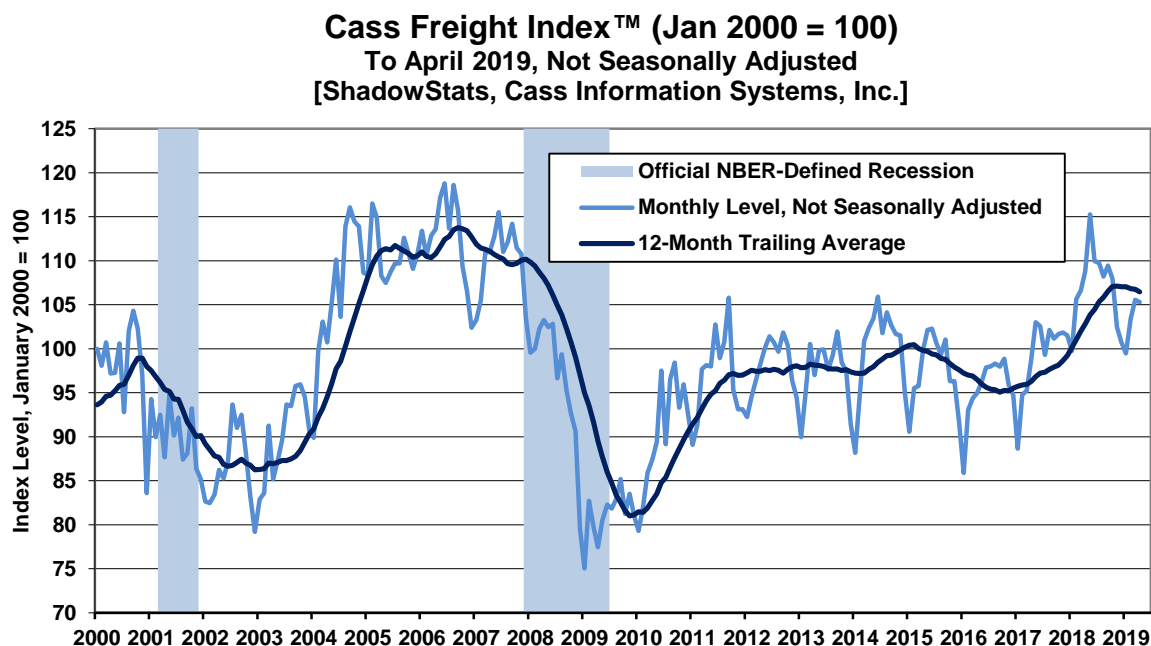
Declining/slowing freight activity has not been seen like this since first-quarter 2015, the onset of an unofficial recession for broad economic series such as Industrial Production, Manufacturing and New Orders for Durable Goods. In tandem with those production-related series, and a large number of other indicators, as reviewed in [Special Commentary No. 983-B](#) and updated here, the Freight Index did signal slowing fourth-quarter 2018 economic activity, a downturn in first-quarter 2019 activity and an indication of continuing downturn into second-quarter 2019. Those patterns foreshadowed and were consistent with the “unexpected” monthly declines in April 2019 Industrial Production, Manufacturing and Retail Sales.

*Graphs 1* and *2* are the standard *ShadowStats* graphs of the level of monthly activity and year-to-year change published by *ShadowStats*. Where the monthly data are not seasonally adjusted, *Graph 1* of the unadjusted monthly activity and a 12-month trailing average of same are plotted together, the raw data along with the 12-month moving average. Again, that latter graph should eliminate any seasonality patterns. In like manner, *Graph 2* plots year-to-year change in the unadjusted series, also eliminating seasonality issues.

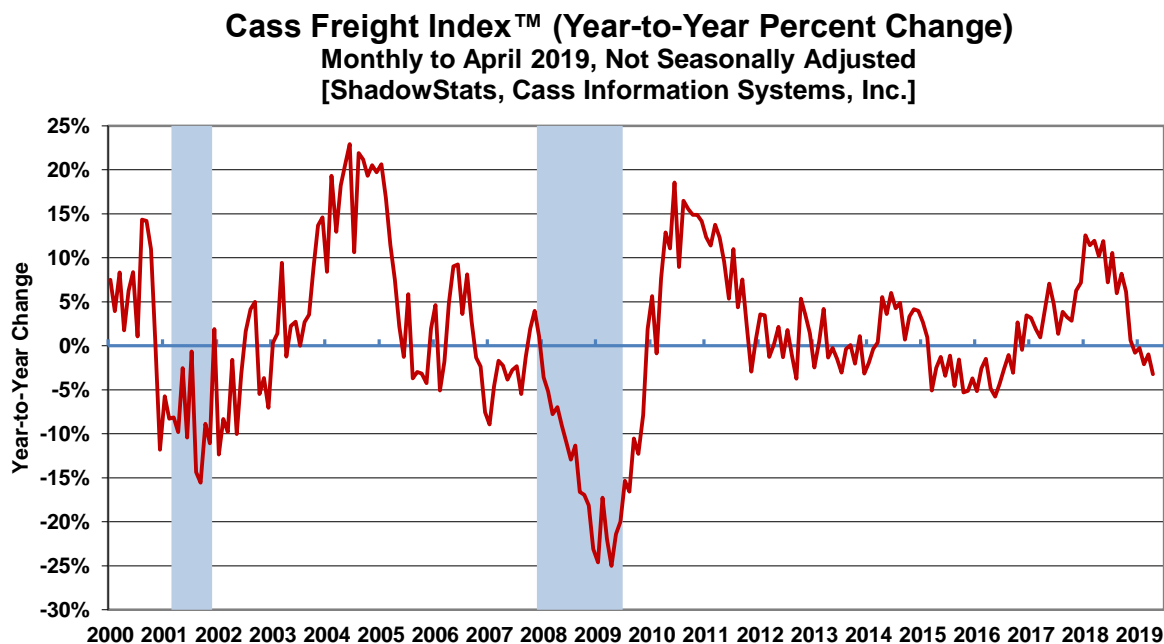
For comparison, consider *Graphs 3* and *4*, which plot the seasonally adjusted levels of and year-to-year change in the dominant the Manufacturing Sector of Industrial Production. Of some note, April 2019 Manufacturing turned negative year-to-year. The last time that series turned negative was in March 2015, the same month the CASS series turned negative, although the current downturn for the CASS series was in December 2018.

**[Graphs 1 to 4 begin on the next page.]**

**Graph 1: CASS Freight Index, Monthly Level and 12-Month Trailing Average Change (2000 to April 2019)**

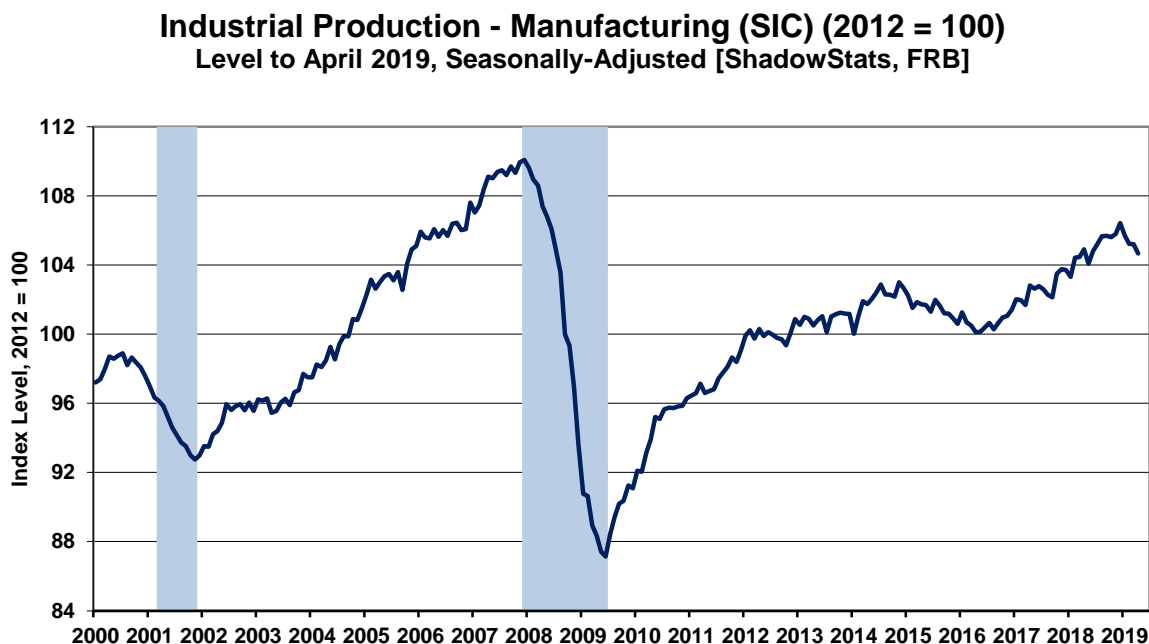


**Graph 2: CASS Freight Index, Monthly Year-to-Year Percent Change (2000 to April 2019)**

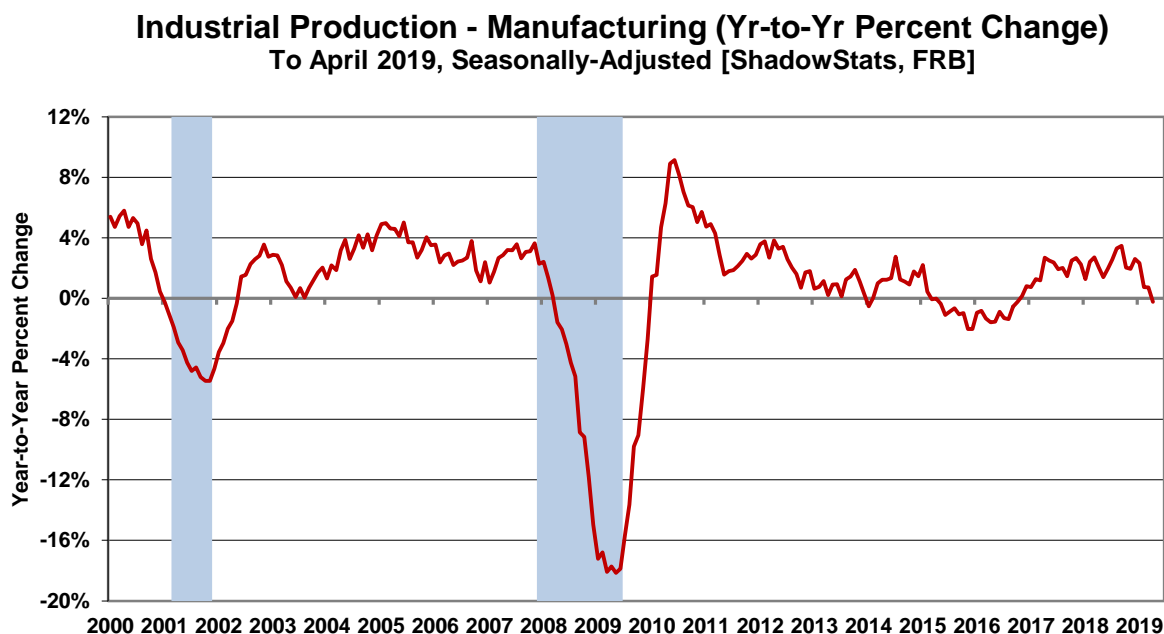




**Graph 3: Industrial Production – Manufacturing (January 2000 to April 2019)**  
[Same as Graph 15]



**Graph 4: Manufacturing, Year-to-Year Percent Change Since (January 2000 to April 2019)**  
[Same as Graph 16]



***Alternate Business Cycle: April 2019 Freight Activity Is Signaling a New Recession Along with Series Such as Production, Manufacturing and Capacity Utilization.*** Discussed most recently in, and updating [No. 983-B](#), considering *Graphs 1* and *3*, there appears to be a missing recession the historical record. The missing formal recession began in first-quarter 2015, tied to the dominant Industrial Production and Manufacturing sectors of the economy. It remains *ShadowStats* contention, that the missing recession was not recognized, due largely to the late reporting of same only in the 2017, and particularly the 2018 benchmark revisions to those series, as shown explicitly in *Graph 5* of the Manufacturing Benchmarkings and *Graph 6* of Capacity Utilization .

Consider that preceding *Graph 1* here has been smoothed with a 12-month moving average to neutralize the seasonality of the not-seasonally-adjusted Freight Series, while the Utilization /Production Series (*Graph 6*) is seasonally adjusted on a monthly basis. Accordingly, the smoothed Freight Series would be expected to lag the path of the Production/Capacity Series a bit, and it does.

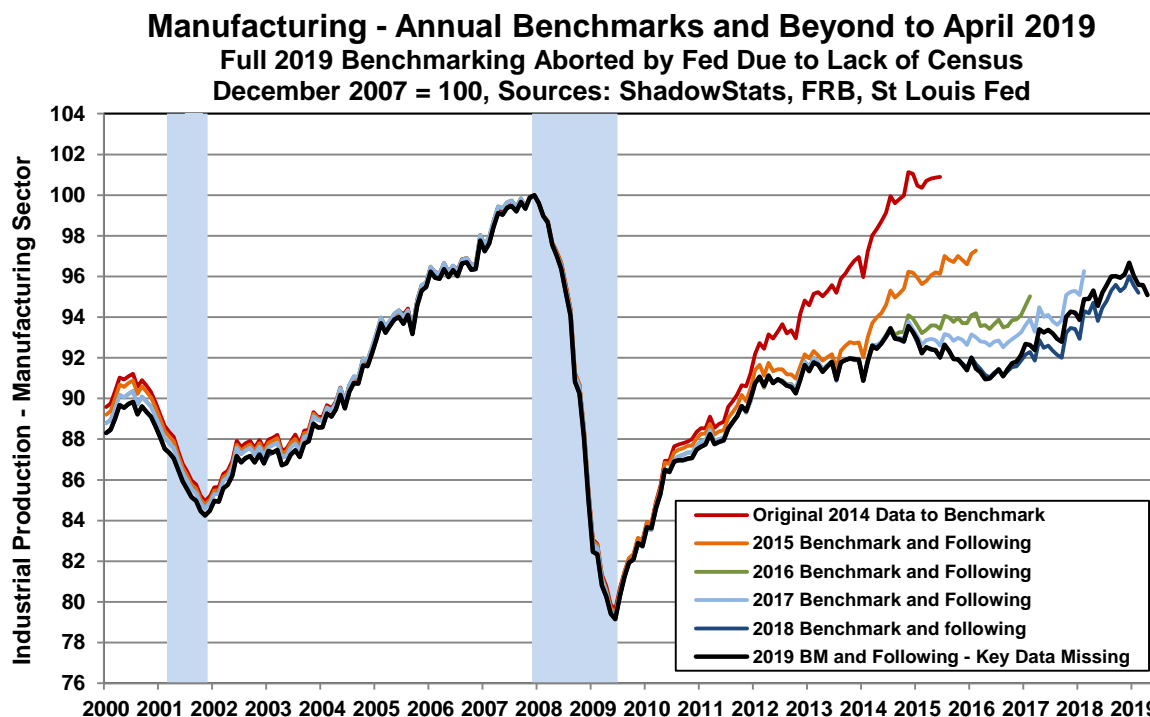
Of interest here is that the pattern of Freight activity largely matches that of the Production-related Capacity Series, although Freight and Production were separately surveyed, by different entities, and the Freight Series did not go through the recent corrective benchmark revisions that were applied to the Production Series.

*Graphs 6* and *7* plot the current headline detail of Capacity Utilization through April 2019, with *Graph 6* reflecting the shaded bars of headline formal recessions, as defined by the defining authority, the National Bureau of Economic Research (NBER). *Graph 7* reflects those headline recessions, along with what *ShadowStats* suggests is a more accurate rendition of the 2014 to 2016 period, plus what appears to be unfolding in the current circumstance, as discussed in [Bullet Edition No. 4](#). *Graphs 1* and *8* of the CASS Freight Index™ show the same patterns.

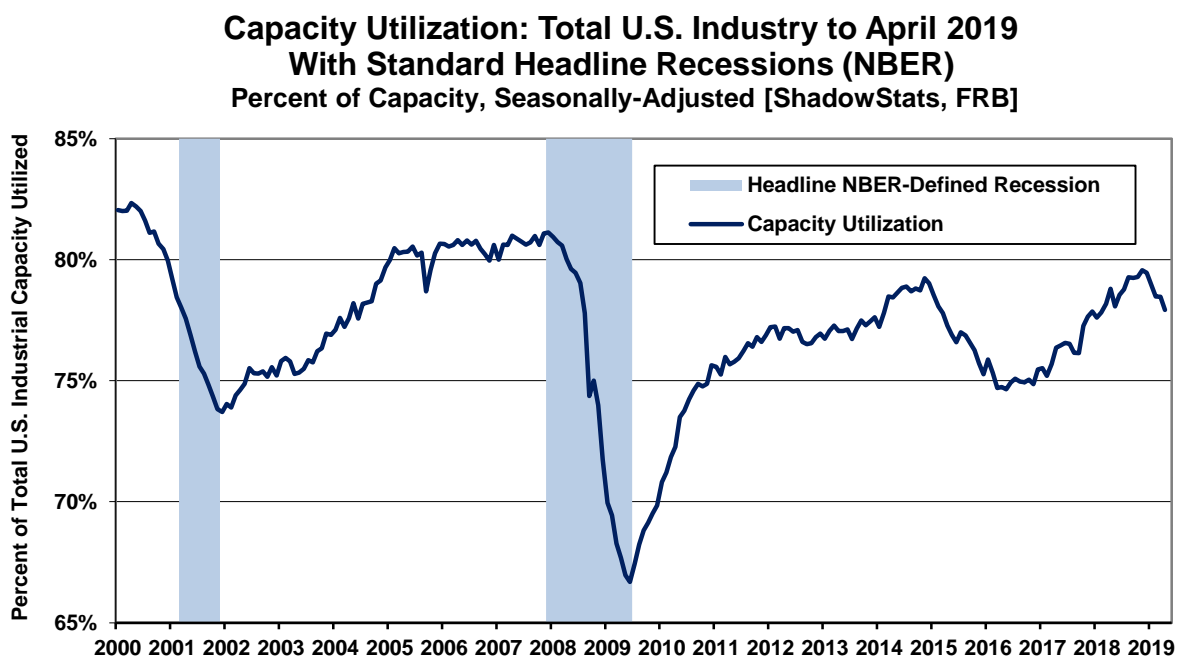
***Sharp Downturns in Capacity Utilization Usually Signal the Onset of a Recession.*** Where sharp downturns in Manufacturing Utilization historically usually mark onsets of formal recessions, such would support the concept of a renewed “headline” recession, a double-dip downturn that began at the end of 2014, as indicated by the Industrial Production series. That remains *ShadowStats*’ estimate of the timing of a likely “headline” double-dip recession, which formally began at the end of 2007, bottomed in 2009, peaked in late in 2014 and then bottomed anew in 2016, although—again— nothing confirming that showed up in the 2018 comprehensive GDP benchmarking. Contrary to consensus hype of fully recovered and expanding U.S. economic activity, again, as seen in the Manufacturing Sector, much of the headline U.S. economy never has recovered fully from the 2007 downturn. Separately, current headline detail is showing what likely is unfolding as a new downturn in economic activity. April 2019 Capacity Utilization declined to a fourteen-month low of 77.9%, on top of downwardly revised history, down from 78.5% [previously 78.8%] in March, and down from an unrevised November 2018 peak 79.6%, which likely will be designated as the pre-recession peak.

**[Graphs 5 to 8 begin on the next page.]**

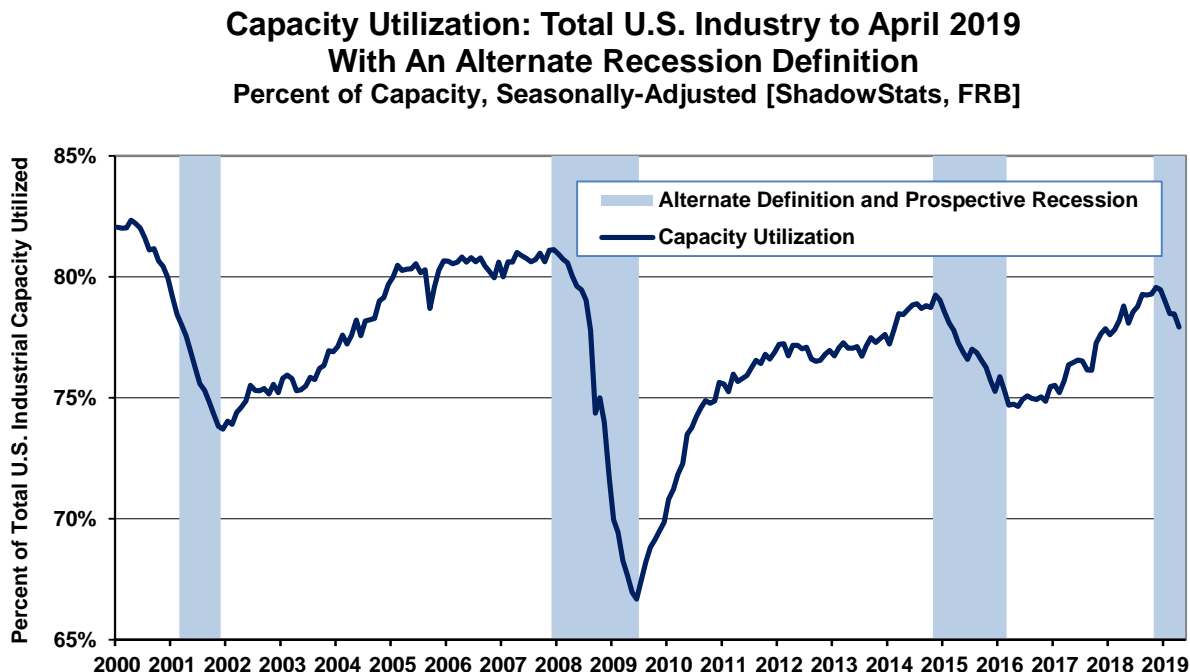
**Graph 5: Annual Benchmark Revisions to the Dominant Manufacturing Sector of Industrial Production**



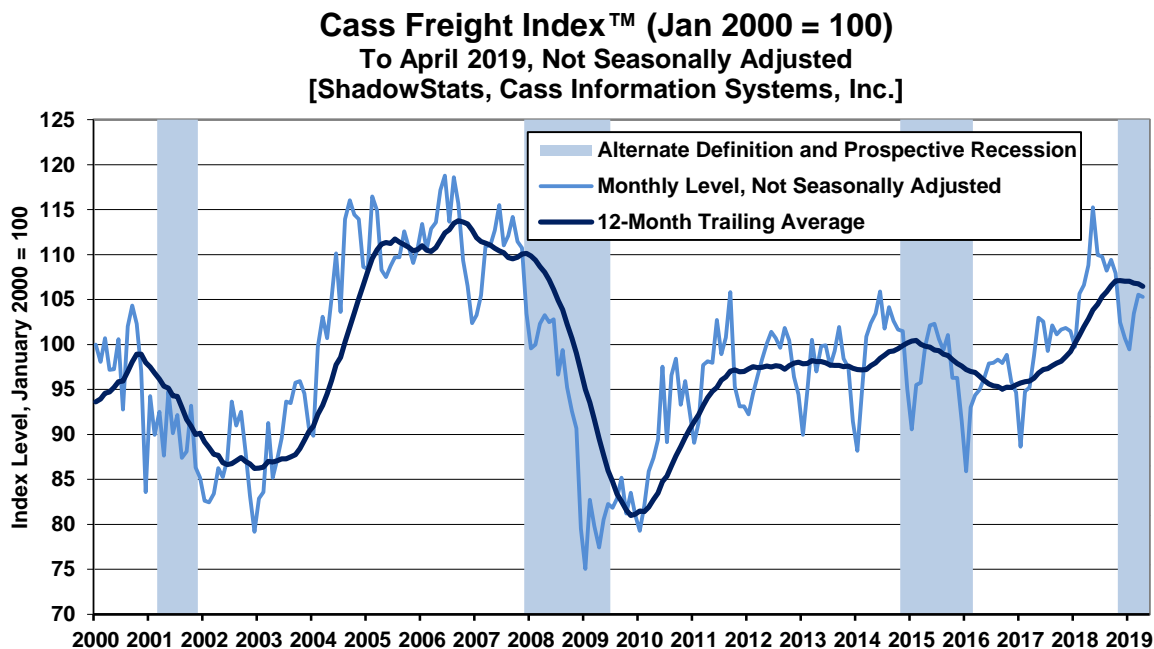
**Graph 6: Utilization of Total U.S. Industrial Production and Manufacturing Capacity (NBER Recessions)**



**Graph 7: Utilization of Total U.S. Industrial Production and Manufacturing Capacity (Alternate Recessions)**



**Graph 8: CASS Freight Index, Monthly, January 2000 to April 2019 (Alternate Recessions)**



## Industrial and Consumer Activity Are In Sharp Decline

**Contracting First-Quarter 2019 Production Deepened Meaningfully in Revision, With Second-Quarter 2019 In Intensifying Downtrend; Manufacturing Turned Negative Year-to-Year for First Time Since 2015.** April 2019 Industrial Production and Manufacturing both dropped an unexpected 0.5% (-0.5%) in the month, on top of major downside revisions to first-quarter activity, as reported May 15th, by the Federal Reserve Board. April 2019 Manufacturing declined year-to-year for the first time since early 2015, as signaled by, and consistent with the CASS Freight Index™, as previously discussed. In like manner, although boosted by Oil Production in the Mining Sector, annual growth in aggregate Production slowed to its weakest level since early 2017.

Consistent with the ShadowStats forecast for an unfolding new recession, beginning with a quarterly contraction in first-quarter 2019 GDP (currently at 3.2%, but subject to sharp downside revisions), first-quarter 2019 Industrial Production declined at a revised annualized pace of 1.9% (-1.9%), previously by 0.3% (-0.3%), on top of a downwardly revised fourth-quarter 2018 gain of 3.9% (previously 4.0%). Early trend for second-quarter 2019 was a drop of 2.2% (-2.2%). Year-to-year, growth in Production slowed from 4.0% in fourth-quarter 2018, to a revised 2.9% [previously 3.3%] in first-quarter 2019, to an early-trend 1.2% in second-quarter 2019. In the dominant (75% of Production) Manufacturing Sector, fourth-quarter 2018 annualized growth revised to 1.6% [previously 1.7%], plunged to a revised quarterly decline of 2.1% (-2.1%) [previously 1.1% (-1.1%)] in first-quarter 2019, with an early-trend quarterly decline of 2.7% (-2.7%) and annual gain of just 0.1% in second-quarter 2019.

The unfolding 2019 recession was triggered by excessive Federal Reserve tightening, which has constrained consumer liquidity and consumption. Weakness in the dominant personal consumption sector of the economy usually spreads quickly throughout the system. Consumer Goods Production contracted at a revised annualized 4.7% (-4.7%) [previously 3.8% (-3.8%)] in first-quarter 2019, versus a fourth-quarter 2018 revised gain of 2.5% (previously 2.3%), with an early-trend second-quarter 2019 contracting at an annualized 3.3% (-3.3%) with year-to-year change on track for a second-quarter 2019 annual decline of 1.2% (-1.2%), following a drop of 0.3% (-0.3%) in first-quarter 2019 and annual gain of 1.5% in fourth-quarter 2018. On the plus side, the Mining Sector gained at a slower, revised annualized pace of 2.6% [previously 4.4%] in first-quarter 2019, on early track for a second-quarter 2019 gain of 4.2%. Again, however, the aggregate Production series showed a deepening quarterly decline.

Monthly details by sector follow in *Table 1*, which has been supplemented here with monthly detail on the Consumer Goods Subsector of Manufacturing. *Graphs 9 to 12* plot the full 100-plus year history of Industrial Production and its dominant Manufacturing, with *Graphs 13 to 17* showing those same series, plus Consumer Goods Manufacturing for the period 2000 to date.

Noted in the *Overview* and as reflected in the *Freight Index* section, the Manufacturing Sector has seen no economic expansion for a record 136 straight months, since its pre-recession peak of December 2007. Non-recovery and non-expansion also remain a major problem for *New Residential Construction*.

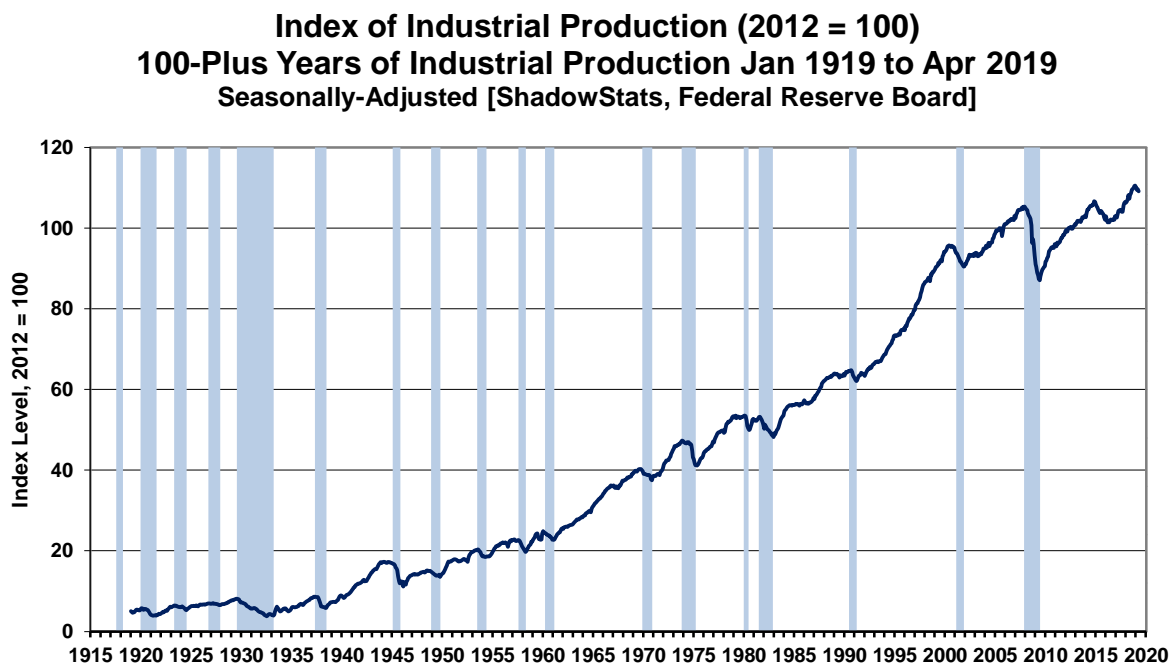
*Graphs 19 to 22* plot the latest details for the Mining and Utilities Sectors.

**Table 1: Industrial Production by Major Sector**

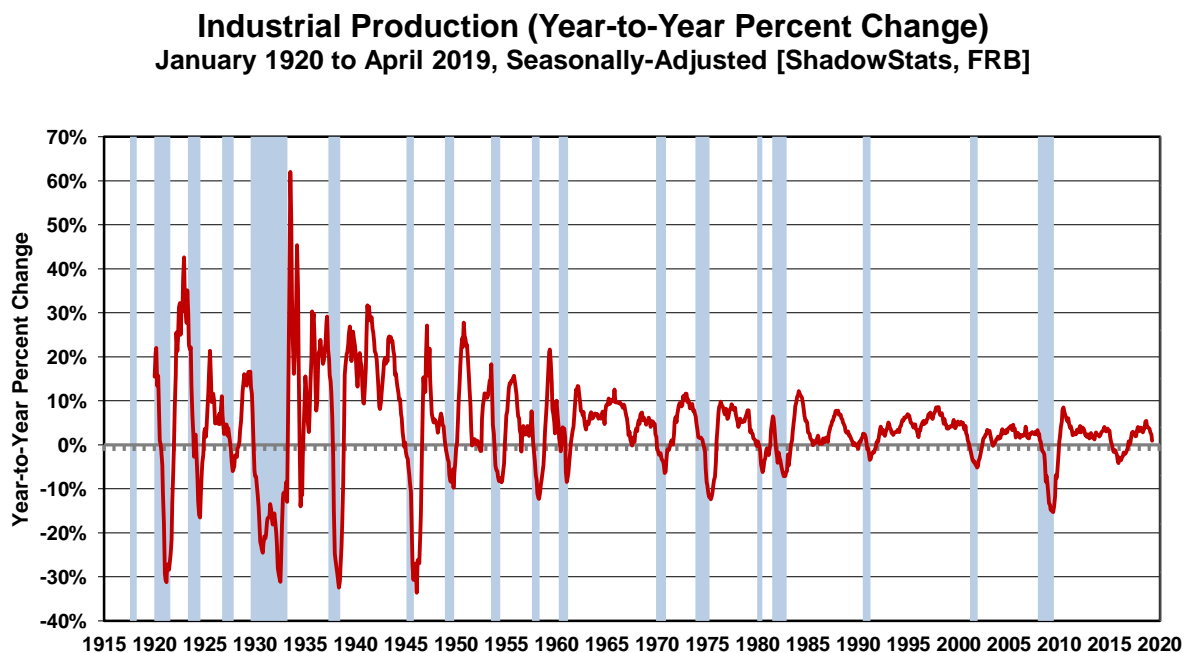
Index of Industrial Production (IIP) and Major Sectors to April 2019 by Month, 2012 = 100.000 for All Indices, Seasonally Adjusted								
Measure	Weight	Apr '19	Mar	Feb	Jan	Dec '18	Nov	Oct
<b>IIP INDEX</b>	<b>100.0%</b>	<b>109.182</b>	<b>109.743</b>	<b>109.574</b>	<b>110.071</b>	<b>110.558</b>	<b>110.507</b>	<b>109.917</b>
- Prior		--	110.221	110.337	110.211	110.588	110.540	109.917
<b>Mo/Mo</b>		<b>-0.51%</b>	<b>0.15%</b>	<b>-0.45%</b>	<b>-0.44%</b>	<b>0.05%</b>	<b>0.54%</b>	<b>0.22%</b>
- Prior		--	-0.10%	0.11%	-0.34%	0.04%	0.57%	0.22%
<b>Yr/Yr</b>		<b>0.89%</b>	<b>2.32%</b>	<b>2.75%</b>	<b>3.58%</b>	<b>3.78%</b>	<b>4.06%</b>	<b>4.06%</b>
- Prior		--	2.77%	3.47%	3.71%	3.80%	4.09%	4.06%
<b>Manufacturing</b>	<b>75.0%</b>	<b>104.672</b>	<b>105.210</b>	<b>105.222</b>	<b>105.735</b>	<b>106.425</b>	<b>105.793</b>	<b>105.610</b>
- Prior		--	105.543	105.557	105.916	106.457	105.833	105.610
<b>Mo/Mo</b>		<b>-0.51%</b>	<b>-0.01%</b>	<b>-0.48%</b>	<b>-0.65%</b>	<b>0.60%</b>	<b>0.17%</b>	<b>-0.08%</b>
- Prior		--	-0.01%	-0.34%	-0.51%	0.59%	0.21%	-0.08%
<b>Yr/Yr</b>		<b>-0.23%</b>	<b>0.72%</b>	<b>0.75%</b>	<b>2.33%</b>	<b>2.62%</b>	<b>1.95%</b>	<b>2.04%</b>
- Prior		--	1.04%	1.07%	2.51%	2.65%	1.99%	2.04%
<b>Consumer Goods*</b>		104.801	106.036	105.615	105.384	106.855	107.363	<b>106.696</b>
- Prior		--	105.982	106.161	105.508	106.754	107.313	106.696
<b>Mo/Mo</b>		<b>-1.17%</b>	<b>0.40%</b>	<b>0.22%</b>	<b>-1.38%</b>	<b>-0.47%</b>	<b>0.62%</b>	<b>0.15%</b>
- Prior		--	-0.17%	0.62%	-1.17%	-0.52%	0.58%	0.15%
<b>Yr/Yr</b>		<b>-2.48%</b>	<b>-0.09%</b>	<b>-0.16%</b>	<b>-0.50%</b>	<b>1.02%</b>	<b>2.04%</b>	<b>1.42%</b>
- Prior		--	-0.14%	0.36%	-0.39%	0.92%	1.99%	1.42%
<b>Mining</b>	<b>14.6%</b>	<b>132.433</b>	<b>130.285</b>	<b>130.813</b>	<b>132.183</b>	<b>132.475</b>	<b>129.701</b>	<b>128.630</b>
- Prior		--	131.156	132.181	132.205	132.416	129.714	128.630
<b>Mo/Mo</b>		<b>1.65%</b>	<b>-0.40%</b>	<b>-1.04%</b>	<b>-0.22%</b>	<b>2.14%</b>	<b>0.83%</b>	<b>0.13%</b>
- Prior		--	-0.78%	-0.02%	-0.16%	2.08%	0.84%	0.13%
<b>Yr/Yr</b>		<b>10.42%</b>	<b>9.80%</b>	<b>11.48%</b>	<b>15.23%</b>	<b>14.45%</b>	<b>13.10%</b>	<b>14.09%</b>
- Prior		--	10.54%	12.65%	15.24%	14.40%	13.11%	14.09%
<b>Utilities</b>	<b>10.4%</b>	<b>103.657</b>	<b>107.386</b>	<b>105.105</b>	<b>104.398</b>	<b>103.590</b>	<b>111.173</b>	<b>108.264</b>
- Prior		--	108.423	108.218	104.376	103.709	111.175	108.264
<b>Mo/Mo</b>		<b>-3.47%</b>	<b>2.17%</b>	<b>0.68%</b>	<b>0.78%</b>	<b>-6.82%</b>	<b>2.69%</b>	<b>2.57%</b>
- Prior		--	0.19%	3.68%	0.64%	-6.72%	2.69%	2.57%
<b>Yr/Yr</b>		<b>-4.68%</b>	<b>2.80%</b>	<b>4.53%</b>	<b>-3.65%</b>	<b>-2.97%</b>	<b>6.43%</b>	<b>4.61%</b>
- Prior		--	3.79%	7.62%	-3.67%	-2.86%	6.43%	4.61%
*Consumer Goods accounts for 36.8% of Manufacturing, 27.6% of Industrial Production.								
Sources: Federal Reserve Board, ShadowStats								



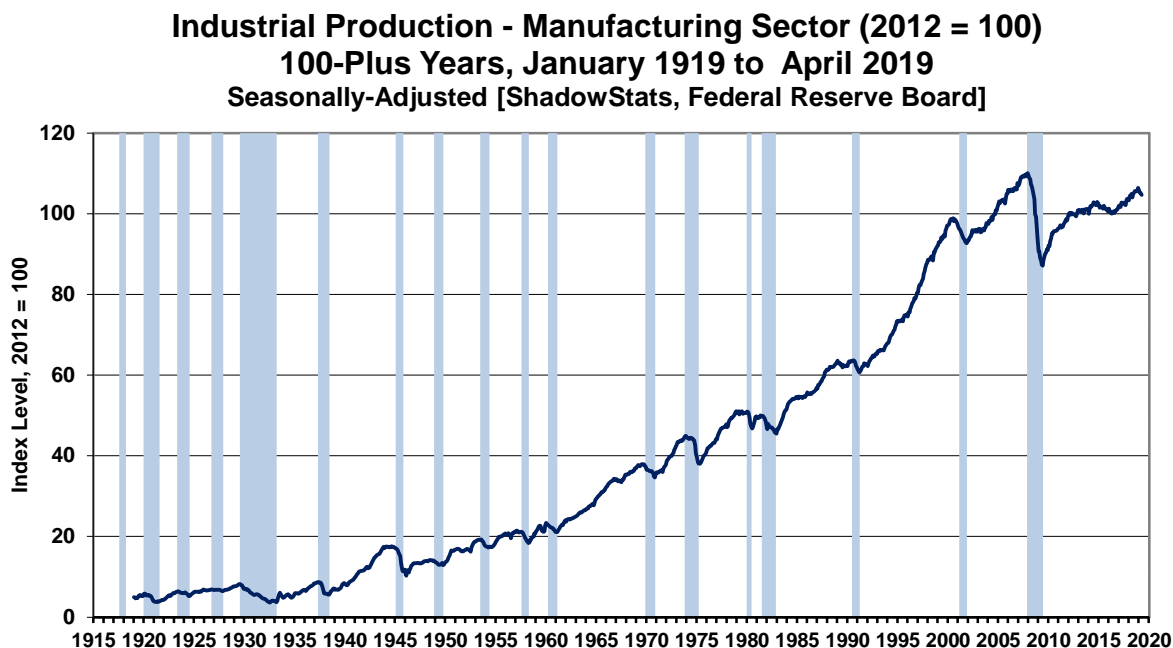
**Graph 9: Index of Industrial Production, Full Historical Series, January 1919 to April 2019**



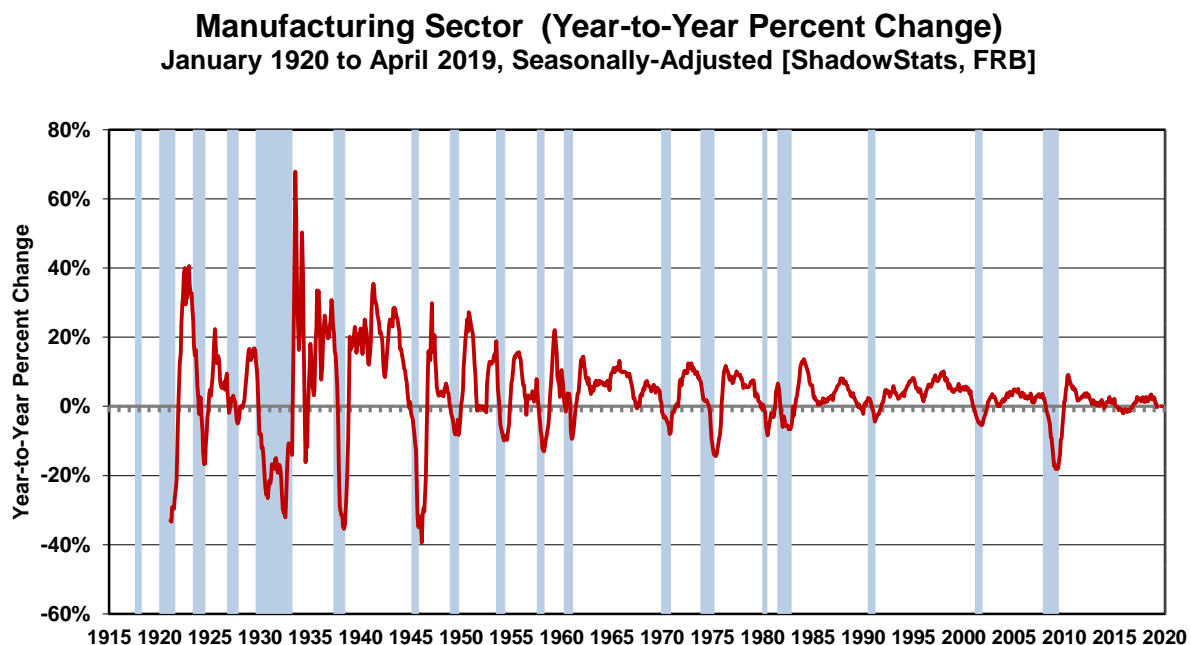
**Graph 10: Industrial Production, Full Historical Series, Year-to-Year Percent Change 1920 to Date**



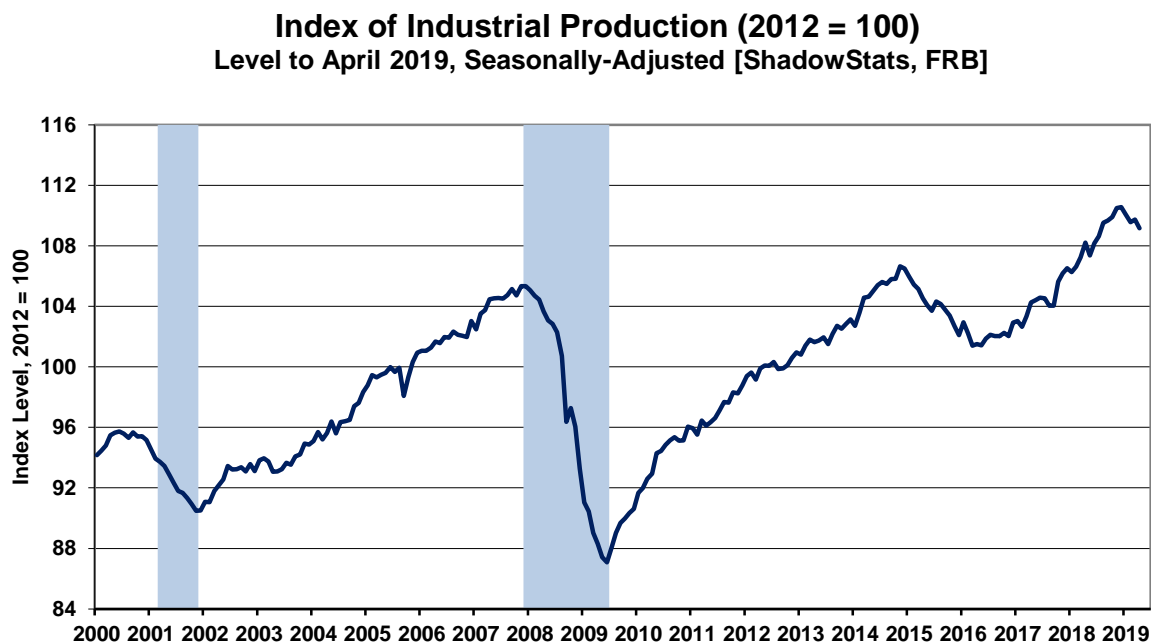
**Graph 11: Manufacturing Sector, Full Historical Series, January 1919 to April 2019**



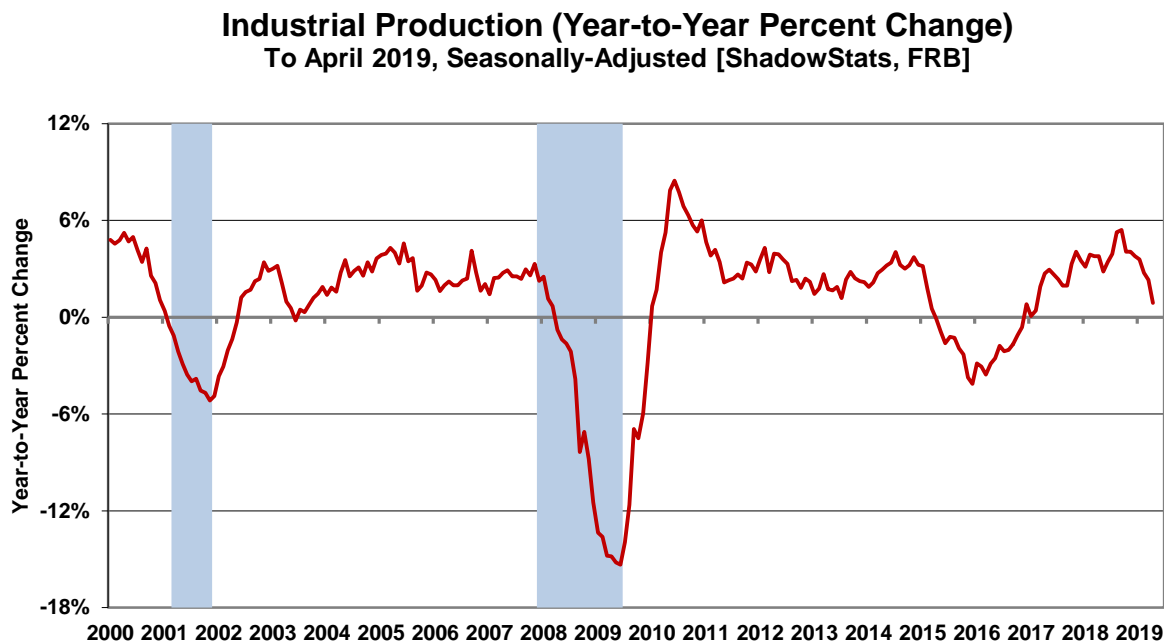
**Graph 12: Manufacturing Sector, Full Historical Series, Year-to-Year Percent Change 1920 to Date**



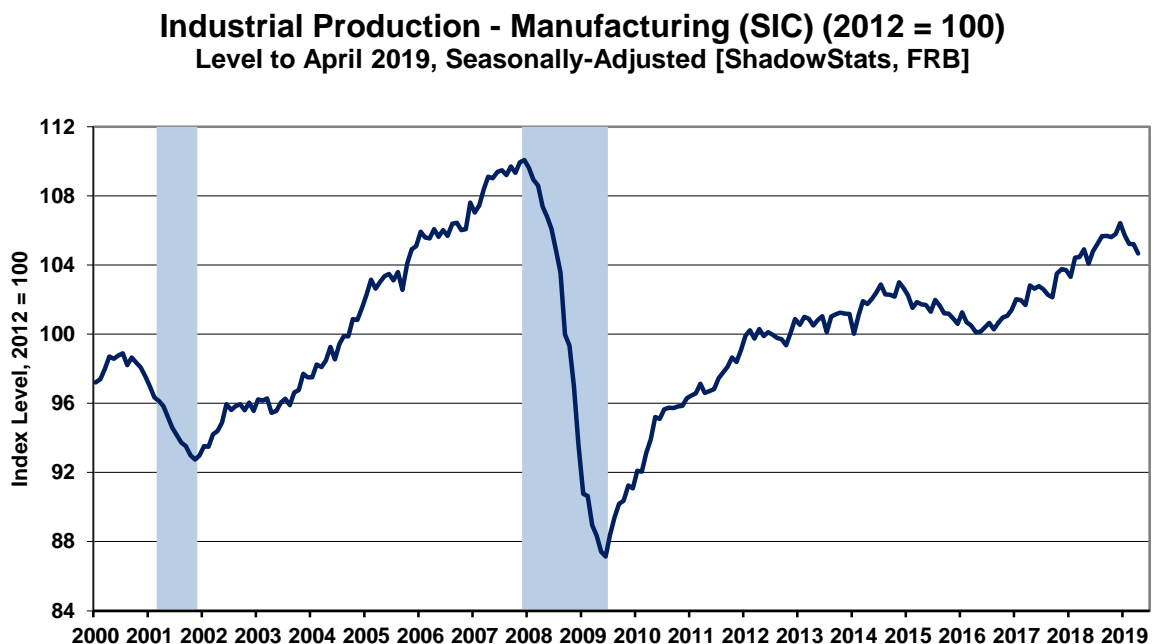
**Graph 13: Index of Industrial Production, January 2000 to April 2019**



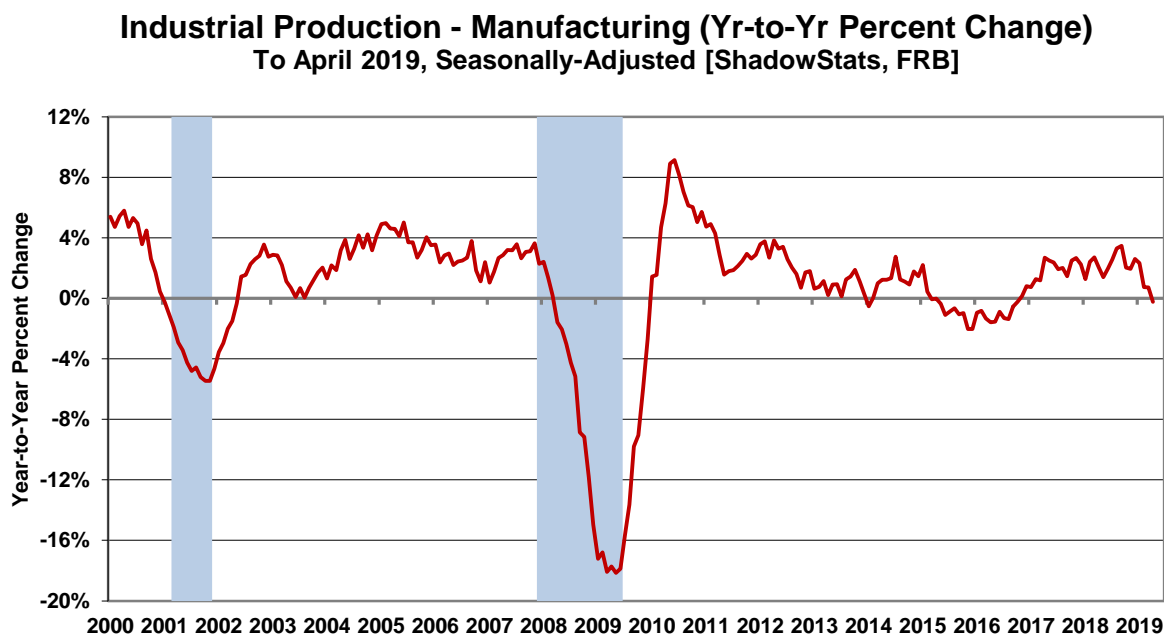
**Graph 14: Index of Industrial Production, Year-to-Year Percent Change, January 2000 to April 2019**



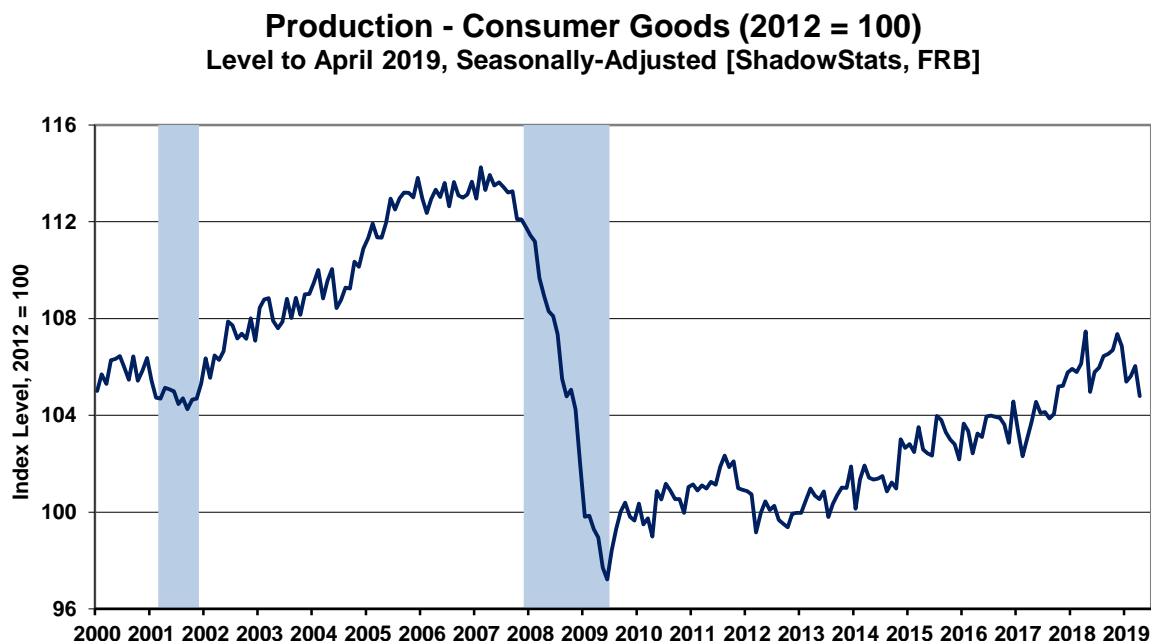
**Graph 15: Industrial Production, Manufacturing Sector, January 2000 to April 2019**  
[Same as Graph 3]



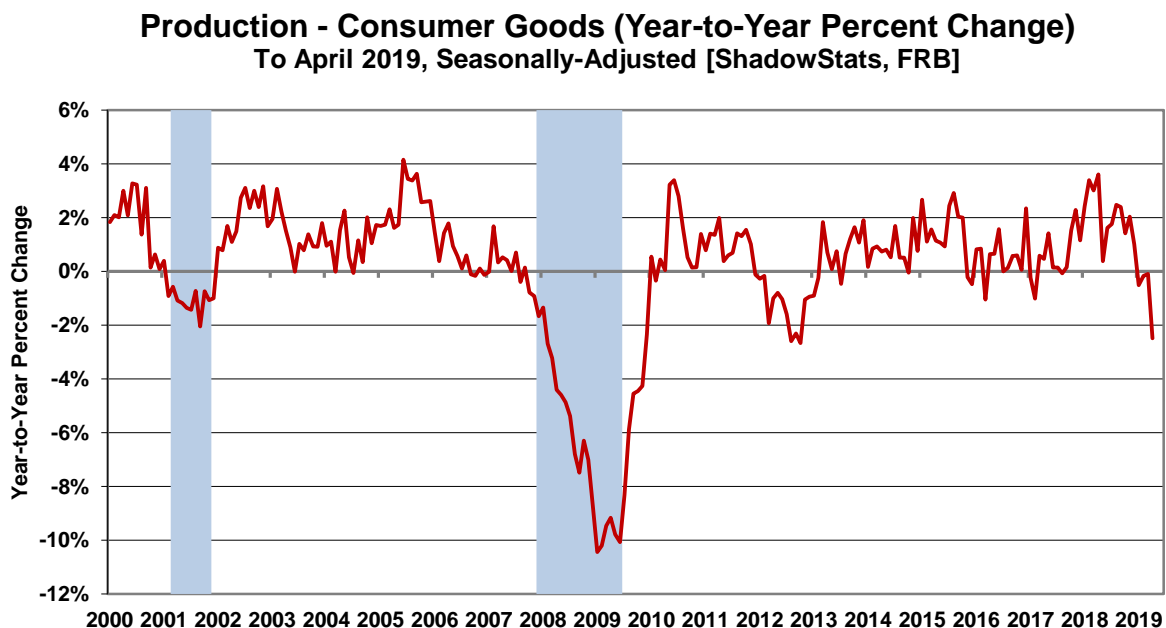
**Graph 16: Manufacturing Sector, Year-to-Year Percent Change, January 2000 to April 2019**  
[Same as Graph 4]



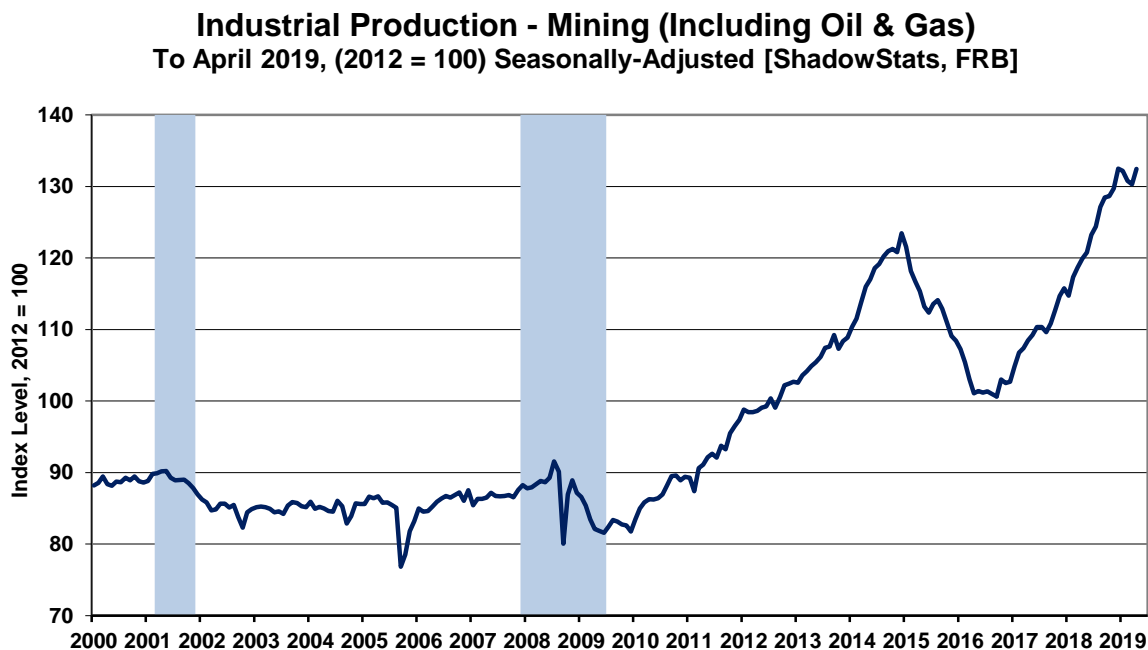
**Graph 17: Manufacturing, Consumer Goods Production, January 2000 to April 2019**



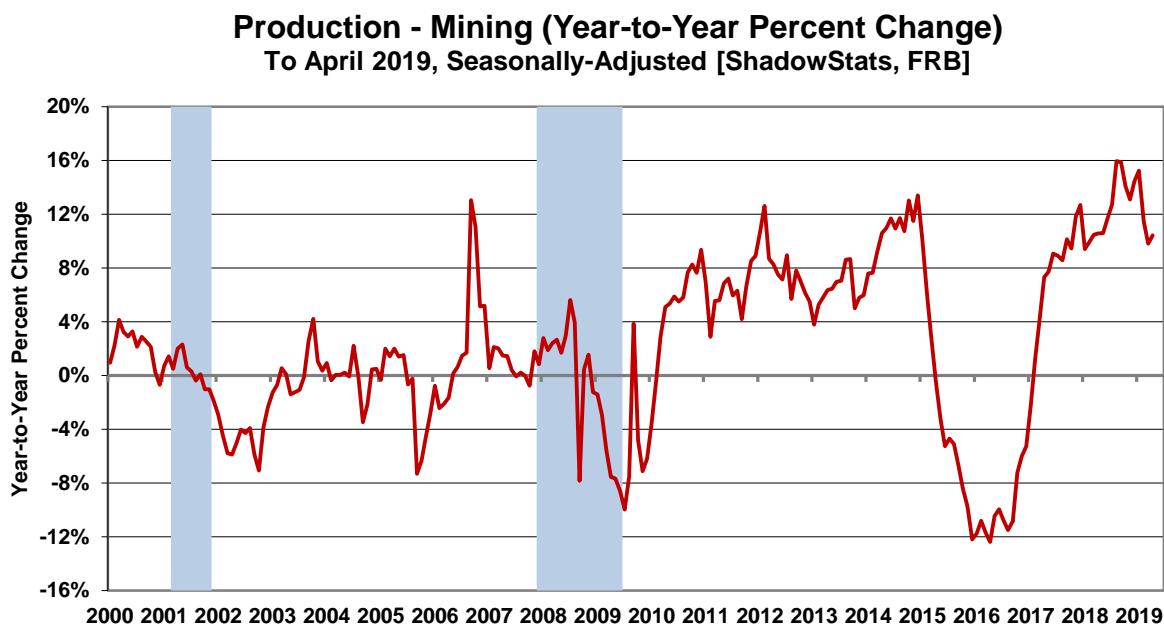
**Graph 18: Consumer Goods Production, Year-to-Year Percent Change, January 2000 to April 2019**



**Graph 19: Industrial Production, Mining Sector, January 2000 to April 2019**

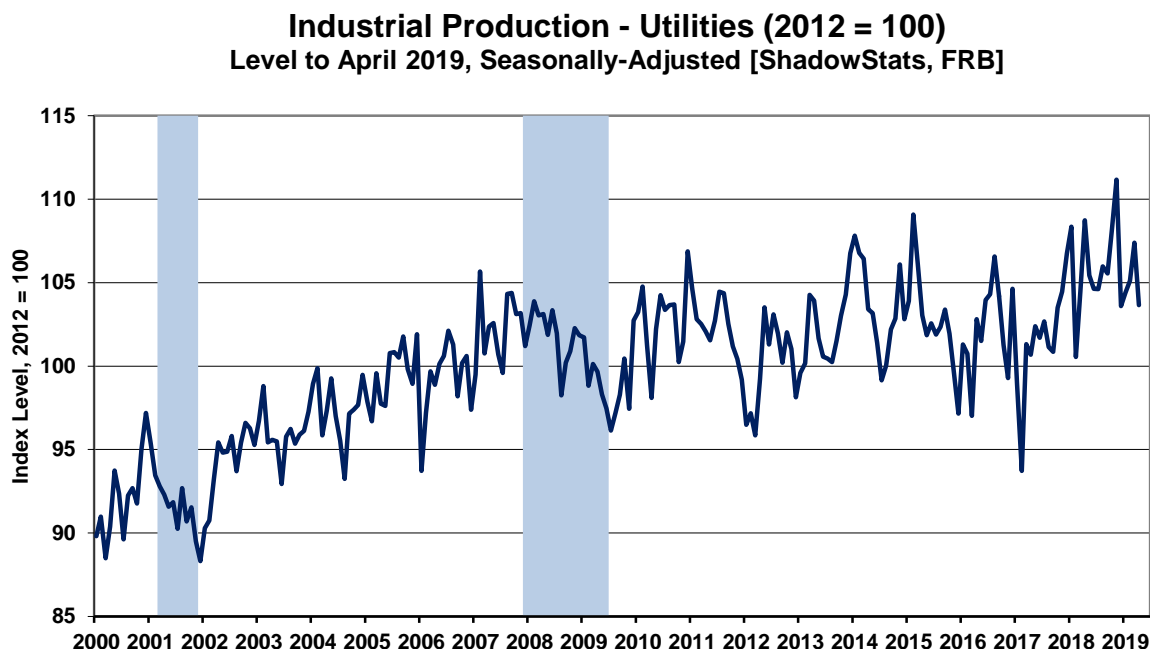


**Graph 20: Mining Sector, Year-to-Year Percent Change, January 2000 to April 2019**

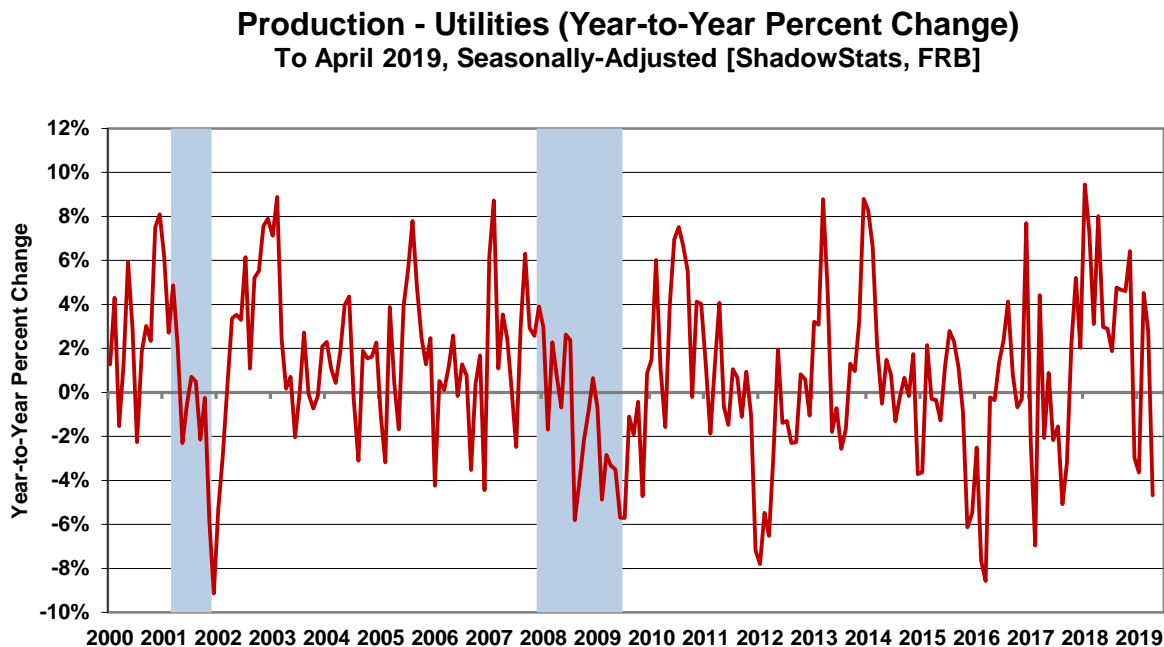




**Graph 21: Industrial Production, Utilities Sector, January 2000 to April 2019**



**Graph 22: Utilities Sector, Year-to-Year Percent Change, January 2000 to April 2019**



## **April 2019 Nominal and Real Retail Sales Declined, Despite Positive Expectations**

### **Real Quarterly Retail Sales Contractions Held in Place for 4q2018 and 1q2019**

#### **Pattern Not Seen Since Depths of the Great Recession**

**Back-to-Back Real Annualized Quarterly Sales Declines of 0.5% (-0.5%) in 4q2018, 0.7% (-0.7%) 1q2019 Remained Intact; April 2019 Retail Sales Showed an Unexpected Nominal Monthly Decline of 0.2% (-0.2%), Down by 0.5% (-0.5%) Net of Inflation.** Amidst minimal prior-period revisions, which left intact the first back-to-back quarterly contractions in Real Retail Sales since the Great Recession, the nominal April 2019 monthly decline of 0.19% (-0.19%), followed a revised monthly gain of 1.68% [previously 1.57%] in March 2019 and a revised monthly decline of 0.27% (-0.27%) [previously 0.21% (-0.21%)] in February, as reported May 15th by the Census Bureau.

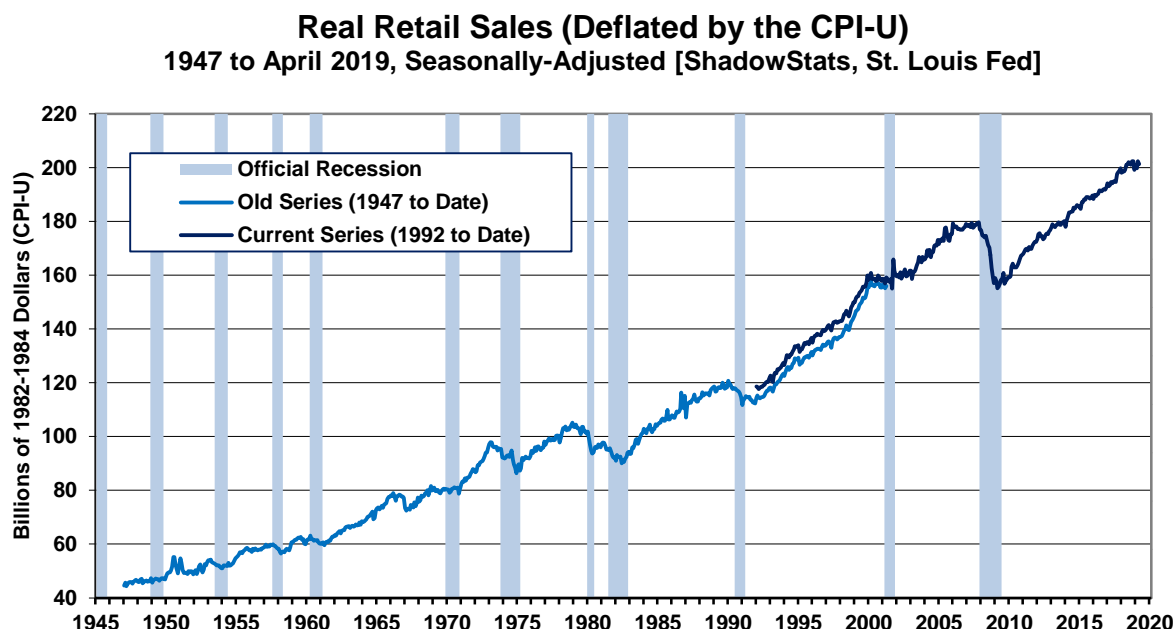
Net of CPI-U inflation, as tallied regularly by the St. Louis Fed, inflation-adjusted real monthly sales dropped by 0.51% (-0.51%) in April 2019, having gained a revised 1.25% [previously 1.15%] in March and declined by a revised 0.45% (-0.45%) [previously 0.39% (-0.39%)] in February. Real sales rose year-to-year by 1.10% in April 2019, down from a revised 1.87% [previously 1.73%] in March 2019, and against a revised 0.59% [previously 0.65%] in February 2019. Real annual growth below 2.0% rarely is seen outside of formal recessions.

Again, for the first time since the 2009 depths of the Great Recession, quarterly Real Retail Sales contracted for a second consecutive quarter, dropping at a revised annualized first-quarter 2019 pace of 0.66% (-0.66%) [previously 0.65% (-0.65%)], following an unrevised fourth-quarter 2018 decline of 0.51% (-0.51%). Discussed here regularly, excessive tightening and rate hikes by the Federal Reserve since late 2017 have impaired consumer liquidity, which drives three-fourths of the GDP.

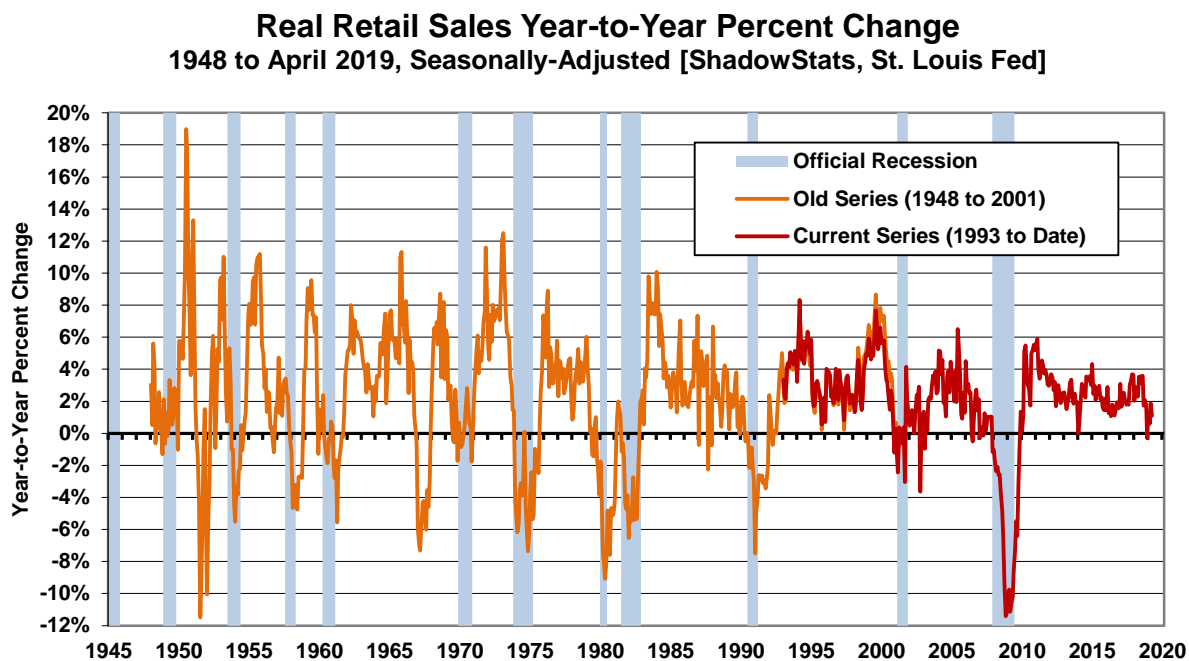
***Suspect Headline Retail Sales Numbers.*** Earlier reporting on the first-quarter Merchandise trade deficit showed a sharp narrowing in the trade shortfall, reflecting a drop in imports of consumer goods. Collapsing consumer demand for goods also was seen earlier in the Great Recession, which was a net economic negative, with collapsing domestic consumer activity (extending beyond just the imported goods) more than offsetting the gains of “improved” trade deficit. The same circumstance likely is unfolding at present, but it has not been reflected fully in the initial reporting of first-quarter GDP activity. There is a missing element of consumer goods contraction, discussed in the *Overview* and [\*Bullet Edition No. 9\*](#). There is a good chance that headline Retail Sales reporting has been heavily distorted by the effects of the government shutdown and that corrective catch up could be seen with the June 25th annual benchmarking to the Retail Sales series. In January and February Retail Sales releases, the Commerce Department noted: “Data collection and processing were delayed for this indicator release due to the lapse in federal funding from December 22, 2018 through January 25, 2019. Processing and data quality were monitored throughout and response rates were at or above normal levels for this release.” Yet, some surveying never took place, and first and second revisions to the monthly data for December 2018 and

January and February 2019 shifted in their regular patterns. The June 25th revisions should prove interesting. *Graphs 23 and 24* plot the full history of Retail Sales reporting, with *Graphs 25 and 26* showing the period 2000 to date.

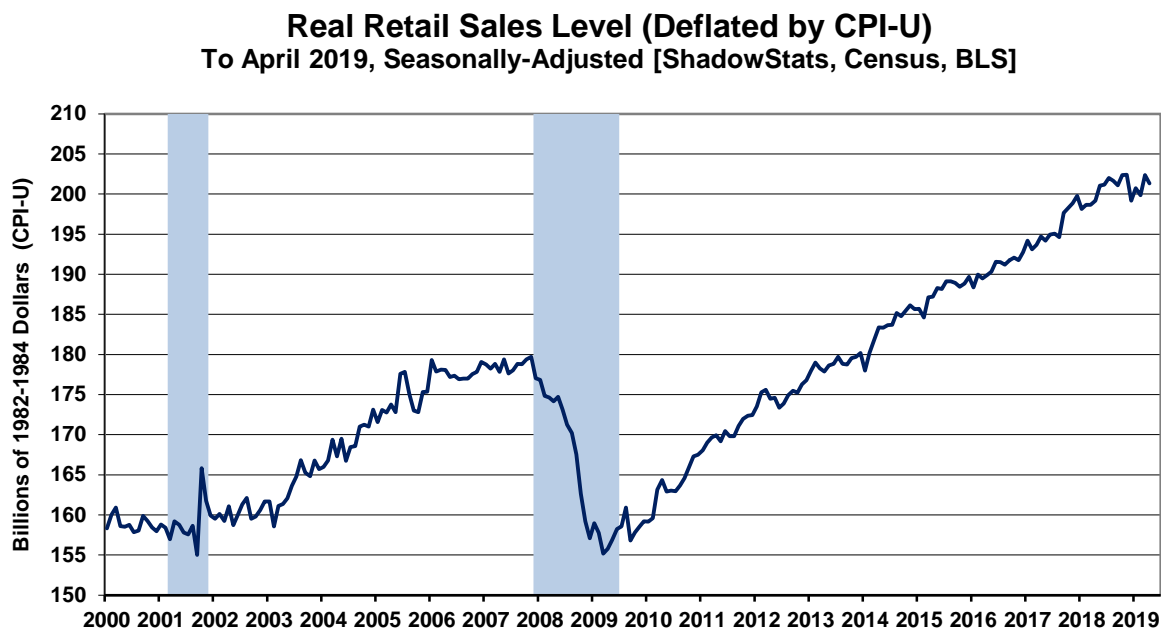
**Graph 23: Real Retail Sales (1947 to April 2019)**



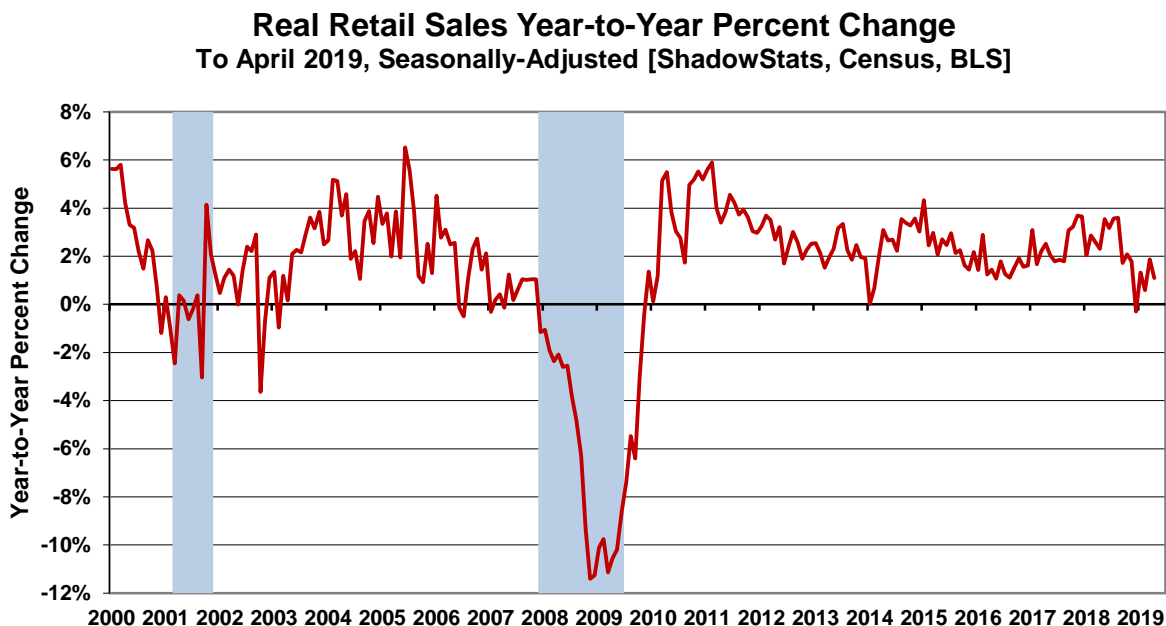
**Graph 24: Real Retail Sales, Year-to-Year Change (1948 to April 2019)**



**Graph 25: Real Retail Sales Level, Deflated by Headline CPI-U (2000 to April 2019)**



**Graph 26: Real Retail Sales, Year-to-Year Change (January 2000 to April 2019)**



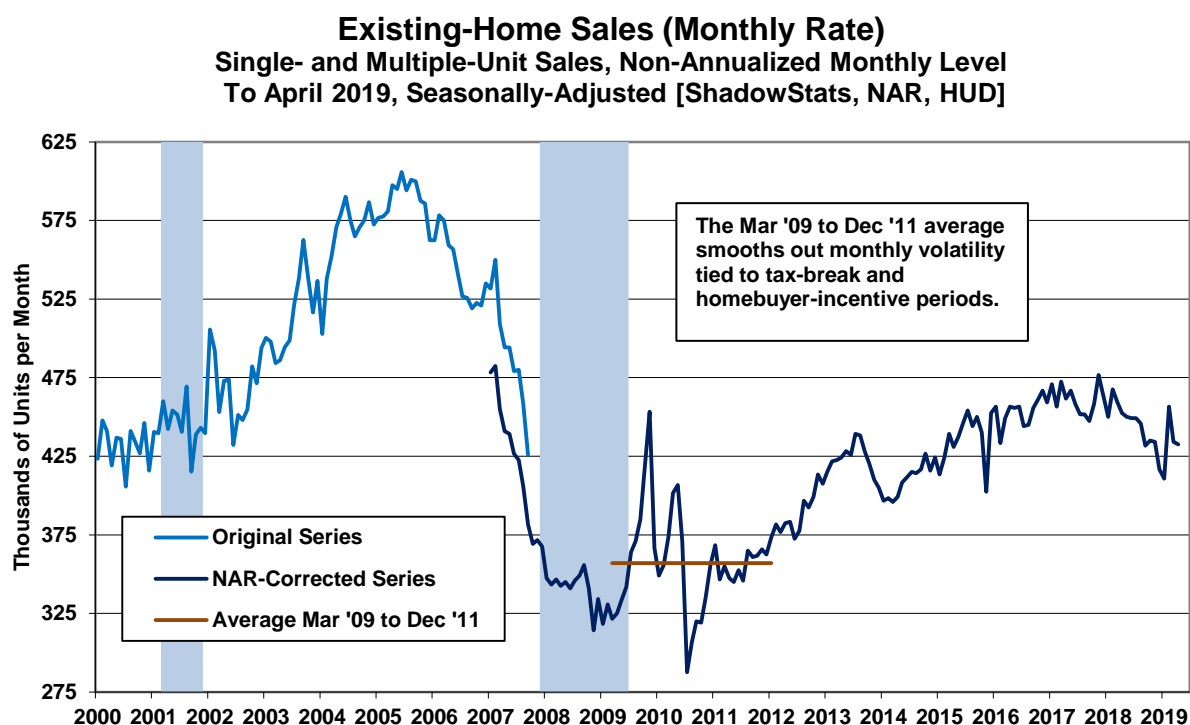
## Existing-Home Sales Notched Lower, Continuing in Broad Annual Downtrend

**Monthly Sales Declined Against Upside Expectations.** April 2019 Existing-Home Sales growth notched lower by 0.4% (-0.4%) in the month, against upside expectations in the range of 2.5% to 5.0%, and declined year-to-year by 4.4% (-4.4%), as reported May 21st by the [National Association of Realtors](#) (NAR). That followed an unrevised monthly decline of 4.9% (-4.9%) in March, which had followed the monthly sales surge of 11.2% in February, the strongest monthly gain in three years. The April 2019 annual decline of 4.4% (-4.4%) followed year-to-year drops of 5.4% (-5.4%) in March and 2.3% (-2.3%) in February.

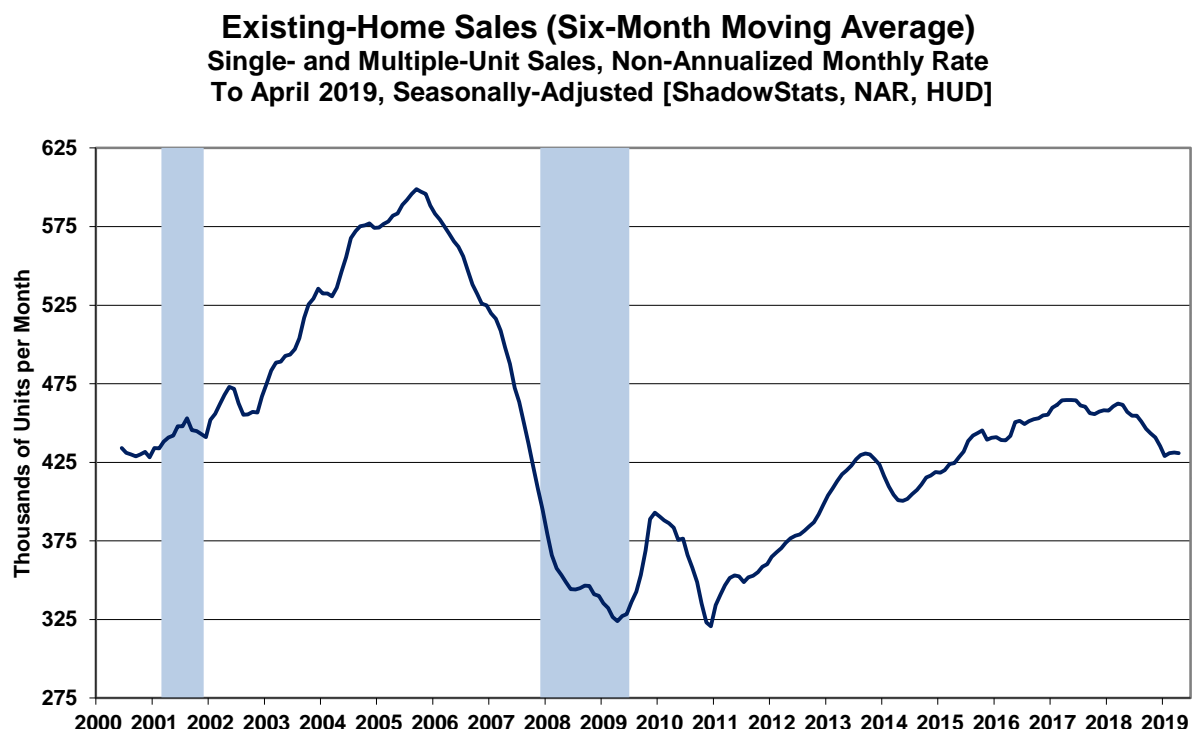
Existing-Home Sales continued in a deepening year-to-year contraction in the trailing twelve-month moving average of the series, where April 2019, dropped to a new low of 4.7% (-4.7%), its thirteenth consecutive and continuously deepening annual rate of decline. April 2019 sales activity remained 28.4% (-28.4%) shy of ever recovering its pre-recession high.

In contrast to what usually is nonsense revisions, extreme volatility and lack of any meaningful statistical significance in headline New-Home Sales reporting out of the Census Bureau (April data will be released on May 23rd), the NAR publishes the highest-quality indicator available of Home Sales activity.

**Graph 27: Existing-Home Sales, Monthly Level to April 2019**



**Graph 28: Existing-Home Sales, Six-Month Moving Average Level to April 2019**



### Single-Unit Housing Construction in a Downtrend Not Seen Since the Great Recession

**April 2019 New Residential Construction: Housing Starts Continued in the Longest String of Monthly Year-to-Year Declines Since the Depths of the Great Depression.** Reported by the Census Bureau on May 16th, Housing Starts and Building Permits continued in downtrends, amidst annual contractions and despite monthly gains. The broad picture remained strongly negative, with persistent annual contractions in both the Housing Starts and the more stable, Building Permits series. The extreme monthly volatility and revisions in Housing Starts series are nonsensical, almost always without statistical significance (as in being different from zero growth with a 90% confidence interval) in the Total, Single- and Multiple-Unit Starts categories. More-stable Building Permits showed a statistically insignificant April monthly gain of 0.6%, but a statistically meaningful annual decline of 5.0% (-5.0%). Neither the headline monthly gain of 5.7% nor the 2.5% (-2.5%) annual decline in Housing Starts was close to being meaningful.

That said, Housing Starts and Building Permits both are on track for third consecutive quarters of annual decline. Annual seasonal adjustment revisions to Housing Starts had negligible impact. As a separate issue, neither series has recovered its pre-recession peak, with Housing Starts down by 45.7% (-45.7%) and Building Permits still shy by 42.7% (-42.7%).

**New Graph and Analysis of Single-Unit Building Permits.** Discussed in the *Overview*, Single-Unit Building Permits was statistically meaningful in both its monthly and annual changes (declines), with



some new ShadowStats analysis on that series. Repeated and expanded from the earlier comments, the Single-Unit count (Permits or Starts) usually accounts for roughly two-thirds of the aggregate total count (Multiple-Unit counts are wildly unstable in terms of volatility and revisions). Single-Unit Permits is statistically more stable than the Starts series, less revised and often significant in its initial reporting. It also has a 98% coincident (theoretically leading) correlation with its Housing Starts counterpart, once that latter series stabilizes after three-to-four months of revisions.

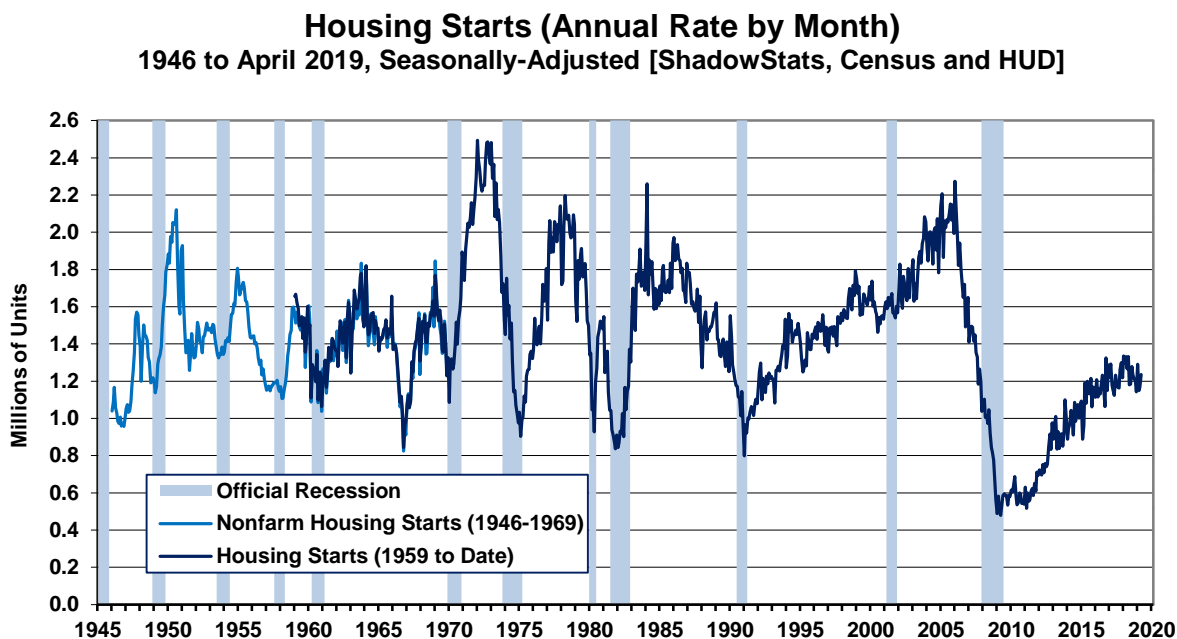
Single-Unit Building Permits are plotted in *Graphs 37* and *38* (along with Single-Unit Housing Starts for comparison), with Single-Unit Starts also plotted in their usual *Graphs 39* and *40*. Single-Unit Building Permits declined for the fifth straight month, down monthly by 4.2% (-4.2%), down year-to-year by 9.4% (-9.4%). Quarterly patterns have shown rapidly deepening quarter-to-quarter and annual contractions from fourth-quarter 2018, to first-quarter 2019 and into an early-trend second-quarter 2019. Annualized quarterly contractions deepened from 4.6% (-4.6%) in fourth-quarter 2018, to a drop of 10.6% (-10.6%) in first-quarter 2019, and to an early-trend 16.3% (-16.3%) in second-quarter 2019. Year-to-year quarterly contractions deepened from 2.7% (-2.7%) in fourth-quarter 2018, to 5.9% (-5.9%) in first-quarter 2019, to an early-trend 8.3% (-8.3%) in second-quarter 2019.

***Regular and Related Graphs Follow.*** *Graphs 29* and *30* show the regular monthly and six-month smoothed plots of the historical Housing Starts series, post-World War II. Housing Starts not only remain shy of recovering from their pre-Great Recession peak, they also have not recovered the peaks of any other post World War II recession.

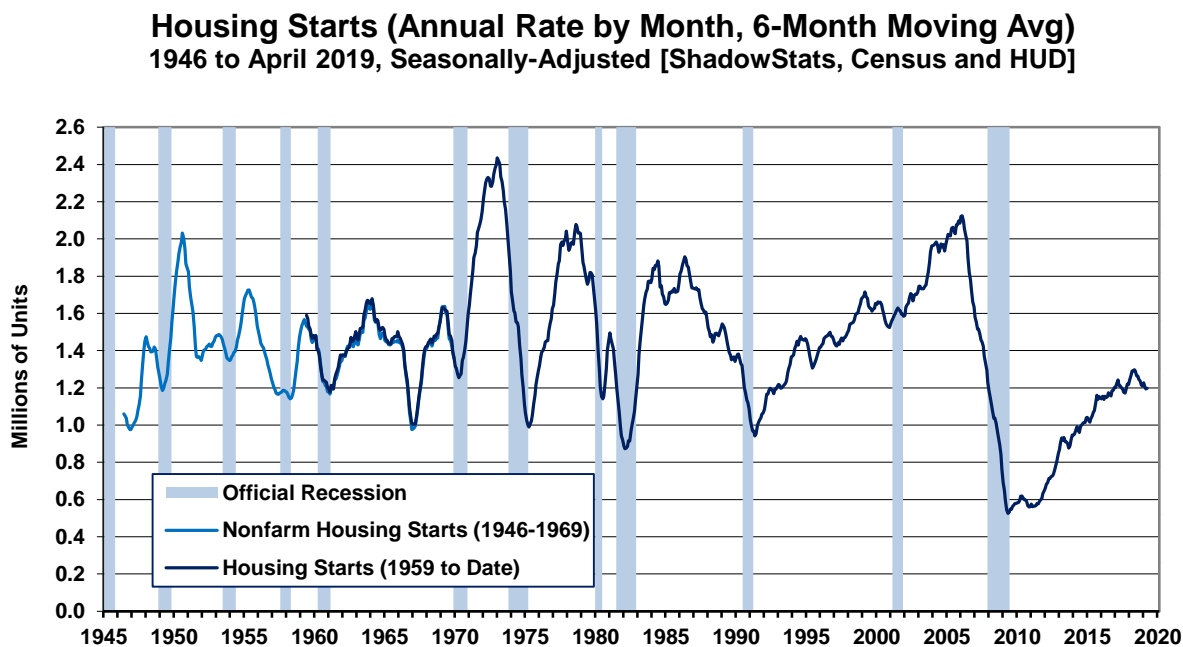
*Graphs 31* to *34* show the series 2000 to date, with *Graphs 35* and *36* showing related plots of real Private Residential Construction spending. Beyond, the previously discussed *Graphs 37* to *40*, *Graphs 41* and *42* plot details of Multiple Unit (two-or-more) Starts, with *Graphs 43* and *44* showing the break out of Starts by segment and *Graphs 45* and *46* plotting aggregate Building Permits.

**[Graphs 29 to 46 begin on the next page.]**

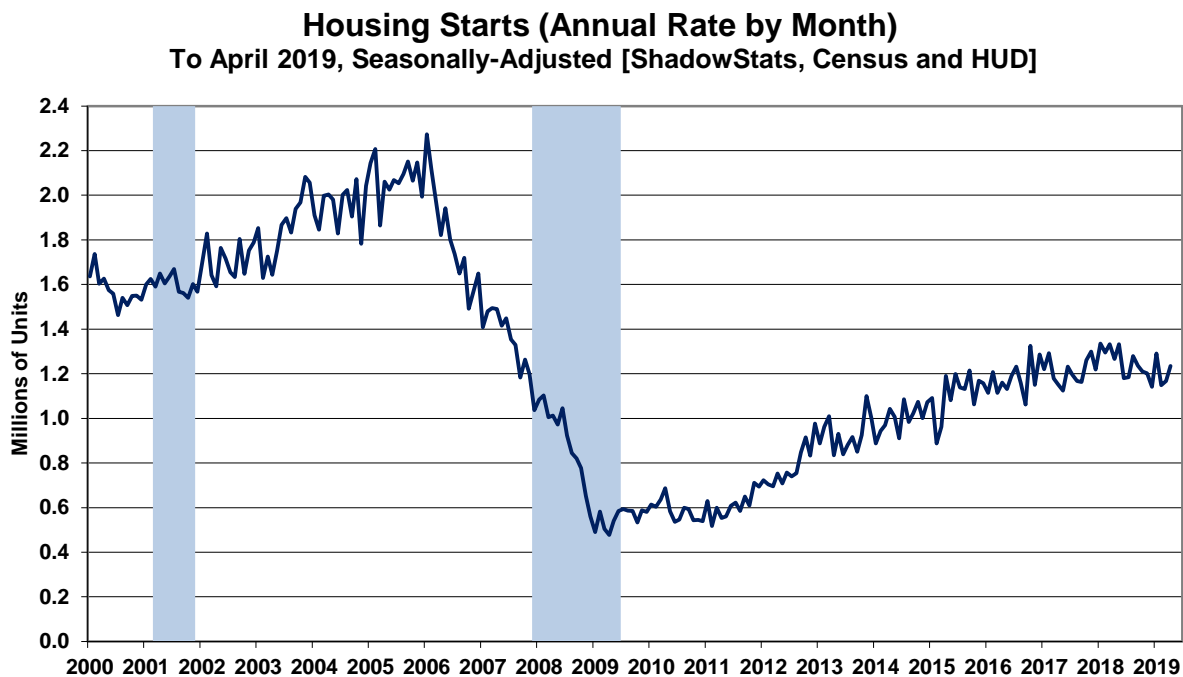
**Graph 29: Housing Starts, Annual Unit Rate by Month, 1946 to April 2019**



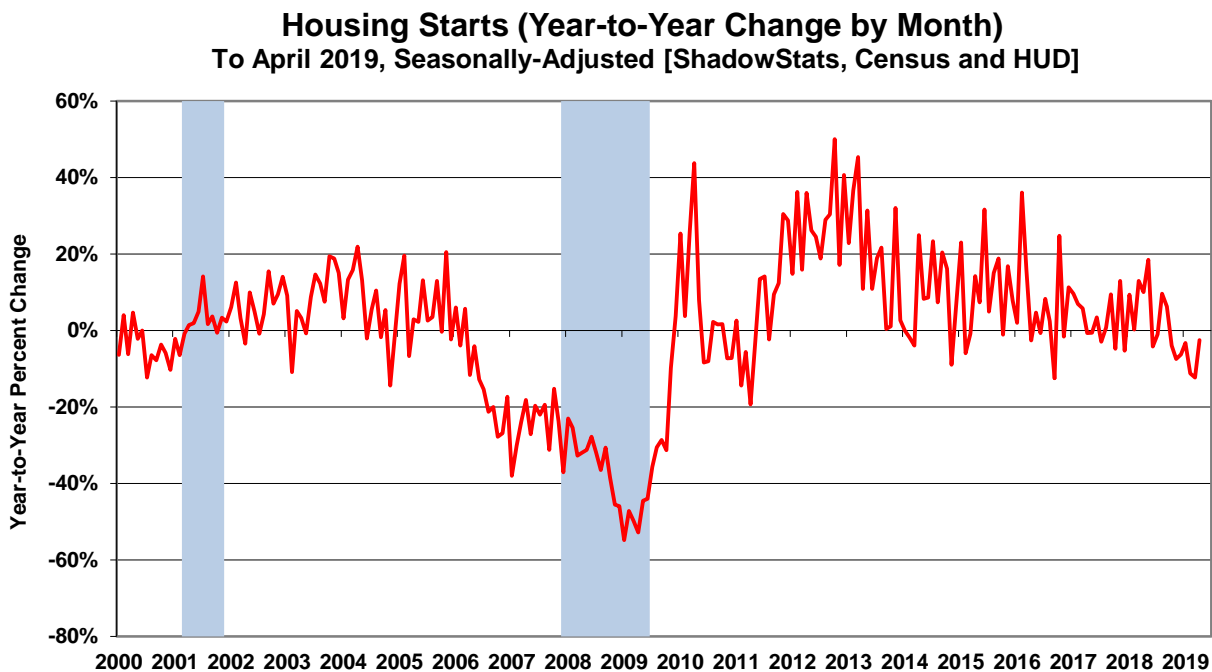
**Graph 30: Housing Starts, Smoothed 6-Month Moving Average Annual Rate, 1946 to April 2019**



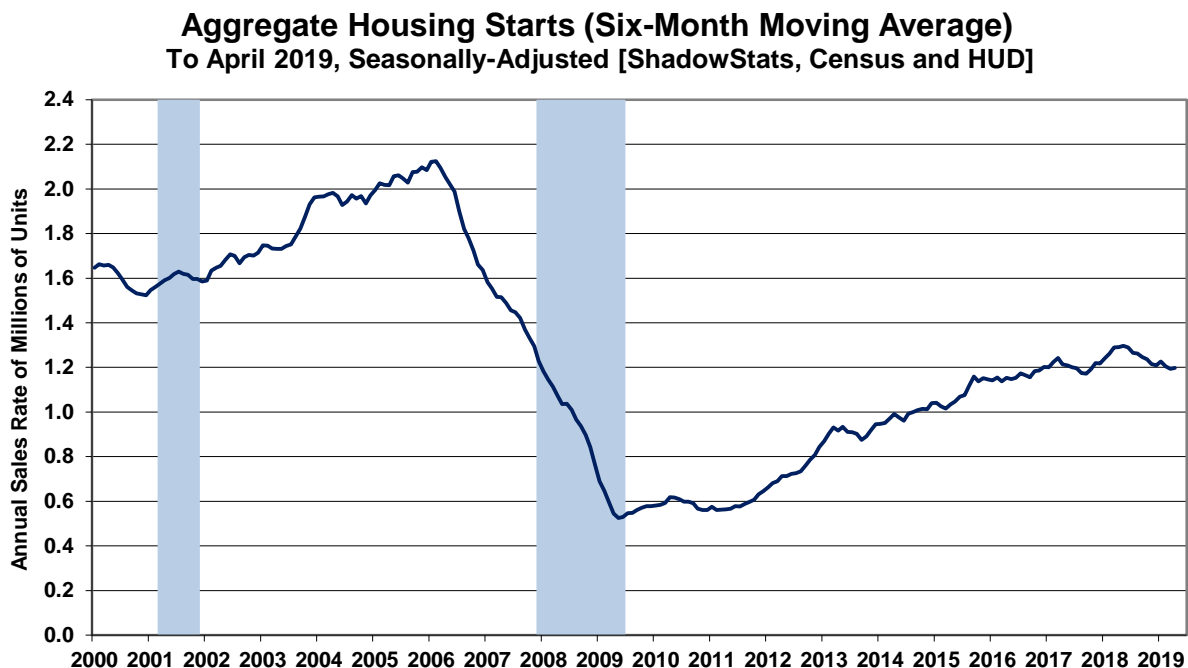
**Graph 31: Housing Starts, January 2000 to April 2019**



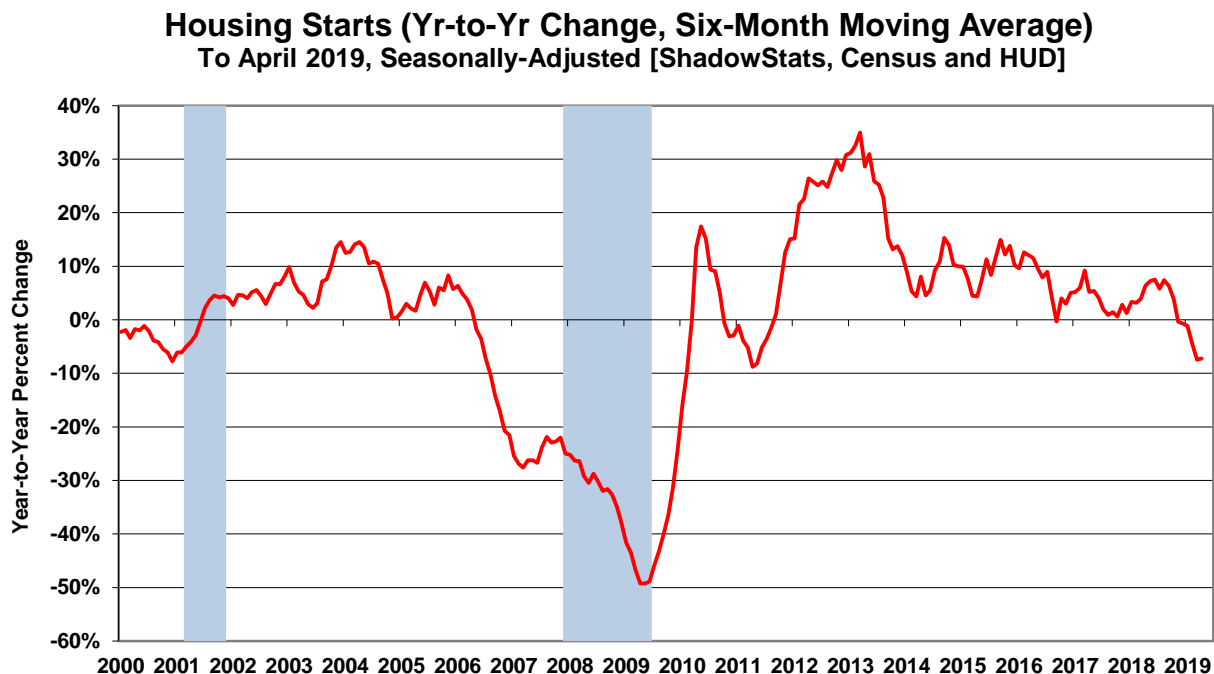
**Graph 32: Housing Starts, Year-to-Year Percent Change, January 2000 to April 2019**



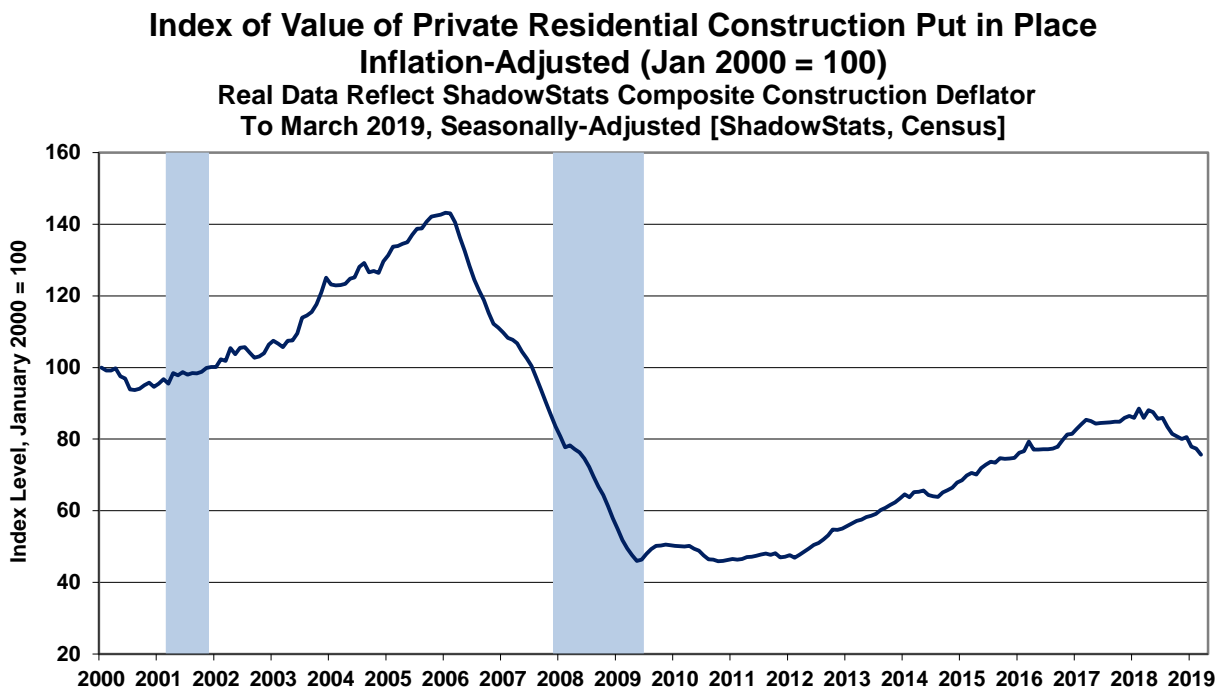
**Graph 33: Housing Starts, Six-Month Smoothed Average, January 2000 to April 2019**



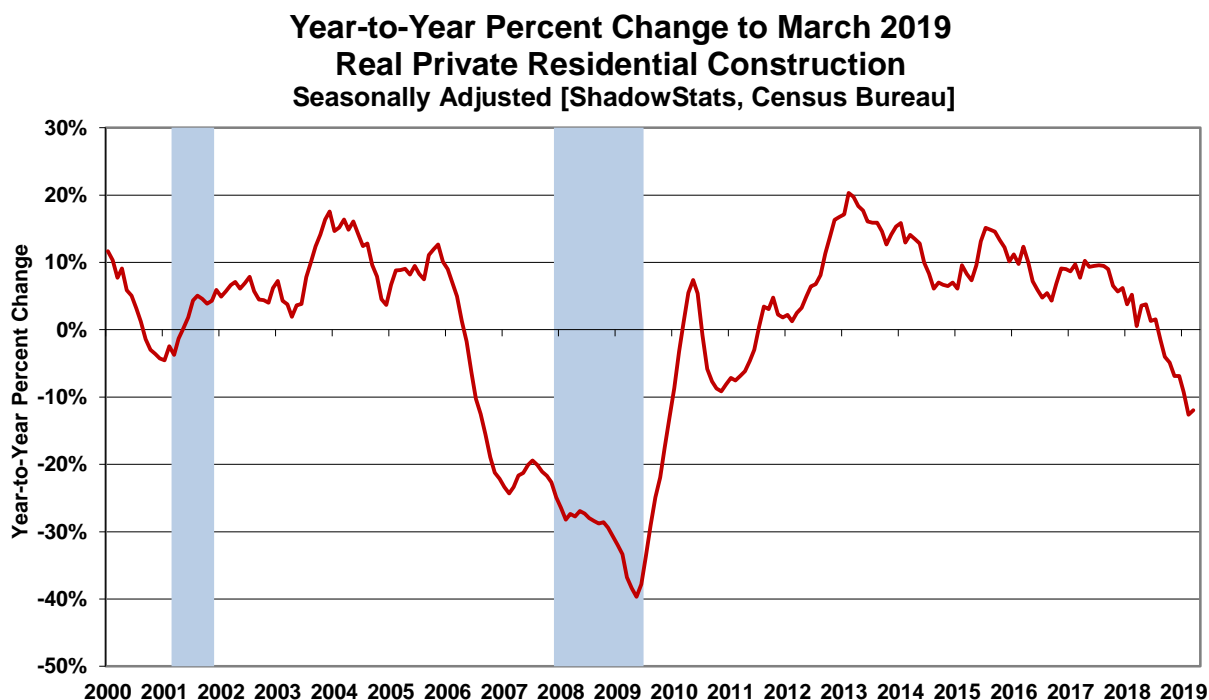
**Graph 34: Housing Starts, Six-Month Smoothed Average, Year-to-Year Percent Change**



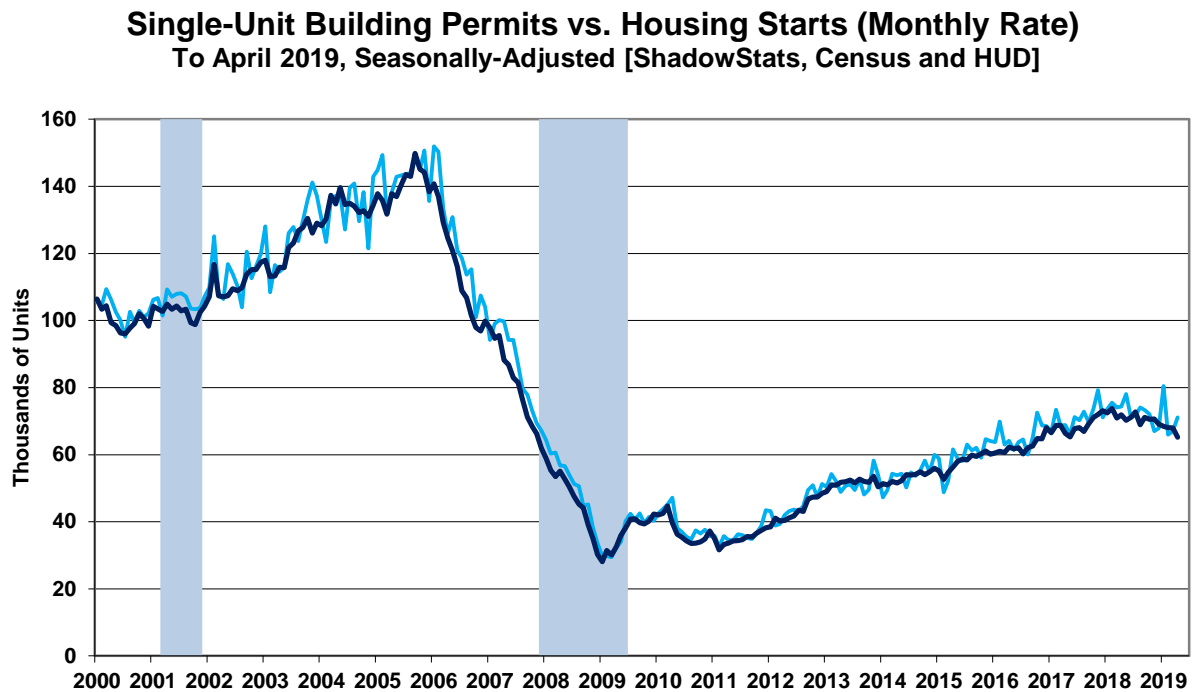
**Graph 35: Real Value of Private Residential Construction Put in Place (2000 to March 2019)**



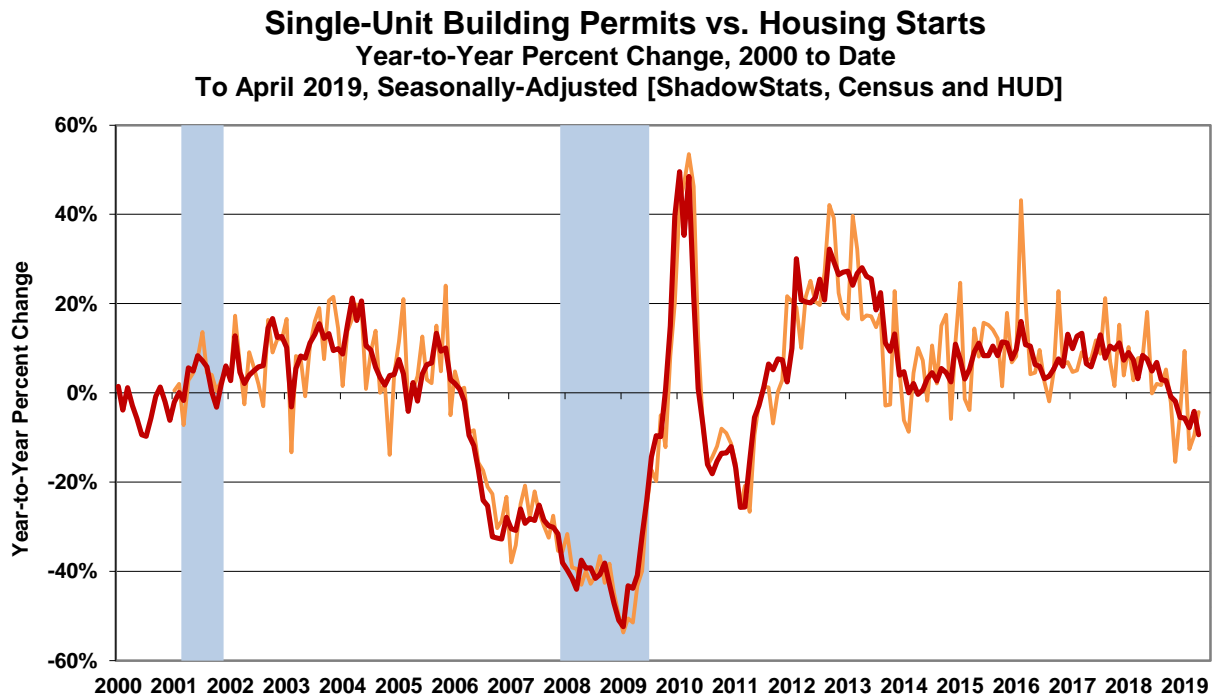
**Graph 36: Year-to-Year Change in Real Residential Construction Spending (2000 to March 2019)**



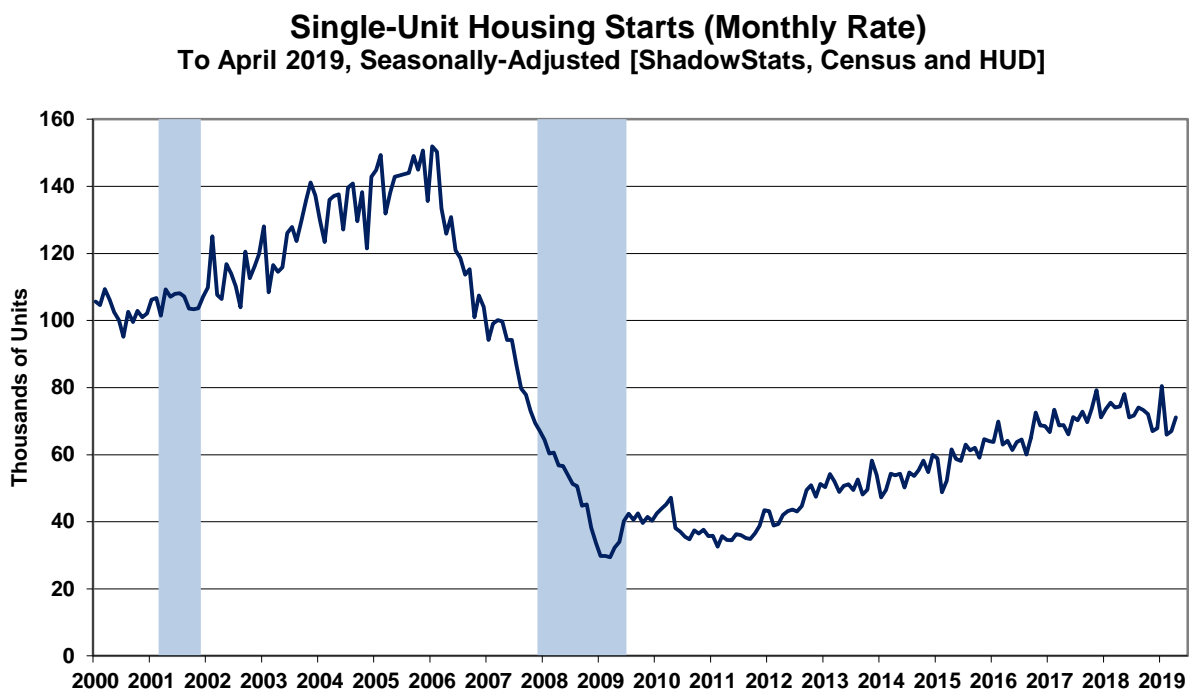
**Graph 37: Single-Unit Building Permits versus Housing Starts, January 2000 to April 2019**



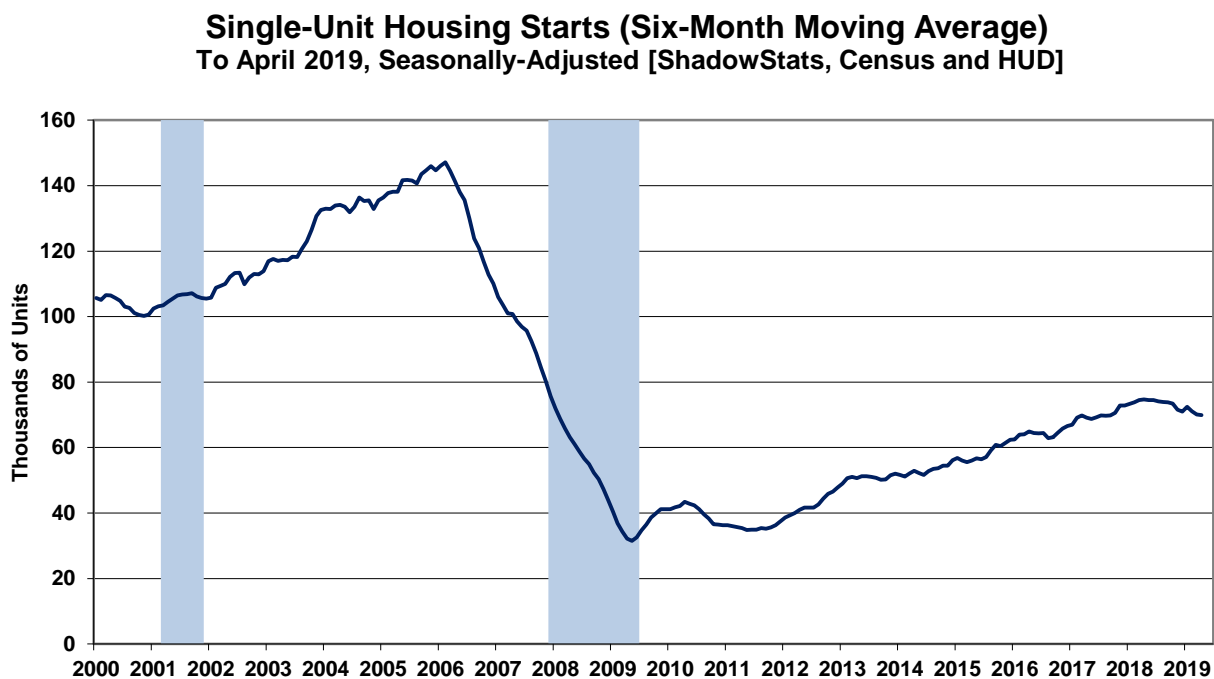
**Graph 38: Single-Unit Building Permits vs. Housing Starts, Yr-to-Yr Percent Change, January 2000 to April 2019**



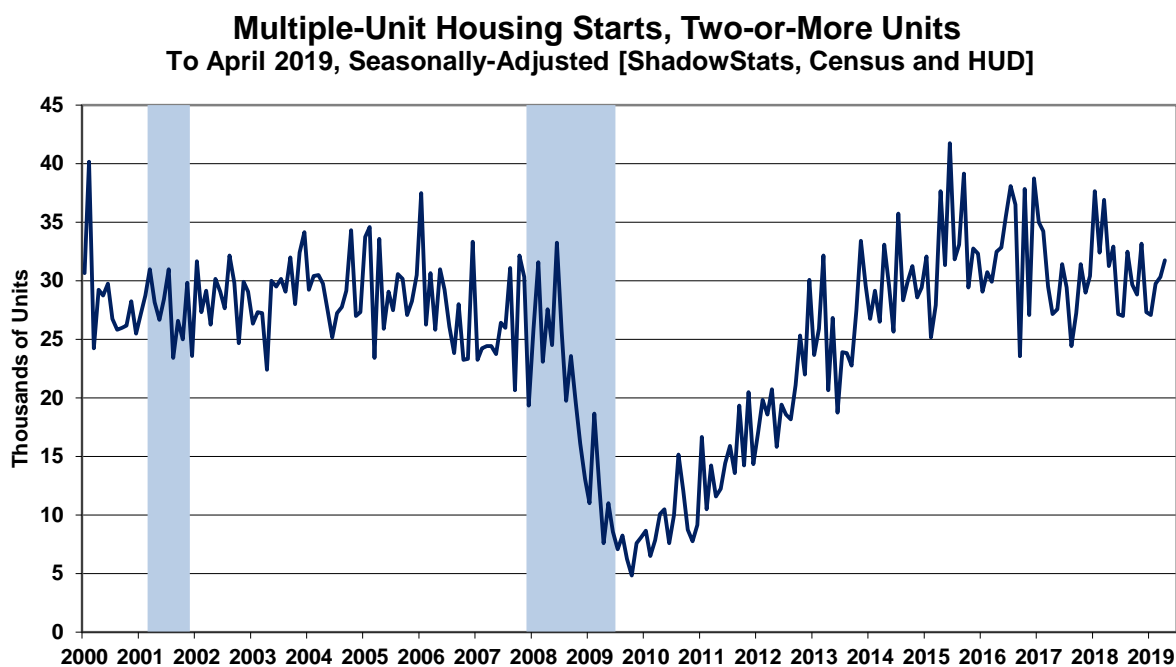
**Graph 39: Single-Unit Housing Starts, January 2000 to April 2019**



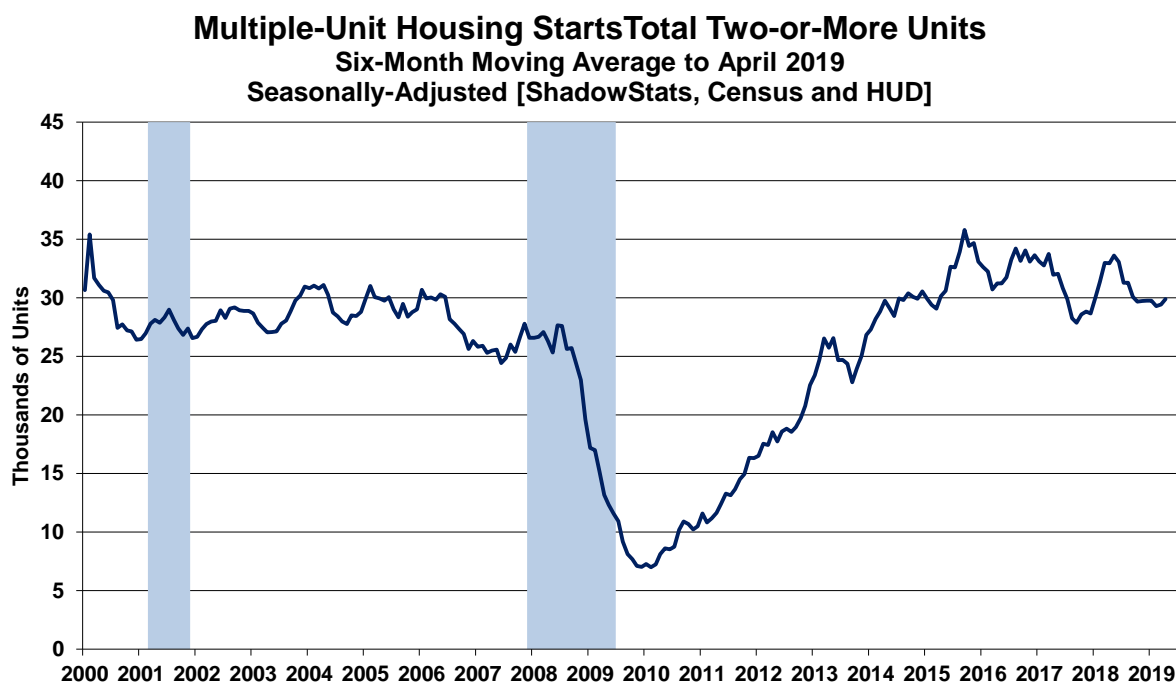
**Graph 40: Single-Unit Housing Starts, Six-Month Moving Average, January 2000 to April 2019**



**Graph 41: Multiple-Unit, Two or More Housing Starts, January 2000 to April 2019**

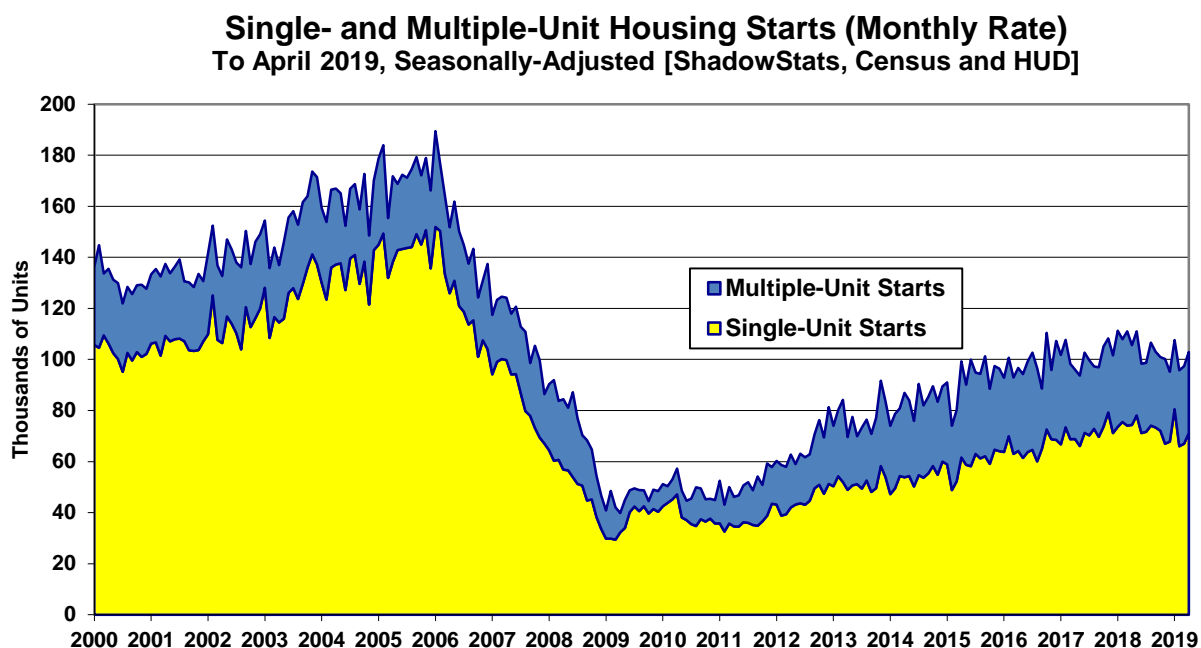


**Graph 42: Multiple-Unit, Two or More. Housing Starts, Six-Month Moving Average, January 2000 to April 2019**

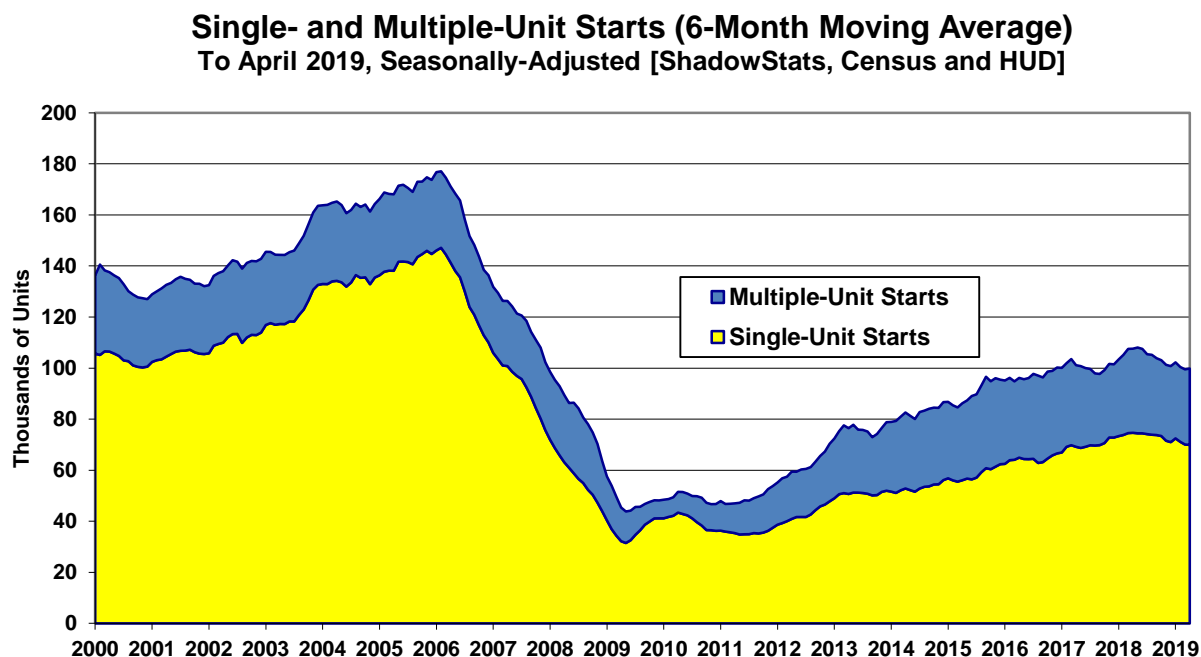




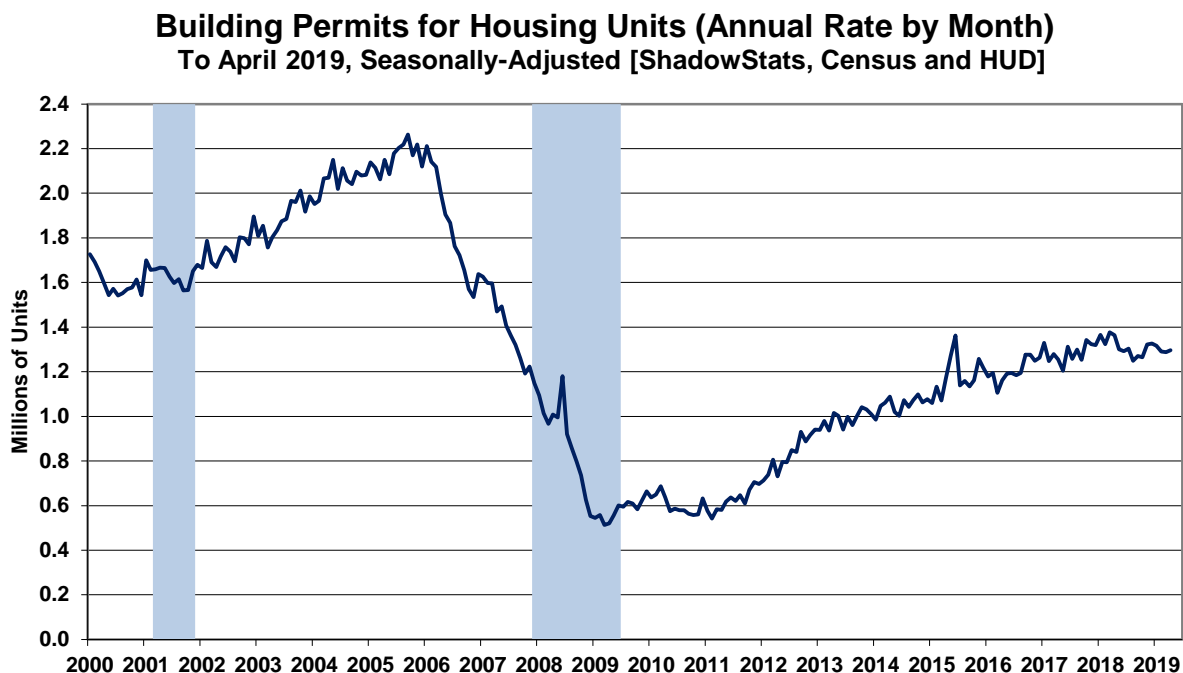
**Graph 43: Monthly Housing Starts by Segment, January 2000 to April 2019**



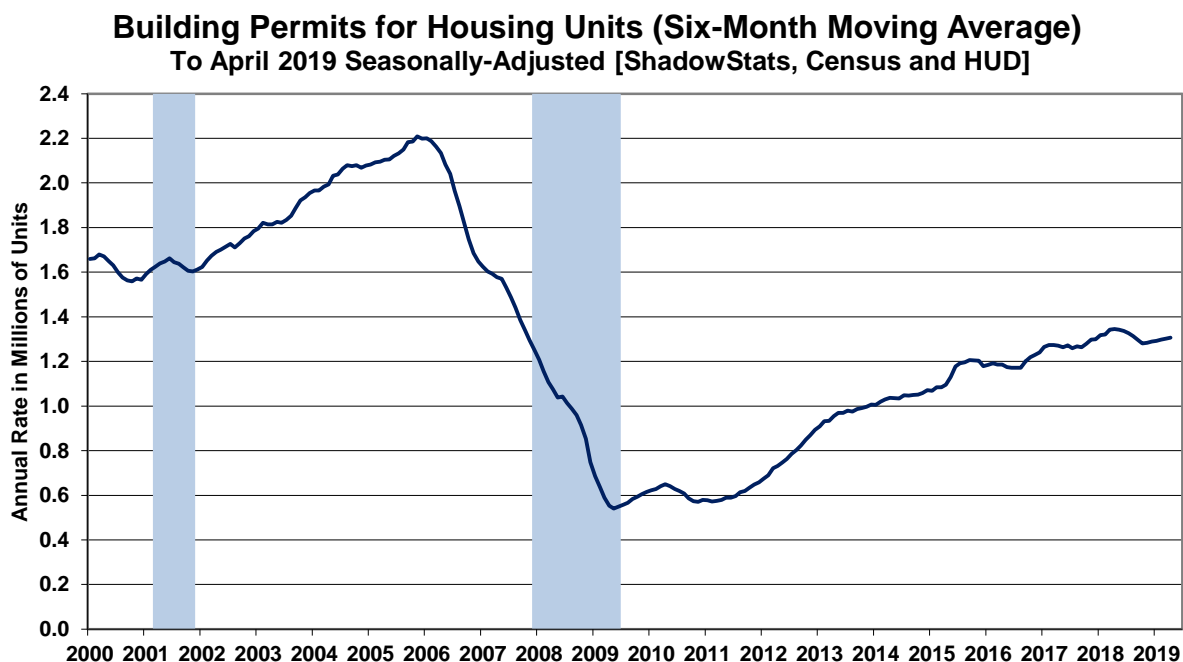
**Graph 44: Six-Month Smoothed Monthly Housing Starts by Segment, January 2000 to April 2019**



**Graph 45: Monthly Building Permits, January 2000 to April 2019**



**Graph 46: Smoothed Monthly Building Permits, January 2000 to April 2019**



## **Consumer Surveying Showed Booming Optimism**

### **Often a Lagging Indicator of Stock Market and Economic Activity**

#### **The Major Series Tend to Mimic the Tone of the Popular Press**

**April Consumer Confidence Jumped and Early-May Sentiment Hit a 15-Year High.** *Graphs 47 and 48* plot details of the Conference Board's April 2019 [Consumer Confidence Index](#)<sup>®</sup> and the early-month estimate of the University of Michigan's May 2019 [Index of Consumer Sentiment](#). Both show series either at or minimally below multi-year highs. While that may seem incongruent with the economic conditions discussed earlier, the circumstance is not so unusual.

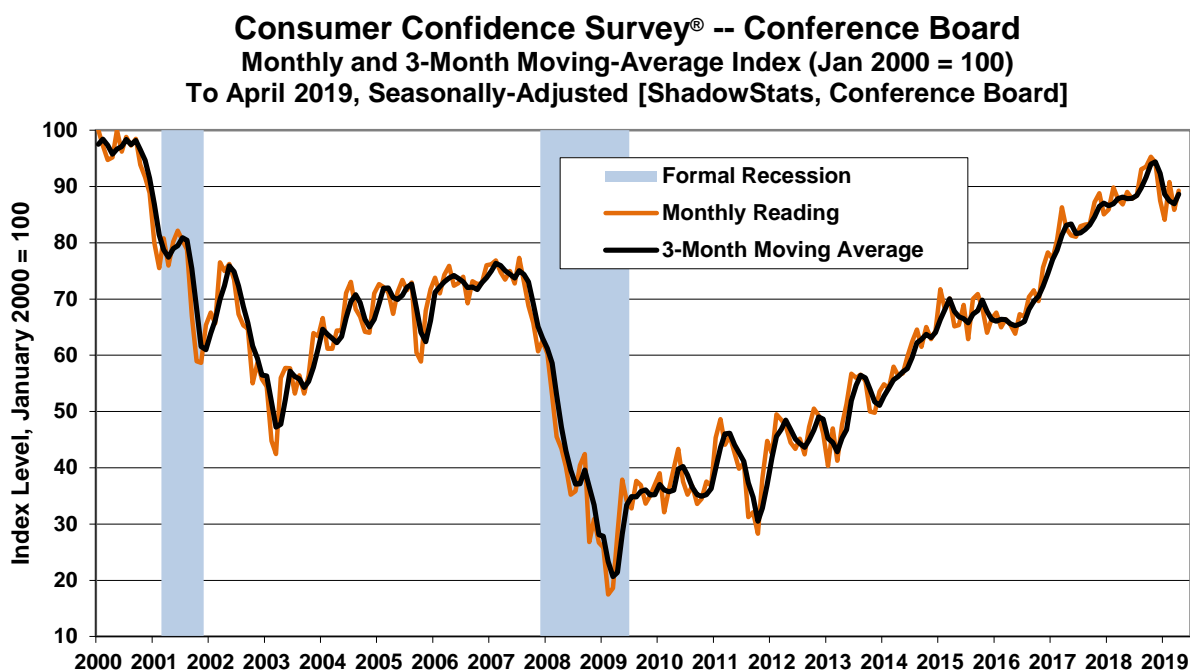
For the Conference Board's seasonally-adjusted Consumer-Confidence Index<sup>®</sup> (*Graph 47*) [unadjusted data are not available, although the case for seasonally-adjusting confidence is a difficult one to make], and the University of Michigan's not-seasonally-adjusted Consumer-Sentiment Index (*Graph 48*), the monthly and three-month moving averages generally remain at levels last seen in 2001. Neither series has regained its pre-2001 recession highs. It also is worth noting that the 2001 recession largely had run its course at the time of the September 11th terrorist attacks.

***Both Confidence and Sentiment Reflect and Mimic the Tone of the Popular Press.*** The confidence and sentiment surveys generally ask respondents to forecast the economy six months into the future. Where the average survey respondent is not an economist, responses most frequently tend to reflect the tone of the popular press. Professor David Fan, PhD, of the University of Minnesota, established such several decades ago. By indexing the relative positive or negative nature of the tone of press coverage towards the economy and the markets, he was able to predict the movements in the Confidence and Sentiment surveys with high a degree of accuracy.

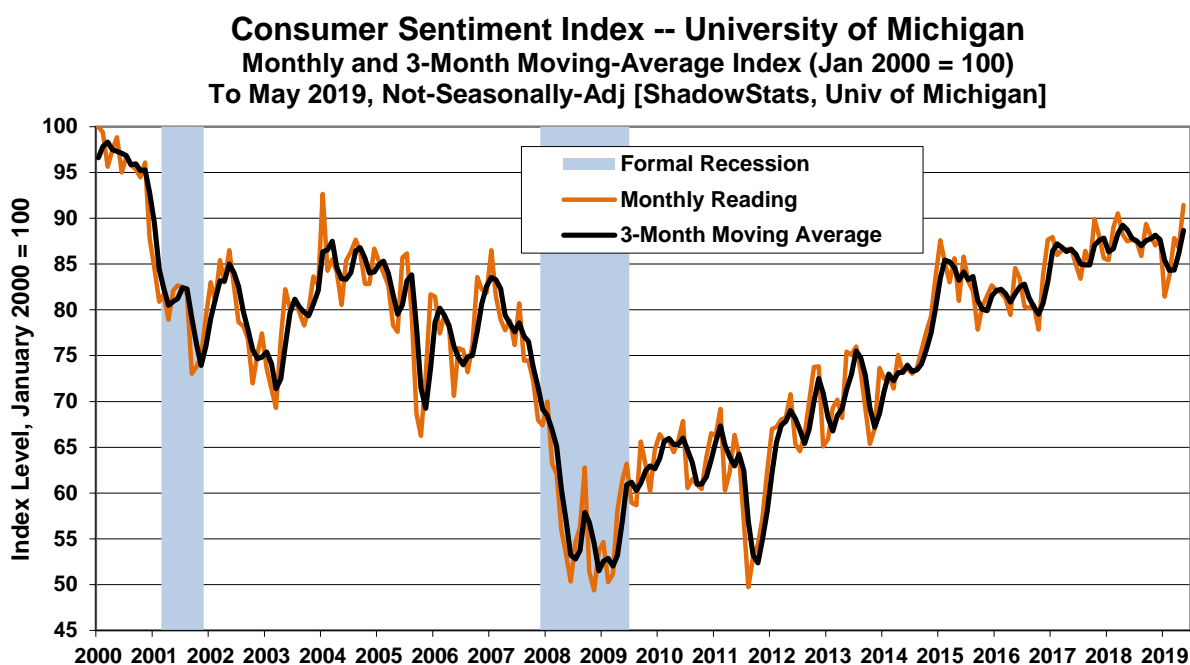
Moving with headline economic reporting in the press, these series often are highly volatile month-to-month. Recent press was highly positive on the headline economic and employment news, particularly with the recent GDP and unemployment reporting. The current surveys were taken before the recent stock-market volatility tied to the still-developing tariff circumstances. Even so, a downturn in the consumer outlook can unfold, despite any euphoric headlines, reflecting the current deep-seated consumer liquidity stresses. In an environment of high-level optimism, beyond having happy feelings about the future, consumers still need actual income, cash-in-hand or credit in order to increase their spending.

Showing the Consumer Confidence and Consumer Sentiment measures on something of a comparable scale, a scale comparable with almost all indexed ShadowStats graphs, following *Graphs 47 and 48* reflect both measures of relative consumer optimism re-indexed to January 2000 = 100 for the monthly reading. Standardly reported, the Conference Board's Consumer Confidence Index<sup>®</sup> is set with 1985 = 100, while the University of Michigan's Consumer Sentiment Index is set with January 1966 = 100.

**Graph 47: Consumer Confidence (January 2000 to April 2019)**



**Graph 48: Consumer Sentiment (January 2000 to Early-May 2019)**



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