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

ShadowStats Economic Commentary, Issue No. 1454

Money Supply, FOMC, Industrial Production, Retail Sales, Housing Starts and Cass Freight Index®

December 29, 2020

Deepening Economic Woes and Soaring Inflation Ahead

Underlying Economic and Labor Numbers through November Indicate Contracting or Flattening Fourth-Quarter 2020 GDP, Well Shy of Economic Recovery

On Top of Downside Revisions, Declining November Real Retail Sales Showed Renewed Economic Deterioration

November New-Home Sales Collapsed by a Meaningful 11.1% (-11.1%) in the Month, On Top of Major Downside Revisions to Sales in Each of the Prior Three Months

November Industrial Production and Its Dominant Manufacturing Sector Showed Deepening Year-to-Year Declines, While the Mining Sector Showed a Narrowed Annual Plunge, Thanks to Rising Oil Prices

Federal Reserve Sees Continuing Need for Inflation-Boosting Monetary Stimulus, With No Economic Recovery Expected Before 2023

Continuing Massive Expansions of Federal Government Deficit Spending and Federal Reserve Monetary Stimulus Promise Massive Inflation

Liquidity-Strapped Consumers Move to Cash, Spiking Traditional Money Supply M1

Minimizing Reporting of Such, the Fed Just Redefined Money Supply M1; Given Newly Defined M1-Like Liquidity Characteristics for M2 Savings Deposits, Savings Have Been Shifted Retroactively from M2 to into M1, Effective as of May 2020

Redefined November Money Supply M1 Just Jumped from 31.7% to 92.7% of Total M2; November 2020 Year-to-Year Growth in the Traditional Money Supply M1 Soared to a Record 53.2%, the Redefined New Series Reflects a Record 348.4% Jump

Weakening U.S. Dollar, Rebounding Gold and Oil Prices Foreshadow Rising Inflation

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Note to Subscribers

Planned *ShadowStats Commentaries*. In the context of various computer and server disruptions and related Internet issues (all of which appear to be resolved), coinciding with the ongoing regular major economic reporting and data revisions, and an intensifying and unusual weekly evolution in the shifting Money Supply, ***Flash Commentary, Issue No. 1454*** morphed into a full ***Economic Commentary, Issue No. 1454***, going to press amidst a still-unsettled U.S. Election and devolving Coronavirus Pandemic circumstances (despite vaccines and improved treatments). ***ShadowStats*** observations in recent ***Commentaries*** up to prior ***No. 1453*** on the Pandemic and political circumstances remain in play.

With likely two intervening ***Flash Commentaries*** (Year-End Markets and the December and Annual Labor Numbers) the ***Special Benchmark Commentary*** should post during the January 11th week, presumably with some clarity available then as to domestic U.S. political circumstances. The ***Benchmark*** will provide a broad review of the Economy, Inflation and Financial Markets and an updated ***ShadowStats Outlook*** for 2021 and beyond, specifically as tied to a potential hyperinflationary economic collapse.

While the broad ***ShadowStats Outlook*** continues to evolve, it has not changed dramatically. The general themes and elements of the outlook for the U.S. Economy, Inflation and Financial Markets, including Federal Reserve Monetary and Federal Government Fiscal Policies, still foreshadow rapidly escalating risk of a ***Hyperinflationary Depression*.** The Pandemic already has inflicted massive structural damage on the United States' economy and on the lives and psyche of its people. While economic recovery indeed should pick up some with effective vaccines and treatments, continued major, expansive Federal Reserve Monetary and Federal Government Fiscal Policies, already in place, likely will continue for some time, well into 2022 and beyond. – **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 No. 1434*** (1q2000 GDP), ***Special Economic Commentary, Issue No. 1437*** (Economic Update), ***Special Hyperinflation Commentary, Issue No. 1438*** (Risks of a Hyperinflationary Economic Collapse), ***Flash Commentary No. 1439*** (Distorted May Labor Conditions, NBER Recession Call, FOMC Outlook), ***Economic Commentary, Issue No. 1441*** (Economic Update).

Consider as well, ***Special Economic Commentary, Issue No. 1444***, which examined Systemic, Economic and Financial-system disruptions, particularly as reflected in the price of Gold. ***Flash Commentary, Issue No. 1445*** reviewed the GDP annual benchmarking and an updated outlook for Gold and Silver following the August 11th sell-off. ***Special Economic Commentary, Issue No. 1446*** assessed current and prospective economic and inflation conditions, with initial ***ShadowStats*** GDP forecasts for the balance of 2020. ***Flash Commentary, Issue No. 1447*** reviewed and updated ongoing statistical shenanigans with the New Claims for Unemployment Insurance for the week ended August 29th, and assessed economic implications of the August 2020 Payrolls and Unemployment and Employment reporting, along with the July 2020 Merchandise Trade Deficit. ***Flash Commentary, Issue No. 1448*** reviewed the New Claims for Unemployment, August 2020 CPI- and PPI-Inflation and the Money Supply. ***Flash Commentary, Issue No. 1449*** reviewed developments from the September 2020 FOMC Meeting, with ***Flash Commentary, Issue No. 1450*** covering the Third-Quarter 2020 GDP and related unfolding economic circumstances, with ***Flash Commentary, Issue No. 1451*** updating the November FOMC, along with ***Flash Commentary, Issue No. 1452*** and ***Economic Commentary, Issue No. 1453*** updating the latest economic and inflation numbers, and reviewing rapidly changing U.S. political and Pandemic circumstances.

ShadowStats Broad Outlook for the Economy, Inflation and the Markets

With minimal evolution, and in context of the latest developments in the U.S. 2020 Elections and the 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 as more broadly measured by 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.

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OVERVIEW

Record Flight to Cash Continues, As Strapped Consumers Seek Liquidity

Effectively Obfuscating Same, the Fed Has Redefined Money Supply Reporting, Moving Former M2 Savings Deposits (Now With Enhanced Liquidity) Into the New M1

November 2020 Annual Growth and Dollar Levels of Existing M1 and M2 Set Record Highs

The Newly Redefined M1 Measure Explodes Anew, With Aggregate New M2 Holding as Before

"Final" Estimates of Third-Quarter 2020 Gross Domestic Product, Domestic Income and National Product (GDP, GDI and GNP) Revised Slightly Higher

Yet, Related Underlying October and November Economic and Labor Numbers Signal Stagnating or Faltering Fourth-Quarter Economic Activity

November Cass Freight Index® Gained Year-to-Year for a Second Month, Against a Deepening, Year-Ago FOMC-Induced Pre-Pandemic Downturn

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

What Had Begun As a Faltering "L"-Shaped Fourth-Quarter 2020 Economic Recovery Indeed Has Flattened Out or Turned Down, No Longer Showing a Pattern of Economic Rebound. Today's ***Commentary*** opens with ***Section 1 - FOMC and the Money Supply Overhaul***, beginning on page 11, covering first, the Fed's Federal Open Market Committee's (FOMC) two day meeting ending December 16th. The related Federal Reserve Statement, Quarterly Forecasts and Federal Reserve Chairman Jerome S. Powell's subsequent Press Conference indicated that neither economic recovery nor cutback in the Fed's Monetary Stimulus was likely before 2023, at the earliest.

Covered second, the day following the FOMC Meeting, and a week after ***ShadowStats Economic Commentary, Issue No. 1453*** highlighted the record flight to safety/liquidity from M2 to M1, the Fed's December 17th weekly Money Supply report H.6 announced a major retroactive definition of M1, and overhaul of the reported M2 series. The effect of the Money Supply redefinition was to mask the extraordinary, record flight to liquidity by financially strapped consumers, still caught in the throes of unprecedented Pandemic-driven record economic collapse and related unemployment and underemployment crises.

Section 2 – "Final" Estimates of Third-Quarter 2020 Gross Domestic Product, Gross Domestic Income and Gross National Product coverage begins on page 21, where the "final" estimates (until the July 29, 2021 Annual Benchmark Revisions) of the GDP, GDI and GDP each revised slightly higher, in strong quarterly rebounds, yet each series remained far shy of full recovery from the First- and Second-Quarter 2020 Pandemic-Shutdown driven quarterly collapses, to the pre-collapse levels of Fourth-Quarter 2019. What had been an unfolding headline "Recovery" in Third-Quarter 2020 slowed in early Fourth-Quarter 2020 reporting and now appears to have stalled, with key monthly economic indicators now suggesting a flat to negative quarterly change in Real Fourth-Quarter 2020 GDP. An important point to remember here is that extremely aggressive FOMC tightening in 2017 through 2019 had had the Federal Reserve's "desired" effect of having already triggered an economic downturn, well before the Pandemic-driven crisis and collapse surfaced, as discussed in the subsequent Cass Freight Index® ***Section 3***.

Section 3 – Cass Freight Index® – November 2020, beginning on page 33 showed its second consecutive unadjusted year-to-year gain, the first monthly annual gains since aggressive FOMC tightening drove actual Real U.S. Economic Activity into an "unofficial" recession, which can be timed from November 2018, which later was driven into the Pandemic collapse in February/March 2020. Nonetheless, the Cass Freight Index® well may have signaled the bottoming of the Pandemic collapse in September 2020.

Section 4 – Industrial Production – November 2020, beginning on page 38, showed faltering activity with a renewed, deepening decline in aggregate annual growth for both total Production and the dominant Manufacturing Sector, while the Mining Sector showed some rebound thanks to rising Oil Prices.

Section 5 – Real Retail Sales – November 2020, beginning on page 48, declined month-to-month, worse than expected, on top of downside revisions.

Section 6 – New Residential Construction and Sales – November 2020, beginning on page 55, showed collapsing monthly sales activity on top of massive downside revisions to previously reported activity in recent months.

Section 7 – Financial Market Graphs Updated to December 28, 2020, beginning on page 63, show a deepening decline in the level and annual downturn in the U.S. dollar, particularly against the Swiss Franc. Gold and Silver prices have shown some rebound, along an upturn in recently savaged oil prices. The weakening U.S. dollar and rising oil price suggest rising inflation in the United States, which tends to be bullish for the precious metals. Despite both the S&P 500 and the Dow Jones Industrial Average being near historic highs, the price of Gold and Swiss Franc have continued to outperform those stock-market measures since their February 2020 Pandemic-driven crashes from then record-high levels. Combine the negative dollar, with soaring oil prices and with Federal Reserve monetary and U.S. Government fiscal malfeasance, and the outlook for the price of gold could not be much stronger.

[Section 1 – FOMC and Money Supply Overhaul begins on the next page.]

Section 1 - FOMC and the Money Supply Overhaul

FOMC Likely Will Maintain or Expand Accommodative Polices into 2023

Following the Greatest-Ever Two-Weeks Flight-to-Cash/Safety Surge in M1, and the December FOMC Meeting, the Fed Massively Redefined Its Money Supply M1

May 2020 M1 Was Redefined from 26% to 89% of an Unrevised Total Money Supply M2, With the Effect of Revising November 2020 M1 from 32% to 93% of Total M2

Monthly Annual Growth in November 2020 M1 Surged to a Record 53.2%, Redefined M1 (With Super-Liquid Savings Deposits) Would Surge to a Record 348.4%

Federal Reserve Openly Continues Its Attempt to Spike Inflation

System Still Moving Towards a Hyperinflationary Economic Collapse

December 2020 FOMC

Despite Deteriorating Near-Term Conditions, the Long-Term Outlook Is Slightly Less Negative, Per the Fed, With Economic Recovery Not Likely Before 2023. As viewed by ShadowStats, Economic, FOMC (the Federal Reserve's Federal Open Market Committee), financial-market, political and social circumstances all continue to evolve along with the Pandemic. Positive developments on COVID-19 vaccines and treatments hold out some prospect of limited economic improvement in 2021 or 2022. Still, the U.S. economy and personal circumstances have suffered severe structural damage from the shutdown. Ongoing massive Fiscal and Monetary Stimuli will be needed for an extended period, well into 2022 and very likely beyond.

The December 2020 FOMC Meeting concluded with the Federal Funds Rate still targeted at 0.00% to 0.25%, with expectations of increasingly heavy assets purchases likely continuing into 2023. At his December 16th FOMC Press Conference, Federal Reserve Board (FRB) Chairman Jerome Powell reconfirmed that the extraordinarily expansive and accommodative FOMC Monetary policies would intensify. From the FRB statement: "[T]he Federal Reserve will continue to increase its holdings of Treasury securities by at least $80 billion per month and of agency mortgage backed securities by at least

$40 billion per month [minimally $1.44 trillion per year] until substantial further progress has been made towards the Committee's maximum employment and price stability goals [meaning higher inflation]."

Fed Funds targeted at 0.00% to 0.25%, would continue for the duration of the Pandemic-driven economic collapse, and until such time as the Fed's recently established policy of debasing the U.S. Dollar at a greater pace (boosting inflation) shows results. Specifically, the FOMC looks to boost headline "Core" PCE inflation, above what previously had been its formal 2.0% target, for an extended period time, again, with results unlikely before 2023, per Chairman Powell. [***ShadowStats*** will review the nature of the PCE deflator in its pending ***Benchmark Economic Commentary***].

Record Levels of Traditional Headline Money Growth

Monthly Average November 2020 M1 Money Supply exploded year-to-year by an unprecedented 53.2%. [The numbers reported here are based on the ShadowStats December 20th posting of latest headline Federal Reserve Board estimates of monthly Money Supply M1 and M2, and the ShadowStats Ongoing M3 Estimate – see the latest Money Supply posting on the ***ALTERNATE DATA*** tab of the ***www.shadowstats.com***. Related graphs are found in ***ShadowStats Economic Commentary, Issue No. 1453***, as well as in following ***Graph 9***.]

Based on headline FRB reporting of November 2020 Money Supply and the ShadowStats M3 estimation, Money Supply levels hit historic highs in November, with record annual growth in M1 and M2, all signaling intensifying inflation pressures, on top of record levels in prior October 2020 estimates. Monthly annual growth in M1 surged to an historic peak of 53.2% in November 2020, up from 42.3% in October. The unusually large jump in M1 reflected the largest-ever two-week movement of funds from M2 to M1 accounting (see next sextiob). November M2 annual growth was a record 25.1%, up from 24.2% in October. Although the ShadowStats Ongoing Estimate of M3 has softened year-to-year to 22.8%, down from June's record 25.9%, again, the dollar level of M3 still rose to a record high.

Targeted at boosting headline inflation, annual growth in the FOMC-controlled Monetary Base jumped to 53.6% in November 2020, from 51.2% in October, off an interim near-term low of 44.2% in July, having peaked earlier at 58.7% in May 2020, as part of the Fed's initial Pandemic monetary stimulus. Separately, unadjusted annual growth in November 2020 Currency in Circulation (part of the Monetary Base) held at 15.2% for a second month, its highest level since Alan Greenspan's extraordinary Y2K precautionary cash build-up.

Consumers Increasingly Are Going to Cash to Make Ends Meet

Shifting and Redefined Money Supply Numbers

An Increasingly Large Number of People Appear to Be Liquidating Their Savings in Order to Make Ends Meet. Discussed and graphed in ***"The Biggest Flight-to-Cash in Modern Monetary History" - ShadowStats Economic Commentary, Issue No. 1453***, recent weekly Money Supply data showed an extraordinary pick-up in the liquidation of Savings Accounts and Time Deposits in the aggregate Non-M1 Component of M2 Money Supply, which accounts for 65% of Aggregate M2, flowing into Cash and Checking Accounts in M1, which Accounts for 35% of Aggregate M2.

Graphs 1 and ***2*** here are repeated from ***No. 1453***. The flight to liquidity, from Savings and Time Deposits (in M2) to Cash and Demand Deposits – Checking Accounts (in M1) has continued in the two weeks subsequent to the analysis in ***No. 1453***, albeit at slower two-week M1 surge of 3.1% (two weeks ended December 14th) on top of the previously discussed, record seasonally adjusted surge of 14.1% in the two weeks ended November 30th. For the four weeks ended December 14th, M1 had surged by $1.0 trillion or 17.6%, while the much larger Non-M1 component of M2 (89.3% of which is in Savings Deposits) declined by $0.8 (-$0 8) trillion or 6.1% (-6.1%).

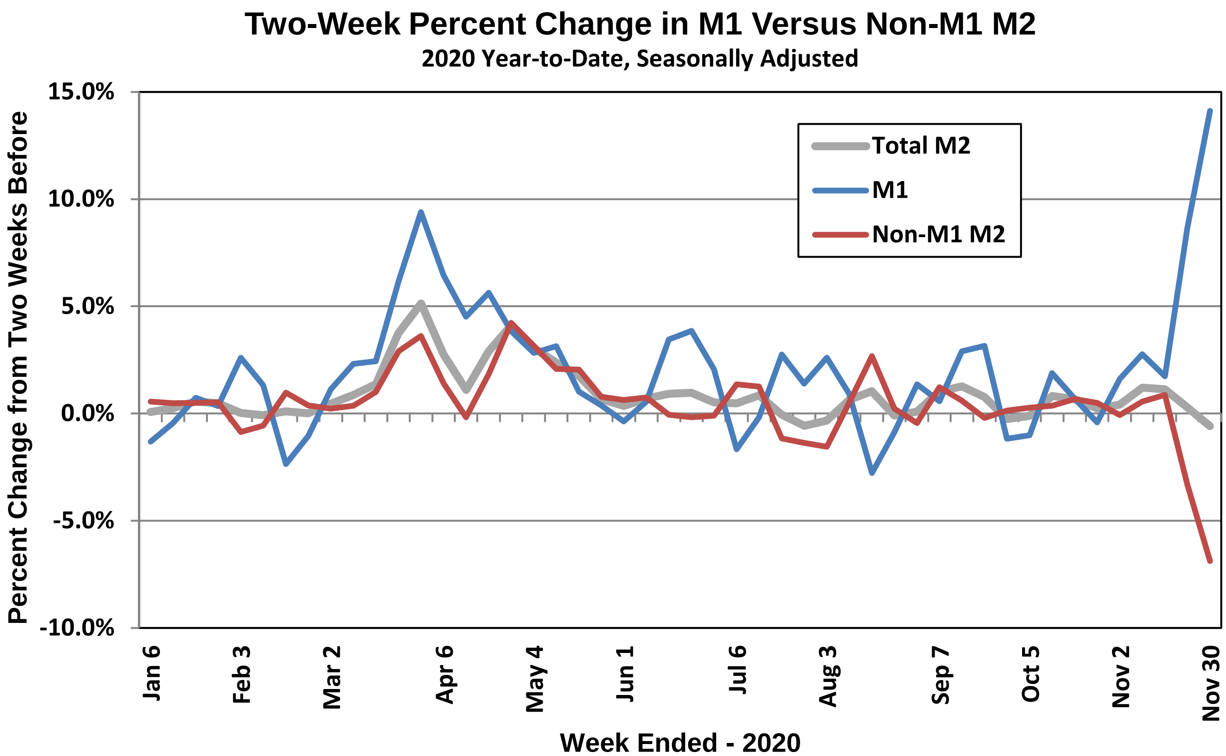
The massive movement of money from the Non-M1 Component of M2 to M1 reflects a flight to effectively greater liquidity, as least as perceived by the public, irrespective of the FOMC shifting definitions. Given the protracted massive unemployment problems generated by the Pandemic shutdown of the economy, an increasing portion of the population appears to be liquidating savings in order to make ends meet.

The rapid deterioration of the liquidity circumstance may have provided some impetus for getting the just-passed new "stimulus" package put into action, as well having affected the debate over $600 versus $2,000 payments to individuals. As will be expanded upon in the pending ***ShadowStats Benchmark Economic Commentary***, current economic activity is deteriorating anew, and the Executive and Legislative Branches of the Federal Government likely will have little political choice in the year ahead but to put forth further, massive stimulus. Reigning in the increasingly uncontrolled Federal Deficit Spending and Debt Expansion will be an extraordinary challenge. The FOMC just indicated that it likely would continue its excessive Monetary Stimulus and efforts to increase inflation into at least 2023. The combined inflation stimuli of excessive Federal Government Deficit Spending and excessive Federal Reserve Monetary Stimulus promise much higher inflation and U.S. dollar debasement ahead.

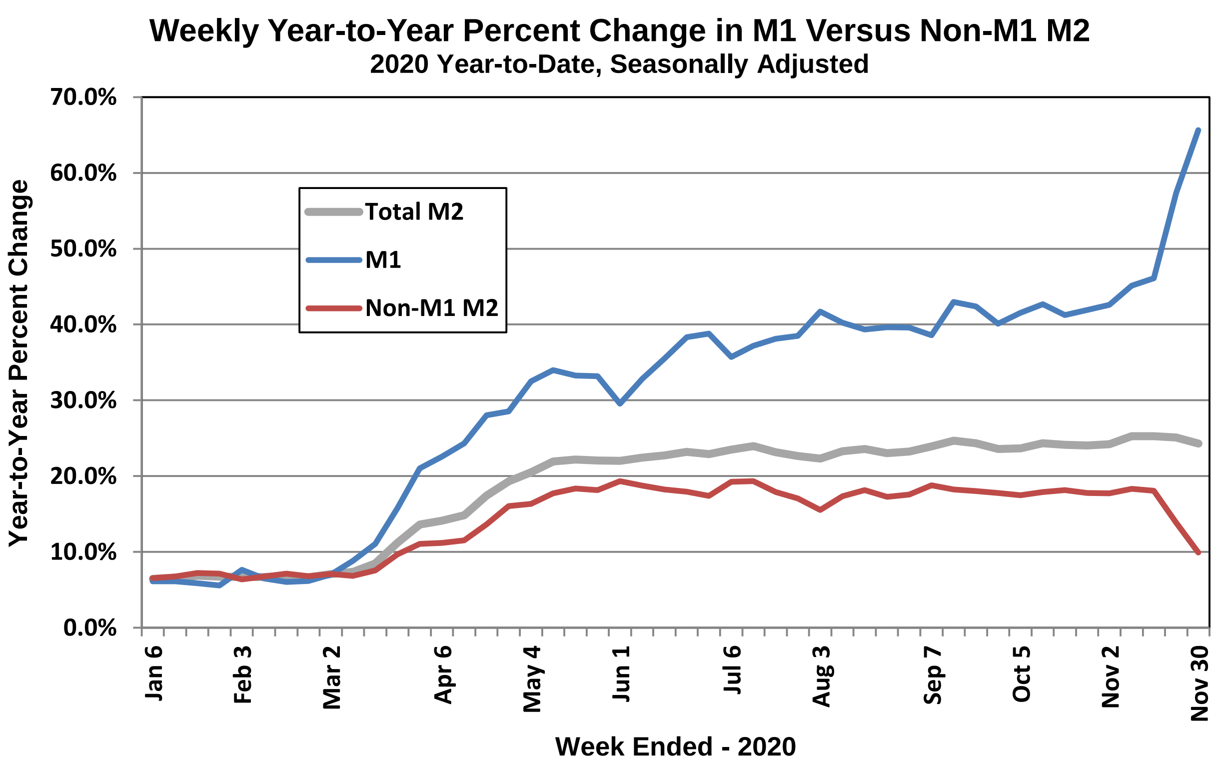
As discussed in the next section, consider the subsequent announcement of Money Supply redefinitions in context of the discussion here of panicked flight of cash to M1 (effectively cash and checking) from M2 (then defined as savings accounts). Those areas were just redefined, with the effect of masking the flight to liquidity from M2 into M1.

[Graphs 1 and 2 follow on the next page.]

Graph 1: Flight to Cash from Non-M1 M2 to M1 – Two-Week Percent Change



Graph 2: Year-Year Percent Change, M1, M2 and Non-M1 M2



Federal Reserve Overhauls Its Reporting of Money Supply

Obfuscation: With a Record Amount of Cash Fleeing from Money Supply M2, Seeking the Relatively Greater Safety and Liquidity of M1, the Federal Reserve Simply Redefined the Bulk of the Flight Assets in M2 as Already Being in M1. The statistical overhaul included more-limited coverage of the Money Supply numbers and a return to just monthly, not weekly, reporting for the headline, seasonally adjusted series. ShadowStats reviews the overhaul and shows what the new Money Supply patterns look like, with the new reporting formally effective in February 2021, retroactive to May 2020. The big story is that the Fed's definitional changes will mask the increasing flight of people's money to needed liquidity and safety, from Money Supply M2 to M1, by moving the bulk of M2 into M1. Announced December 17th [See the actual announcement on page 16], the day following the December FOMC Press Conference, it is effective in February 2021, with retroactive reporting to May 2020:

(1) M1, instead of M2, now will include Savings Deposits [latest weekly M1 at $6.6 trillion today would be $17.8 trillion with the new accounting, against an unrevised $19.2 trillion in M2. As a result where traditional M1 accounted for 31.7% of November M2, redefined M1 accounts for 92.7% of M2.

(2) The Fed argues that regulatory changes it made in April 2020 to "Savings Deposits" altered their liquidity characteristics to those of the M1 components classified as "Other Checkable Deposits." Where the redefined "most liquid" M1 has no prior equivalent before May 2020. A side effect of the reconfiguration of the Money Supply is soaring annual growth in the most-liquid major sector of the redefined series: Money Supply M1. The jump in the regulatory redefined most-liquid category, will have no year-ago full parallel until May 2021. Indeed, a year ago, Savings Deposits were not as liquid and not comparable to M1. Accordingly, where the year-to-year change in traditional M1 hit a record 53.2% in November 2020, the redefined November 2020 M1 shows a revamped annual gain of 348.4%.

(3) Money Supply reporting will be shifted to monthly instead of weekly frequency.

(4) The Fed no longer will publish non-M1 and M2 account balances, such as Institutional Money Funds, which are otherwise are part of the Monetary System. For example, ShadowStats uses that number in estimating the broader M3, which the Fed otherwise stopped publishing in 2006.

(5) The Fed no longer will break out account types by Commercial Banks versus Thrift Institutions.

-- What might be unfolding is an effort to mask or de-emphasize an exploding Consumer Liquidity Crisis, which has started to gain visibility within the reporting of the Federal Reserve's standard Money Supply estimates. The basic issue is tied to much more severe unemployment, underemployment and economic issues tied to the COVID-19 shutdown than generally are recognized. As argued in ***ShadowStats Economic Commentary, Issue No. 1453***, headline U.3 unemployment reported at 6.7% in November, more realistically was around 9.0%, and likely much worse when viewed from the standpoint of direct economic impact. As a result, consumer liquidity and financial conditions probably are the worst seen since the Great Depression of the 1930s, with dangerous implications for domestic political, social and economic stability. Extended analysis will follow in the ***Economic Benchmark Commentary.***

[Texts of the Announced New Money Supply Revisions, and of the Traditional Money Supply Definitions follow on the next page. Graphs of traditional versus redefined series begin on the second page following, page 17.]

Federal Reserve Announcement in the December 17, 2020 H.6 Statistical Release:

Revisions to the H.6 Statistical Release

As announced on March 15, 2020, the Board of Governors reduced reserve requirement ratios on net transaction accounts to 0 percent, effective March 26, 2020. This action eliminated reserve requirements for all depository institutions and rendered the regulatory distinction between reservable "transaction accounts" and nonreservable "savings deposits" unnecessary. On April 24, 2020, the Board removed this regulatory distinction by deleting the six-per-month transfer limit on savings deposits in Regulation D. This action resulted in savings deposits having the same liquidity characteristics as the transaction accounts currently reported as "Other checkable deposits" on Statistical Release H.6, "Money Stock Measures."

Because of the change in their liquidity characteristics, savings deposits will be recognized as a type of transaction account on the H.6 statistical release. The Board will combine H.6 statistical release items "Savings deposits" and "Other checkable deposits" and report the resulting sum as "Other liquid deposits." Like other transaction accounts, other liquid deposits will be included in the M1 monetary aggregate. This action will increase the M1 monetary aggregate significantly while leaving the M2 monetary aggregate unchanged.

At the same time next year, the Board will make a number of modifications to streamline the H.6 statistical release. Of particular note, the publication frequency of the release will change from weekly to monthly, and the release will contain only monthly average data. Weekly average, nonseasonally adjusted data will continue to be provided in the Board's Data Download Program, while weekly average, seasonally adjusted data will no longer be provided. Other release modifications will include (1) providing components of the monetary aggregates at a total industry level without a breakdown of components by banks and thrifts; (2) reporting only data used to construct the monetary aggregates, thereby eliminating items superfluous to that purpose; and (3) making the release available in only one format - HTML.

The last weekly H.6 statistical release will be published on February 11, 2021. The first monthly H.6 statistical release containing the revisions previously discussed will be published on February 23, 2021, inclusive of retroactive updates to the data back to May 2020. For supplemental information on the revisions to the H.6 statistical release, see the ***Technical Q&As*** associated with the release.

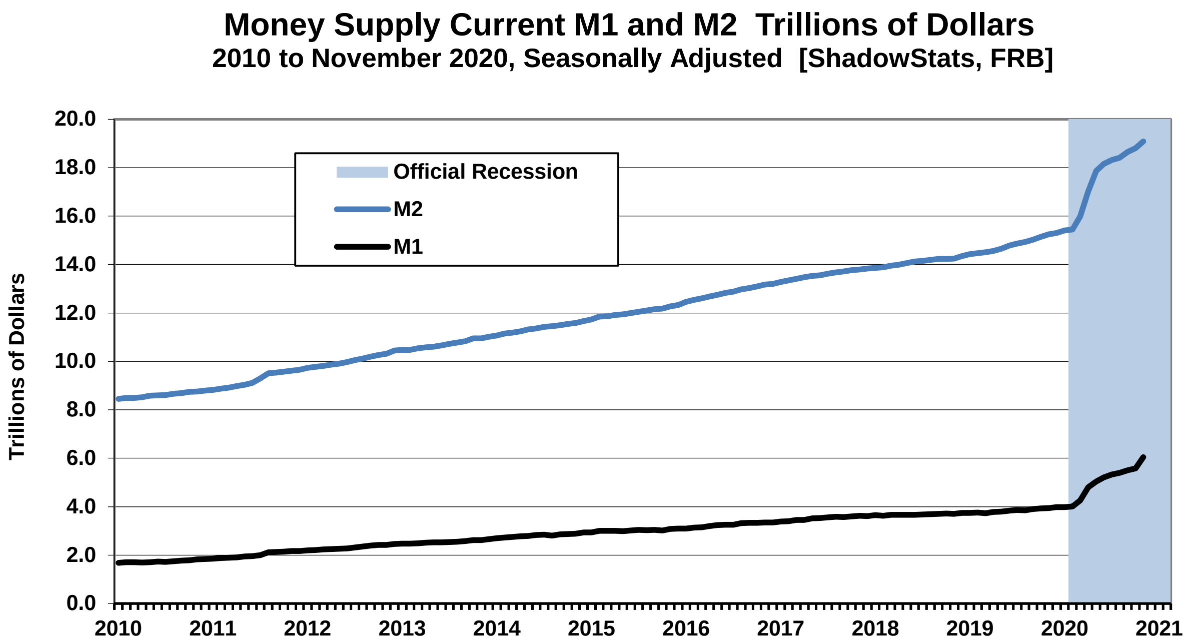
Defined previously in the December 10, 2020 Federal Reserve H.6 Statistical Release:

— M1 consists of (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) demand deposits at commercial banks (excluding those amounts held by depository institutions, the U.S. government, and foreign banks and official institutions) less cash items in the process of collection and Federal Reserve float; and (3) other checkable deposits (OCDs), consisting of negotiable order of withdrawal, or NOW, and automatic transfer service, or ATS, accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is constructed by summing currency, demand deposits, and OCDs, each seasonally adjusted separately.

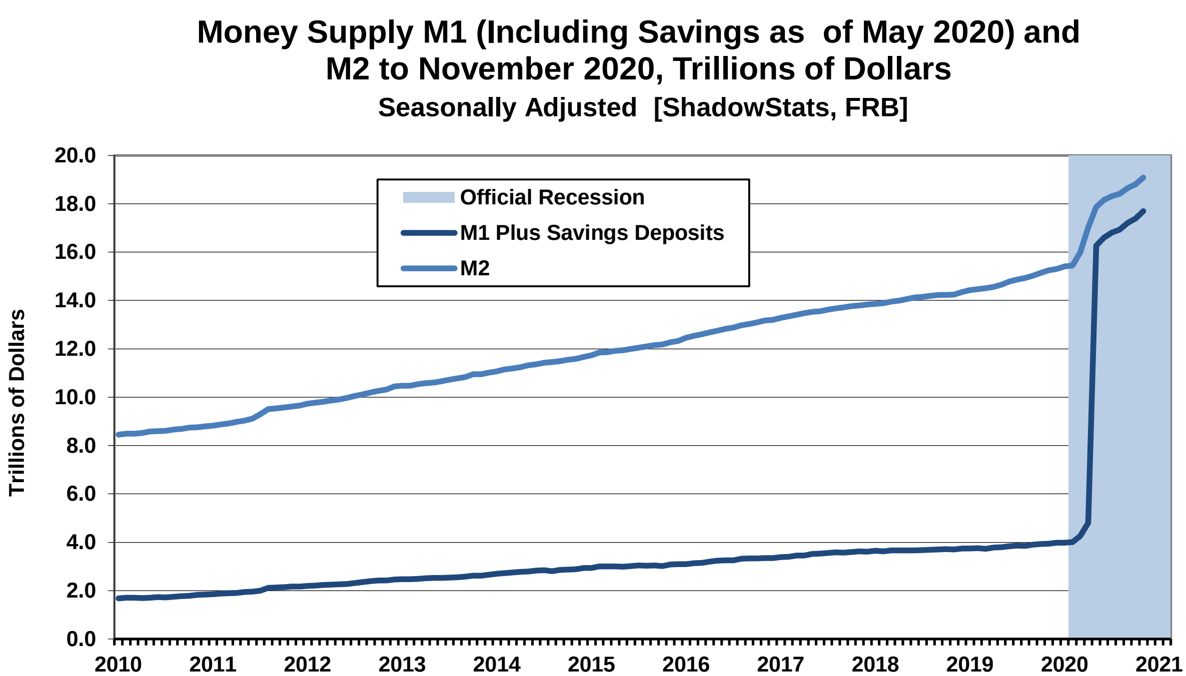
— M2 consists of M1 plus [Non-M1 M2] (1) savings deposits (including money market deposit accounts); (2) small-denomination time deposits (time deposits in amounts of less than $100,000) less individual retirement account (IRA) and Keogh balances at depository institutions; and (3) balances in retail money market mutual funds less IRA and Keogh balances at money market mutual funds. Seasonally adjusted M2 is constructed by summing savings deposits, small-denomination time deposits, and retail money funds, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

[Traditional Versus Revamped Money Supply M1 Graphs 3 to 10 begin on the next page.]

Graph 3: Headline Money Supply M1, and M2 in Traditional Form, Trillions of Dollars (2010 to November 2020)

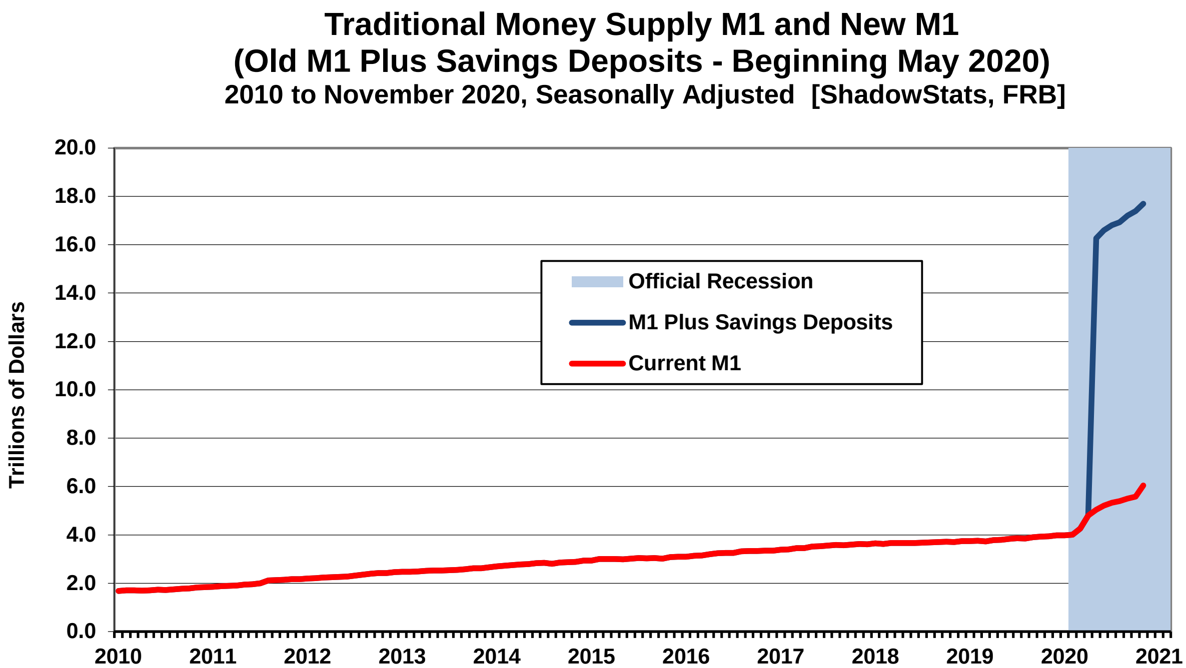


Graph 4: Redefined Headline Money Supply M1, and M2, Trillions of Dollars (2010 to November 2020)

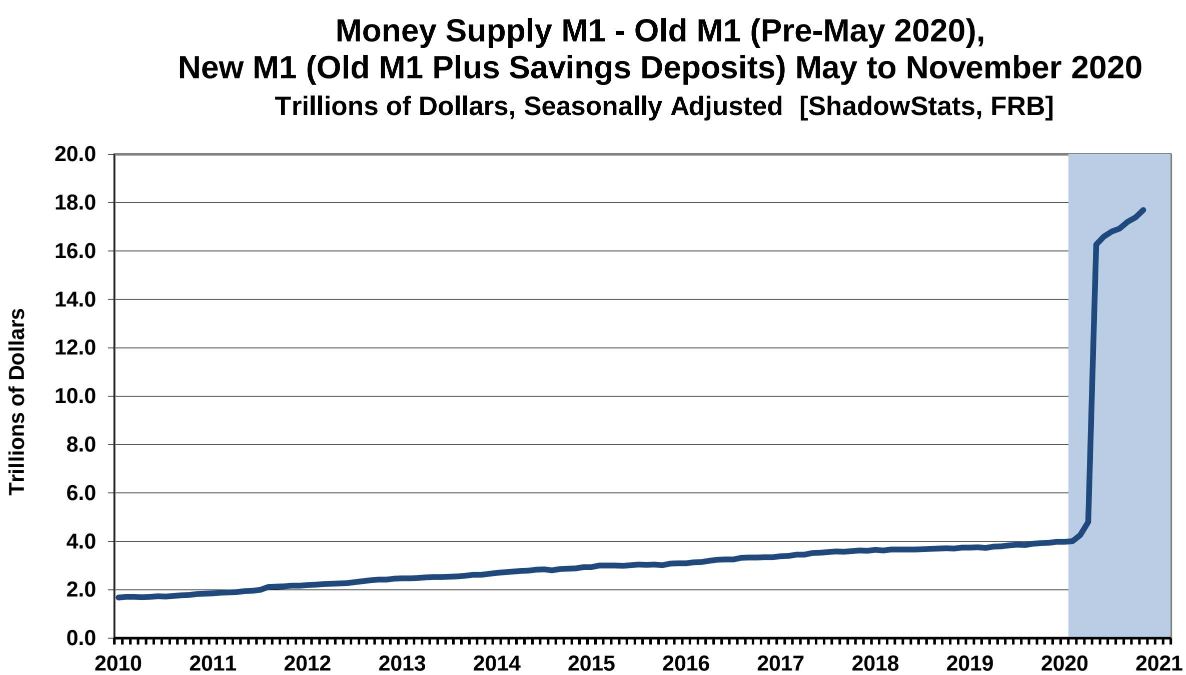


As seen in ***Graph 4***, there is not much room to reflect "flight-to-safety" in the new series.

Graph 5: Redefined Headline Money Supply M1 Versus the Traditional Current M1 (2010 to November 2020)



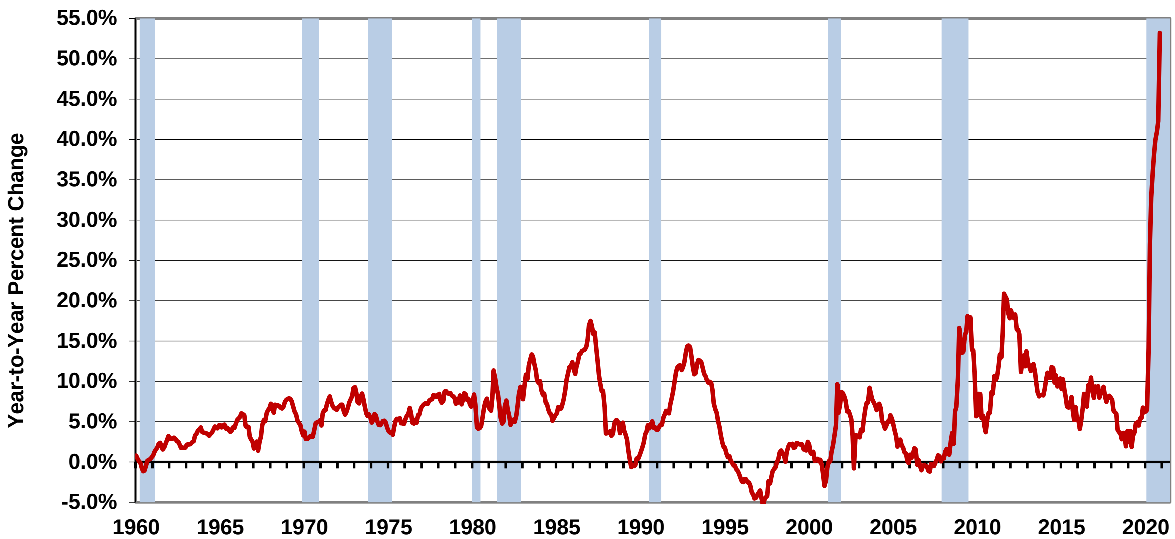
Graph 6: Standalone, Redefined Headline Money Supply M1 (2010 to November 2020)



The introduction and development of a new maximum-liquidity concept in May 2020 will surge year-to-year growth in high liquidity accounts until May 2021.

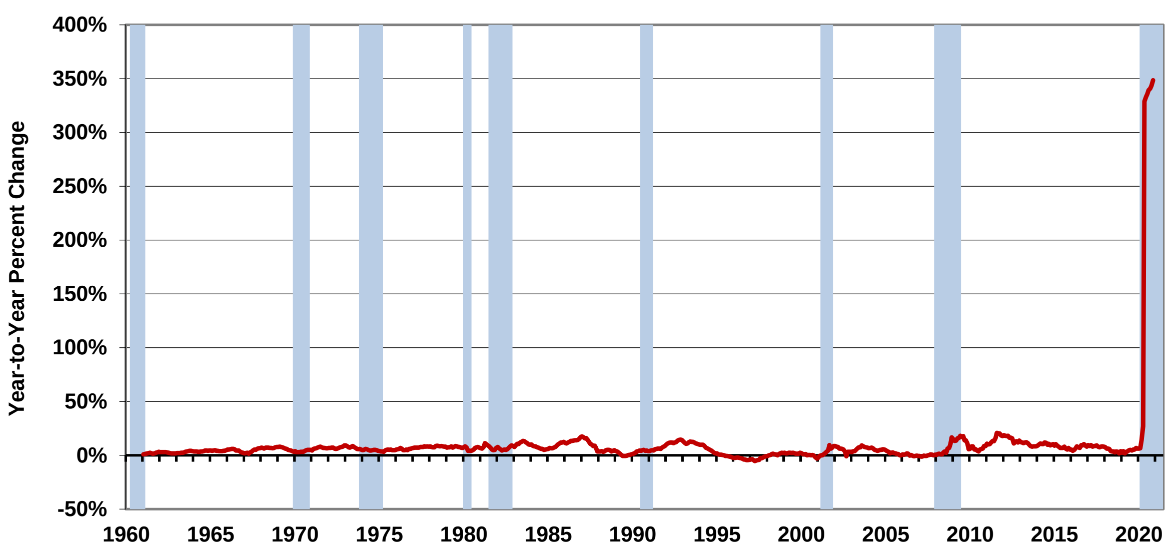
Graph 7: Standalone, Standard Headline Money Supply M1 Year-to-Year Change (2010 to November 2020)

Money Supply M1 Pre-Redefinition - Yr-to-Yr Percent Change
1960 to November 2020 at 53.2%, Seasonally Adjusted [ShadowStats, FRB]

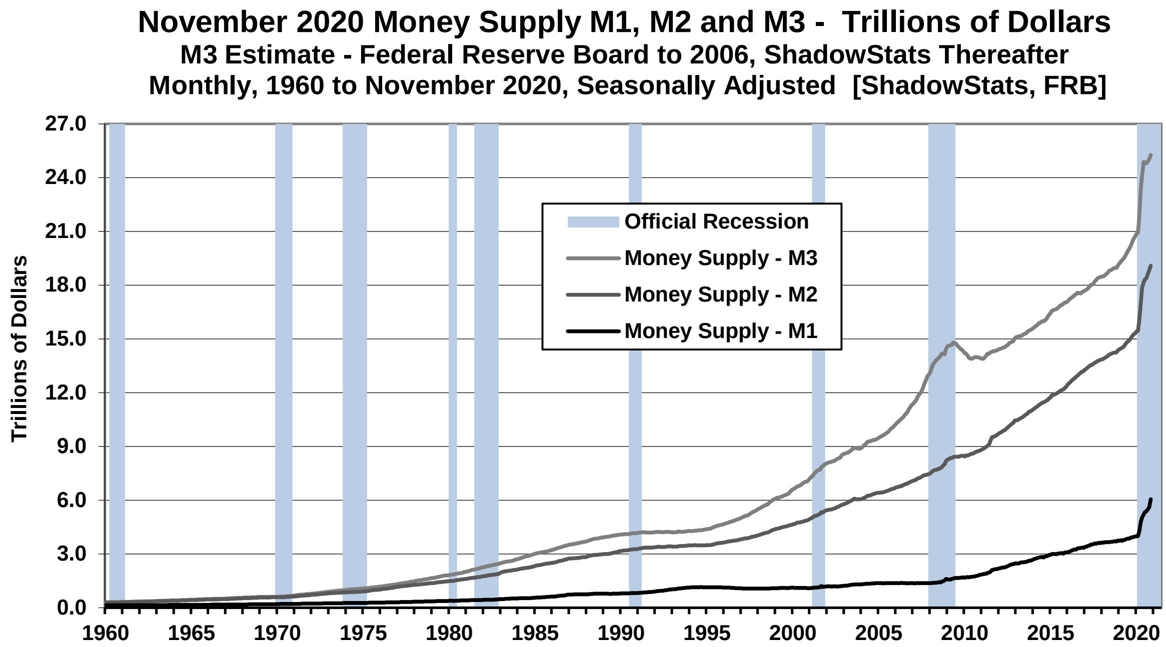


Graph 8: Standalone, Super-Hyped Headline Money Supply M1 Year-to-Year Change (2010 to November 2020)

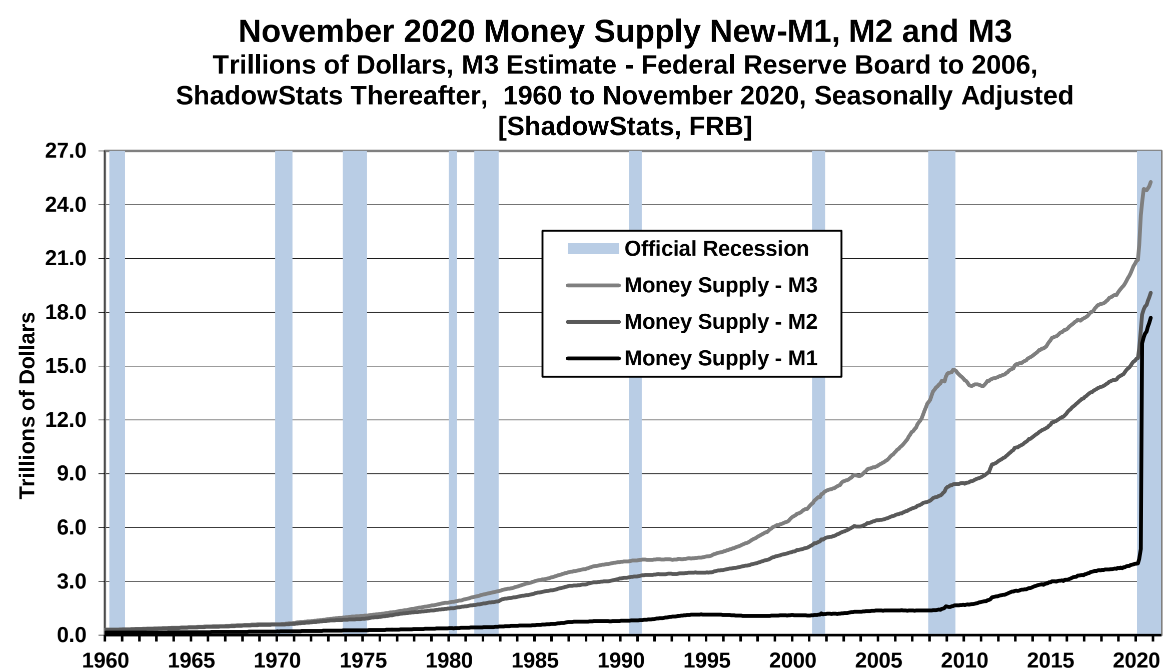
New, Redefined Money Supply M1 - Yr-to-Yr Percent Change
1960 to November 2020 at 348.4%, Seasonally Adjusted [ShadowStats, FRB]



Graph 9: Current Money Supply M1, M2 and ShadowStats M3 (Monthly, 1960 to Date)



Graph 10: Restructured Money Supply M1, M2 and ShadowStats M3 (Monthly, 1960 to Date)



Section 2 – Gross Domestic Product, Final-Estimate Third-Quarter 2020

Final Third-Quarter 2020 GNP, GDI and GDP Estimates Were Minimally Higher, Yet Fourth-Quarter 2020 GDP Likely Will See No Growth, Possibly a Contraction

November 2020 Headline Economic Numbers Showed Downturns in Recently Booming Retail Sales and Home Sales

Pandemic-Driven U.S. Economic Collapse Continues into a Stagnant or Down "L"-Shaped Non-Recovery into Fourth-Quarter 2020

Gross Domestic Product (GDP) Is the Theoretical Product-Side Equivalent of the Income-Side Gross Domestic Income (GDI)

Against an Unprecedented 31.4% (-31.4%) Annualized Second-Quarter Plunge, Third-Quarter GDP Rebounded by 33.4%, Well Shy of Full Recovery

Against an Unprecedented 32.5% (-32.5%) Annualized Second-Quarter Collapse, Third-Quarter GDI Rebounded by a Much More Limited 25.8%

Against an Unprecedented 32.3% (-32.3%) Annualized Second-Quarter Collapse, Third-Quarter Gross National Product (GNP) Rebounded by 34.6%

Current Levels of Real GDP, GDI and GNP Have "Recovered" to Where They Were Respectively in First-Quarter 2018, Third-Quarter 2017 and Fourth-Quarter 2017

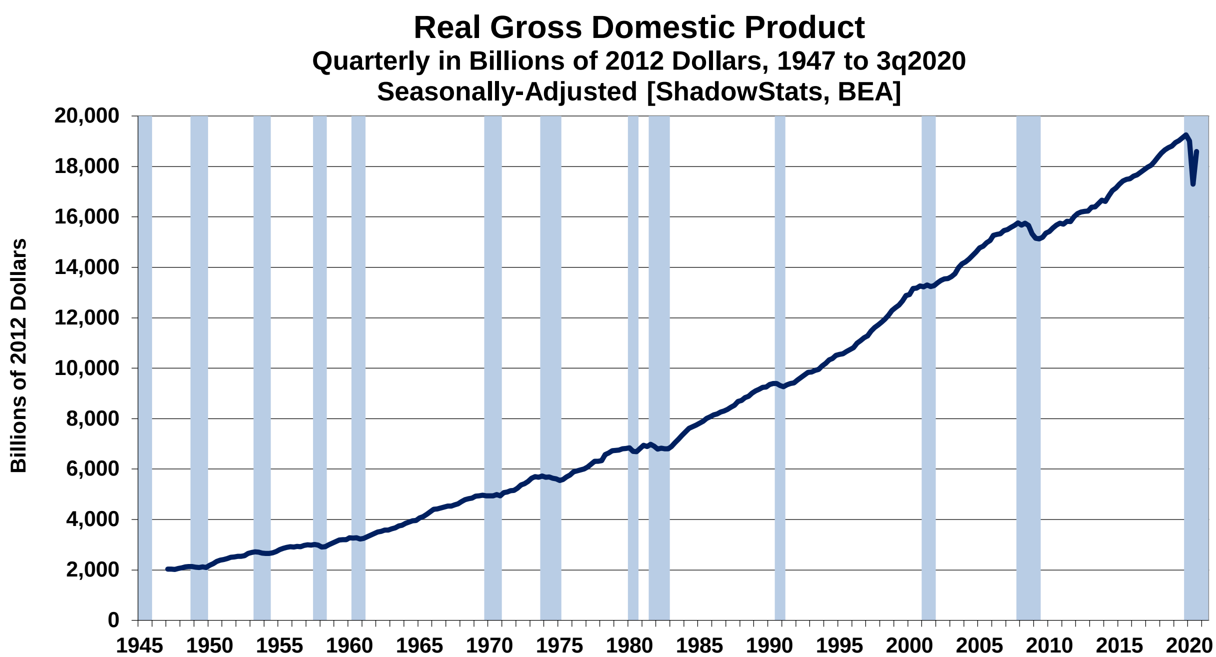
Final Estimates of Third-Quarter 2020 GDP, GDI and GNP Revised Minimally Higher, but Are "Final" Only Until the July 29, 2021 Annual Benchmark Revisions. Reported December 22nd, by Bureau of Economic Analysis (BEA), annualized, inflation-adjusted real quarterly growth for the third and final estimate of Third-Quarter 2020 Gross Domestic Product (GDP) revised higher from 33.07% to 33.44%, against an unrevised 31.38% (-31.38%) annualized decline in Second-Quarter 2020, still well shy of any economic recovery.

The second estimates of Third-Quarter 2020 Gross National Product (GNP) and Gross Domestic Income (GDI)—theoretical GDP equivalent—also revised higher, respectively to 34.62% (previously 33.66%) and to 25.78% (previously 25.50%), against respective annualized second-quarter collapses of 32.33% (-32.33%) and 32.54% (-32.54%). Discussed and graphed beginning on page 29, key economic series including Employment, Industrial Production and Real Retail Sales all are signaling rapidly flattening or contracting Fourth-Quarter 2020 economic activity. Following annualized quarterly collapses in inflation-adjusted real GDP of 4.96% (-4.96%) in First-Quarter 2020 and 31.38% (-31.38%) in 2q2020 , and the 33.44% annualized Third-Quarter rebound , unlikely annualized real Fourth-Quarter 2020 GDP growth of 14.9% would be needed to recover pre-Pandemic activity, with the inflation-adjusted, real dollar level of Third-Quarter 2020 GDP currently at a level last broached at the end of 2018.

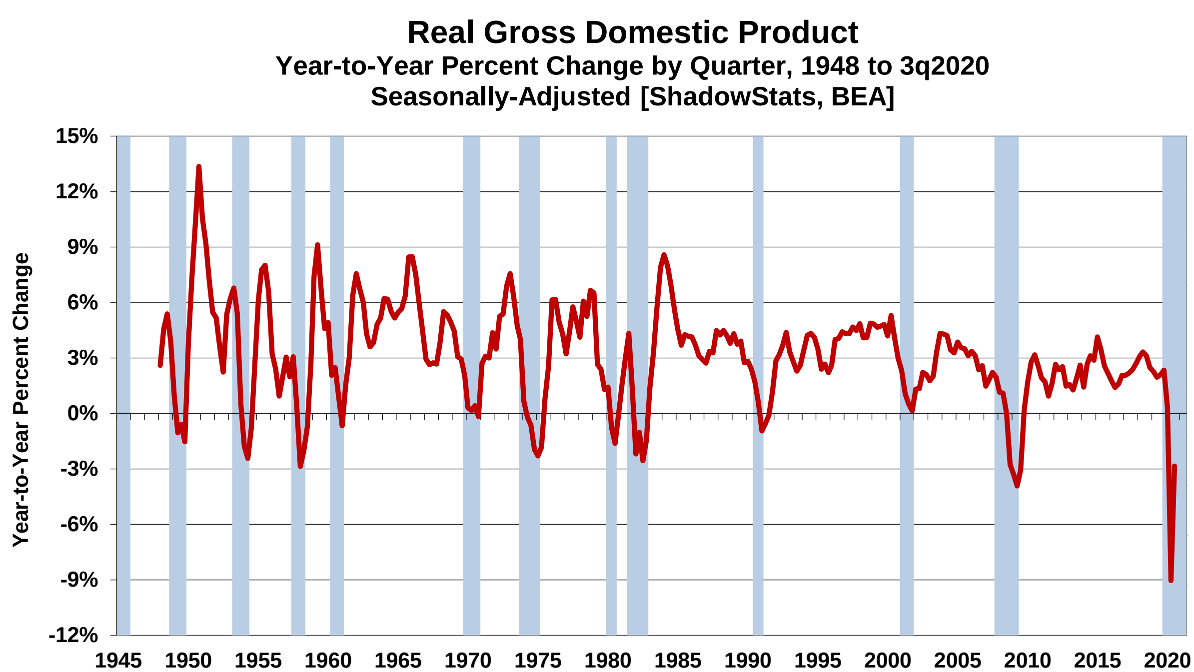
In constant dollars—adjusted for inflation—the level of Third-Quarter GDP was the lowest since First-Quarter 2018. Headline Payroll Employment growth through November 2020, however, suggests that Fourth-Quarter 2020 GDP growth will be flattening out or turning down. (See the later ***Decelerating/Declining Monthly Economic Activity and Deteriorating Labor Conditions Foreshadow a Weakening 4th-Quarter GDP*** and ***Graphs 21*** to ***25***, beginning on page 30). Similar short-term plots are shown for the major economic sectors of Manufacturing (beginning page 44), Retail Sales (beginning page 51) and Construction (beginning page 61), compared with related Payroll Employment activity and other activity.

[The regular GDP, GDI and GNP Graphs 11 to 20 and Table I begin on the next page]

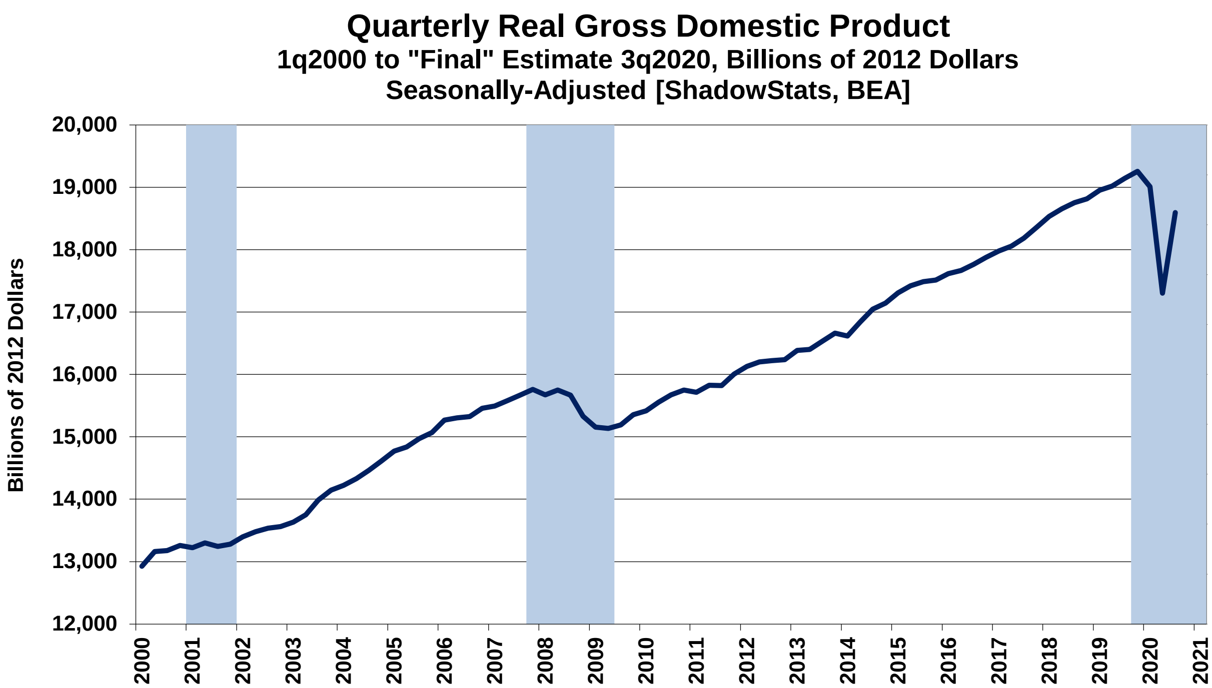
Graph 11: Real Gross Domestic Product – GDP (1947 to "Final" Third-Estimate Third-Quarter 2020)



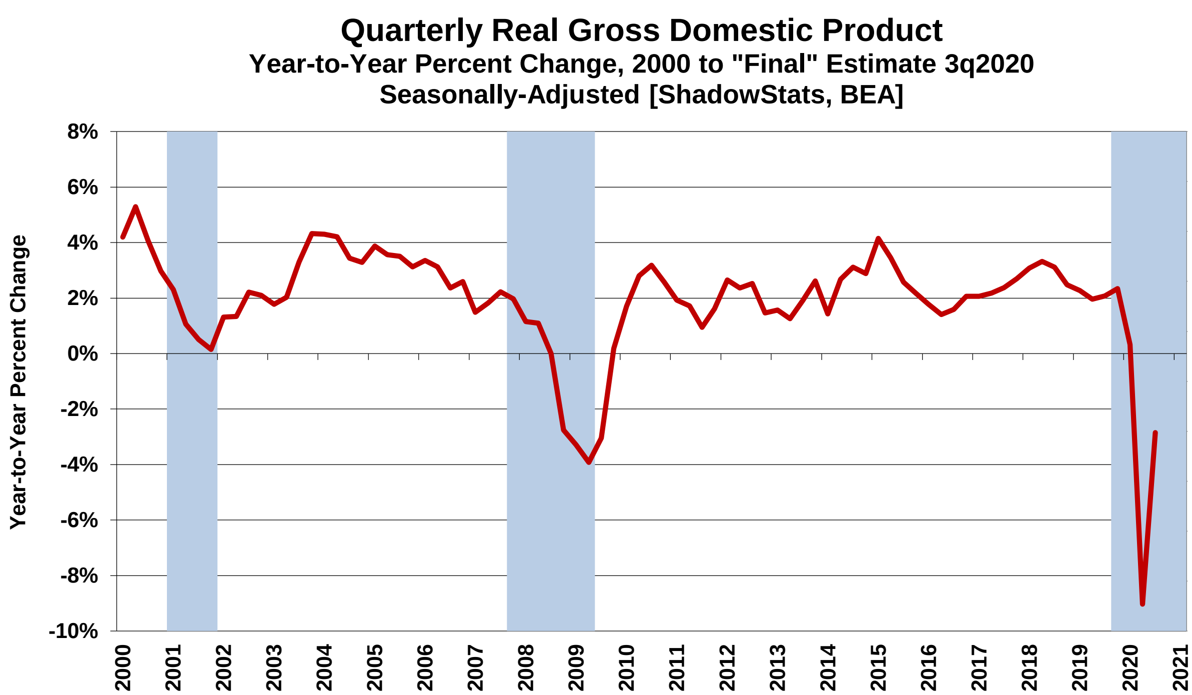
Graph 12: Real Gross Domestic Product, Yr-to-Yr Change (1948 to "Final" Third-Estimate Third-Quarter 2020)



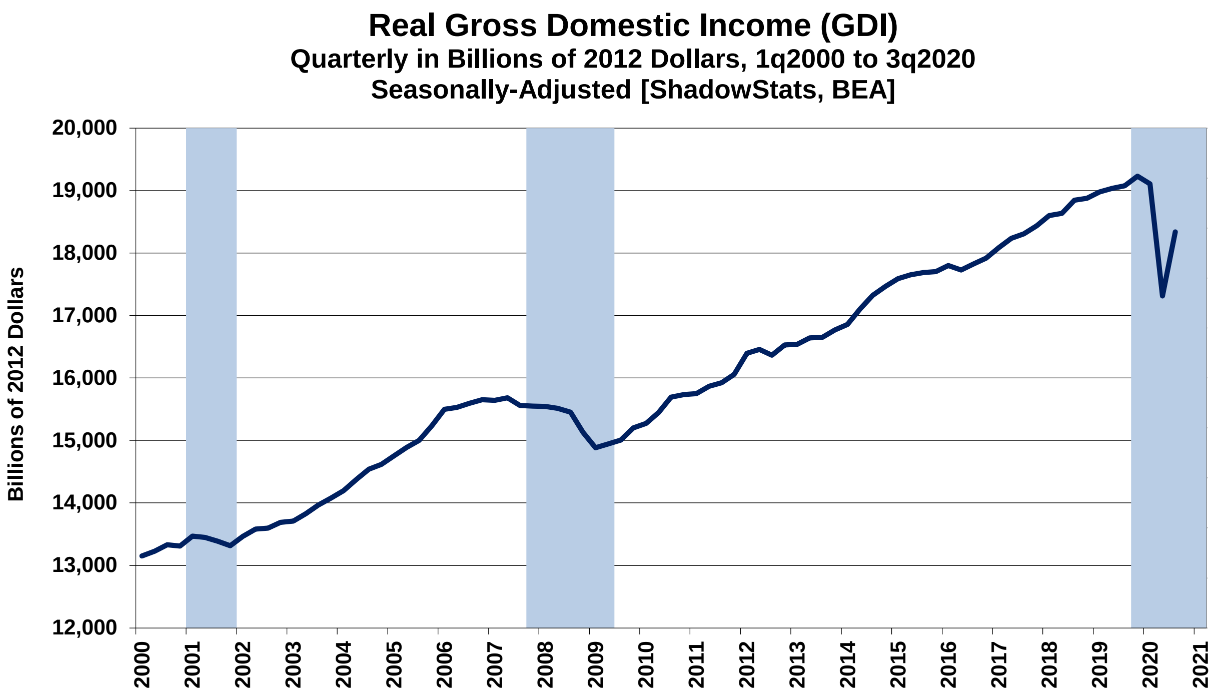
Graph 13: Real Gross Domestic Product – GDP (2000 to "Final" Third-Estimate of Third-Quarter 2020)



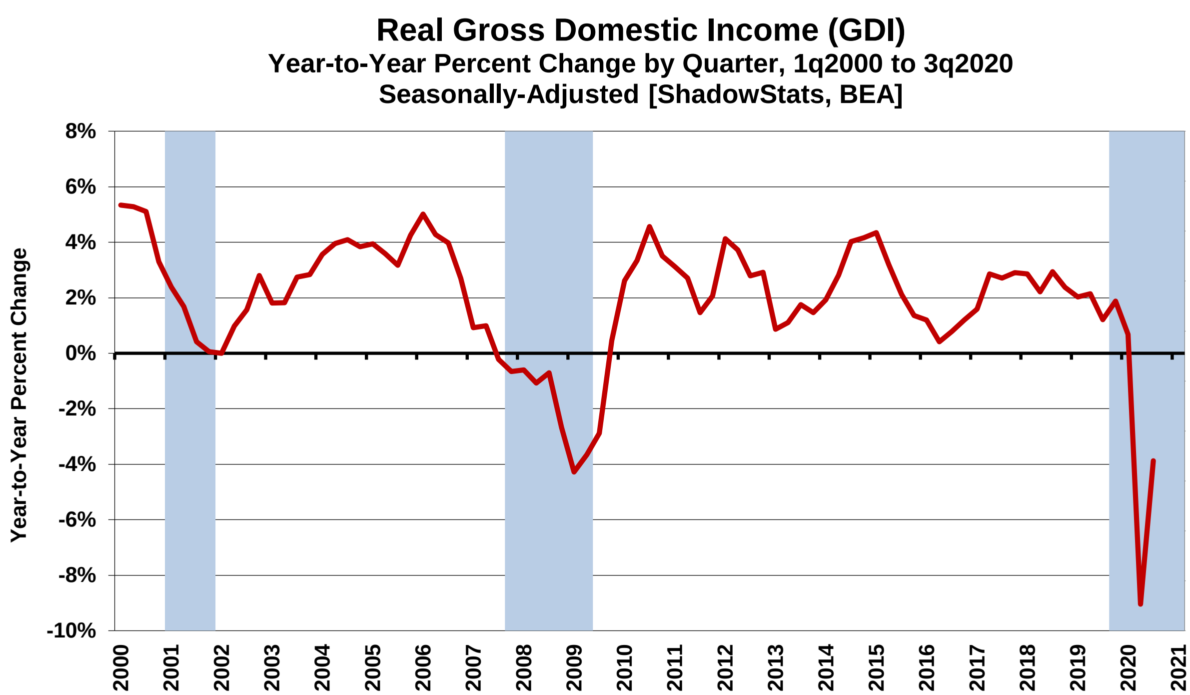
Graph 14: Real Gross Domestic Product, Yr-to-Yr Change (2000 to "Final" Third-Estimate Third-Quarter 2020)



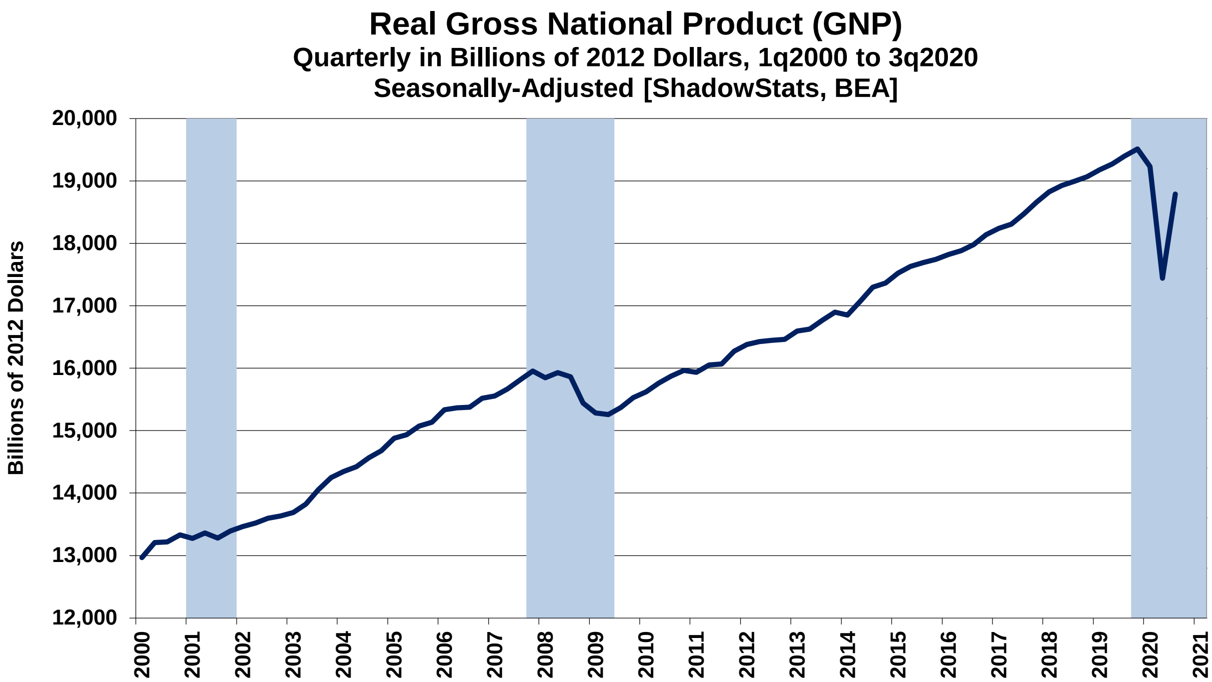
Graph 15: Real Gross Domestic Income - GDI (2000 to Third-Quarter 2020)



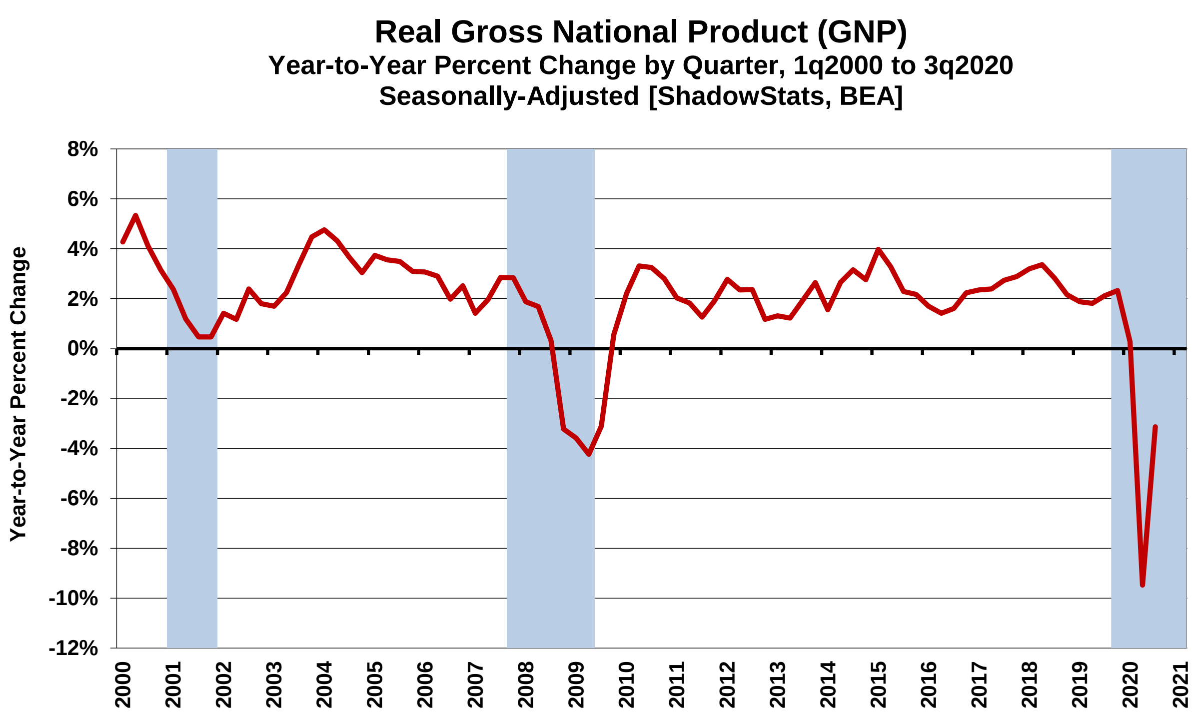
Graph 16: Real Gross Domestic Income - GDI, Year-to-Year Change (2000 to Third-Quarter 2020)



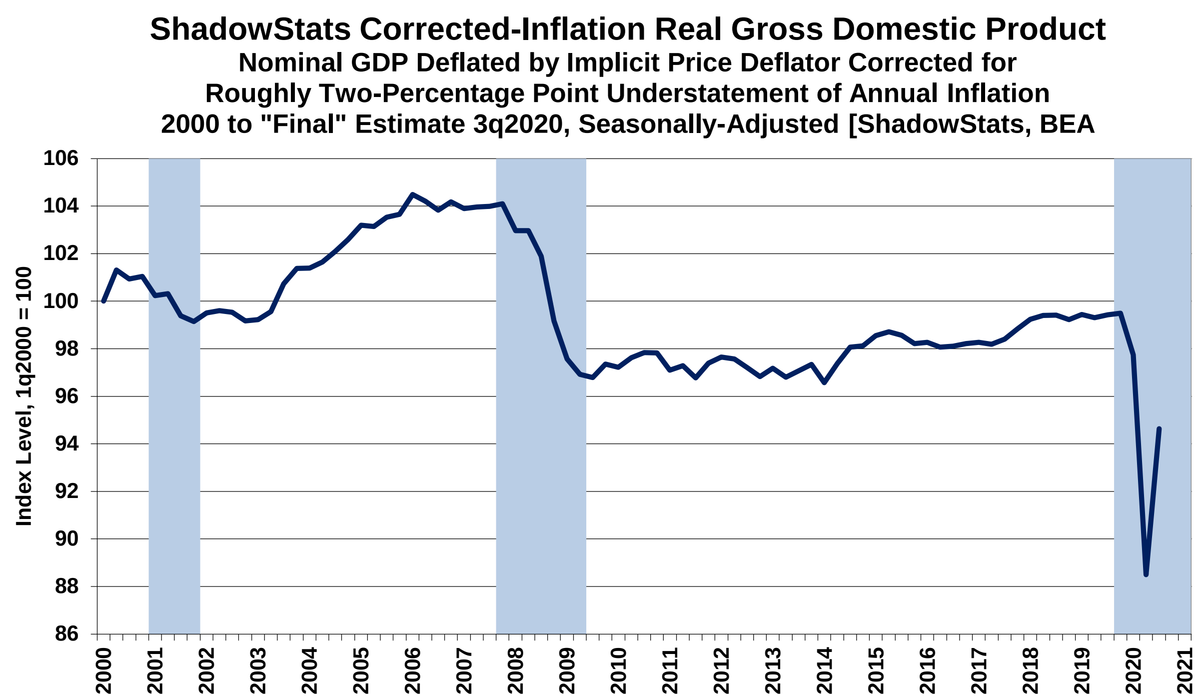
Graph 17: Real Gross National Product - GNP (2000 to Third-Quarter 2020)



Graph 18: Real Gross National Product – GNP, Year-to-Year Change (2000 to Third-Quarter 2020)



Graph 19: ShadowStats Corrected-Inflation Real GDP (2000 to "Final" Third-Estimate Third-Quarter 2020)



Graph 20: ShadowStats Corrected-Inflation Real GDP, Yr-to-Yr (2000 to "Final" 3rd-Quarter 2020)

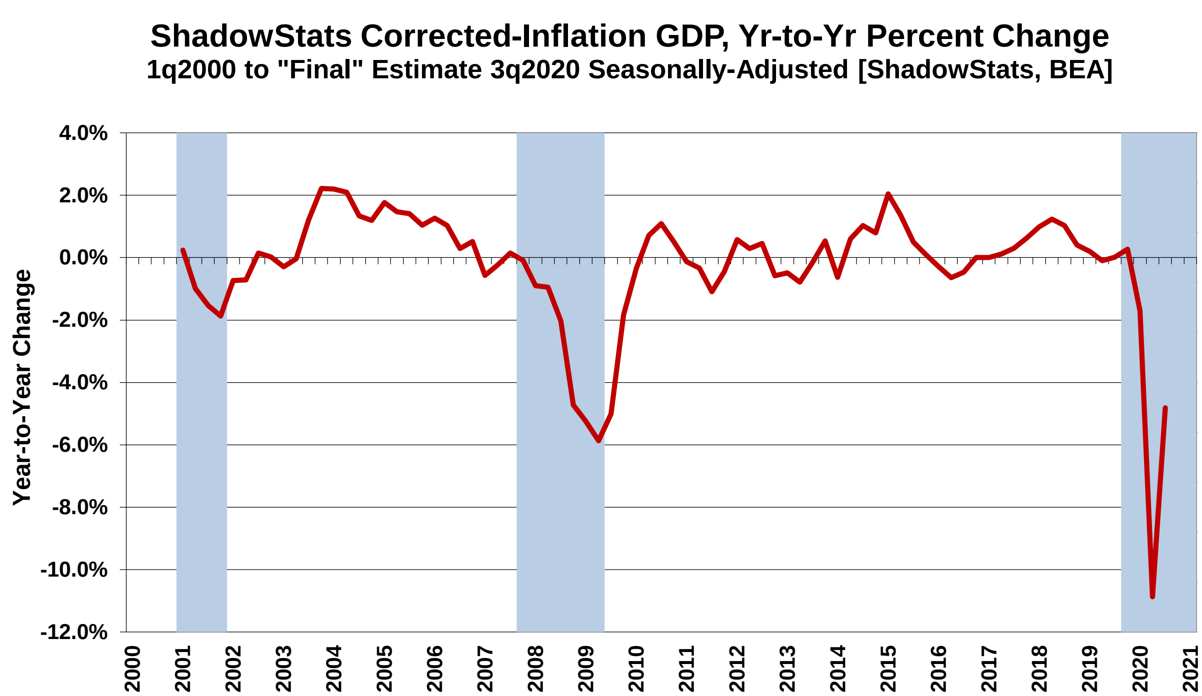


Table I: Headline GDP Growth Components, First-Quarter 2019 to "Final" Third-Estimate, Third-Quarter 2020

Third-Quarter 2020 Real Gross Domestic Product, "Third" or "Final " Estimate Annualized Quarterly Real Growth Contribution by Economic and Product Sector									
GDP COMPONENT GROWTH CONTRIBUTION BY SECTOR	First-Quarter 2019	Second-Quarter 2019	Third-Quarter 2019	Fourth-Quarter 2019	First-Quarter 2020	Second-Quarter 2020	Third Quarter 2020	Third Quarter 2020	Third Quarter 2020
Estimate	Latest	Latest	Latest	Latest	Latest	Latest	Advance	Second	Third
ECONOMIC SECTOR									
Personal Consumption									
- Goods	0.52%	1.57%	0.87%	0.12%	0.03%	-2.06%	9.24%	9.49%	9.55%
-- *Motor Vehicles*	*-0.31%*	*0.26%*	*0.01%*	*0.08%*	*-0.78%*	*0.05%*	*1.80%*	*1.64%*	*1.64%*
- Services	0.73%	0.90%	0.96%	0.96%	-4.78%	-21.95%	16.04%	15.73%	15.89%
Gross Private Domestic Investment									
- Fixed Investment	0.50%	-0.07%	0.42%	0.17%	-0.23%	-5.27%	4.96%	5.23%	5.39%
-- *Residential*	*-0.06%*	*-0.08%*	*0.17%*	*0.22%*	*0.68%*	*-1.60%*	*-2.09%*	*2.17%*	*2.19%*
- Change in Private Inventories	0.21%	-0.97%	-0.09%	-0.82%	-1.34%	-3.50%	6.62%	6.55%	6.57%
Net Exports of Goods and Services	0.55%	-0.79%	0.04%	1.52%	1.13%	0.62%	-3.09%	-3.18%	-3.21%
Government Consumption	0.43%	0.86%	0.37%	0.42%	0.22%	0.77%	-0.68%	-0.76%	-0.75%
REAL GDP GROWTH (Qtr/Qtr)	2.93%	1.49%	2.57%	2.37%	-4.96%	-31.38%	33.08%	33.07%	33.44%
Final Sales, GDP Less Inventories	2.72%	2.46%	2.66%	3.19%	-3.62%	-27.88%	26.46%	26.52%	26.87%
PRODUCT SECTOR									
Goods	1.72%	-0.13%	1.23%	0.94%	-0.98%	-7.40%	16.75%	17.09%	17.42%
Services	0.77%	1.45%	1.12%	1.29%	-4.82%	-21.32%	14.81%	14.54%	14.60%
Structures	0.44%	0.18%	0.22%	0.13%	0.85%	-2.66%	1.52%	1.44%	1.42%
REAL GDP GROWTH	2.93%	1.49%	2.57%	2.37%	-4.96%	-31.38%	33.08%	33.07%	33.44%
SUPPLEMENTAL Annualized Quarter-to-Quarter Real GDP Change and Headline Implicit Price Deflator Inflation									
Gross Domestic Product (GDP)	2.93%	1.49%	2.57%	2.37%	-4.96%	-31.38%	33.08%	33.07%	33.44%
Gross Domestic Income (GDI)	2.21%	1.20%	0.82%	3.30%	-2.53%	r-32.54%	--	25.50%	25.78%
Gross National Product (GNP)	2.38%	1.91%	2.68%	2.34%	-5.57%	-32.33%	--	33.66%	34.62%
ShadowStats Corrected GDP*	0.85%	0.56%	0.50%	0.29%	-6.88%	-32.77%	30.39%	32.33%	30.74%
Implicit Price Deflator (IPD) Inflation	1.03%	2.60%	1.40%	1.50%	1.66%	-2.09%	3.71%	3.71%	3.68%
Year-to-Year Real GDP Change and Headline Implicit Price Deflator Inflation									
Gross Domestic Product (GDP)	2.27%	1.96%	2.08%	2.34%	0.32%	-9.03%	-2.91%	-2.92%	-2.85%
Gross Domestic Income (GDI)	2.03%	2.14%	1.21%	1.88%	0.68%	r-9.04%	--	-3.93%	-3.87%
Gross National Product (GNP)	1.88%	1.82%	2.13%	2.33%	0.28%	-9.48%	--	-3.31%	-3.14%
ShadowStats Corrected GDP*	0.20%	-0.10%	0.01%	0.27%	-1.71%	-10.87%	-4.88%	-4.88%	-4.81%
Implicit Price Deflator (IPD) Inflation	2.00%	1.78%	1.73%	1.63%	1.79%	0.60%	1.17%	1.17%	1.16%

Sources: Bureau of Economic Analysis, ShadowStats.com. (r) Initial 2q2020 GDI 33.53% qq, -9.37% yy.
(*) Real GDP corrected for understated headline inflation, see Special Commentaries No. 968 / 983-B for background.

Decelerating/Declining Monthly Economic Activity and Deteriorating Labor Conditions Foreshadow a Weakening 4th-Quarter GDP

Weakness in Short-Term Payroll Activity Indicates Related Short-Term GDP Weakness by Key Industrial Sectors

Key Measures of Underlying October and November 2020 Economic Activity Show Slowing, Flattening or Declining Activity. ***Graphs 21*** *and* ***22*** plot the quarterly level of, and year-to-year percent change in real GDP, from First-Quarter 2019 to the recently published (December 16th) Third Estimate of Third-Quarter 2020 GDP. Parallel plots of Payroll Employment and an inverted scale plot of Headline U.3 unemployment (both headline and "misclassified") are posted through the latest November 2020 headline detail in ***Graphs 23*** to ***25***, providing some preview of likely Fourth-Quarter 2020 Real GDP activity.

Parallel Plots of Underlying Economic Series. Similar plots of early-Fourth-Quarter 2020 economic trends also are plotted along with the headline ***November 2020 Industrial Production*** and ***Manufacturing*** numbers in ***Section 4***, beginning with ***Graphs 36*** and ***37*** on page 41, and ***Graphs 42*** to ***45*** beginning on page 44.

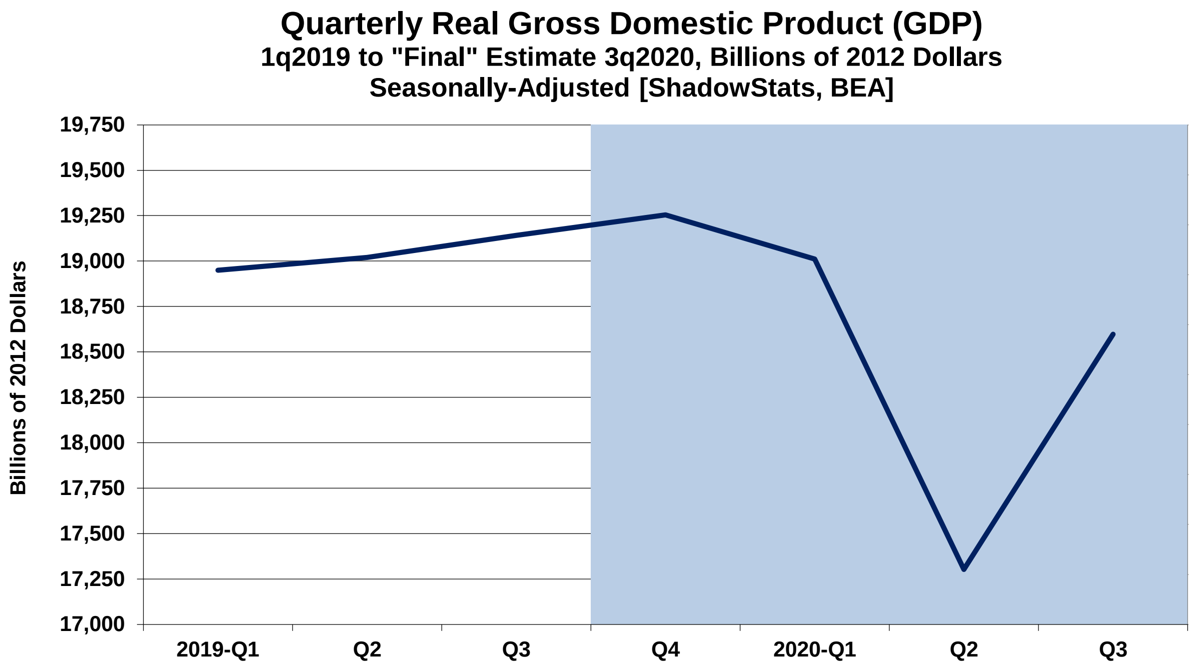
Plots of early-Fourth-Quarter 2020 economic trends also are reflected for the headline ***November 2020 Real Retail Sales*** in ***Section 5***, with ***Graphs 54*** to ***61***, beginning on page 51, and with ***November 2020 Housing Starts*** plotted against Construction Employment in ***Section 6*** with ***Graphs 71*** to ***74***, beginning on page 61.

In theory, all these patterns should be mirrored in headline ***Fourth-Quarter 2020 GDP***, come its initial release on January 28, 2021.

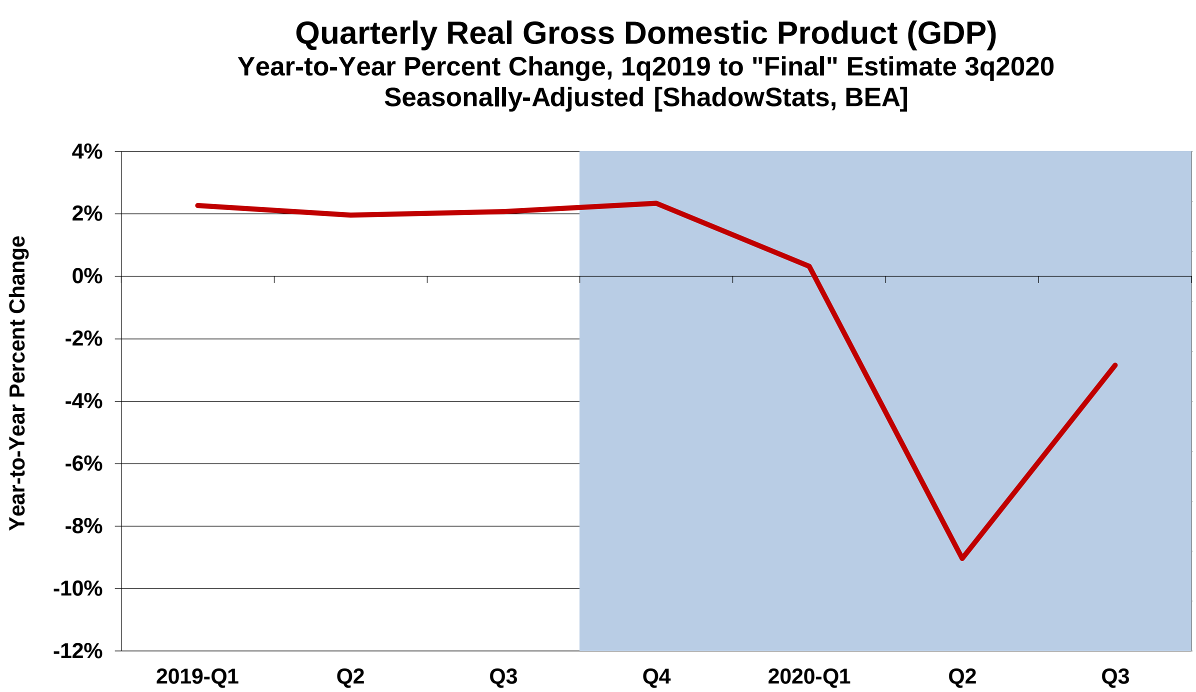
Looking at these various graphs, keep in mind that the defining authority for U.S. Recessions (blue bars) is the National Bureau of Economic Research (NBER). The NBER defined the peak quarter before the Pandemic Recession as Fourth-Quarter 2019, while the peak month before the Pandemic Recession was February 2020. That is why the monthly and quarterly recession patterns do not match up that well in ***Graphs 21*** *and* ***22*** versus ***Graphs 23*** to ***25***.

[Graphs 21 to 25 begin on the next page.]

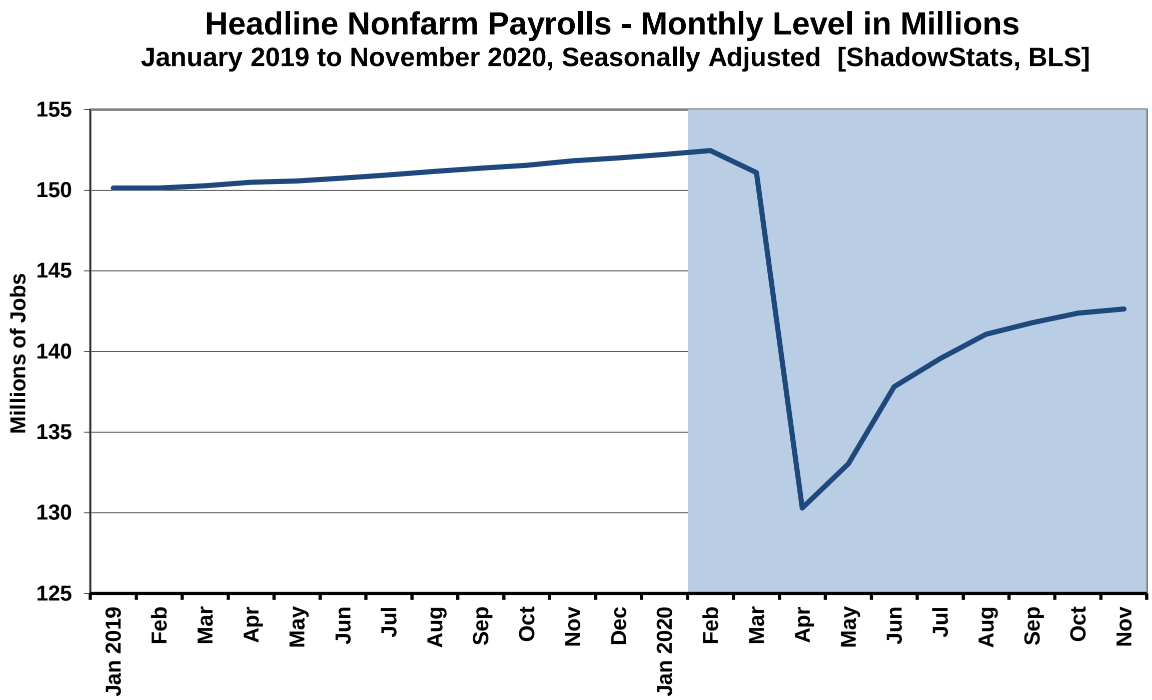
Graph 21: Real GDP (Quarterly, First-Quarter 2019 to "Final" Third-Quarter 2020)



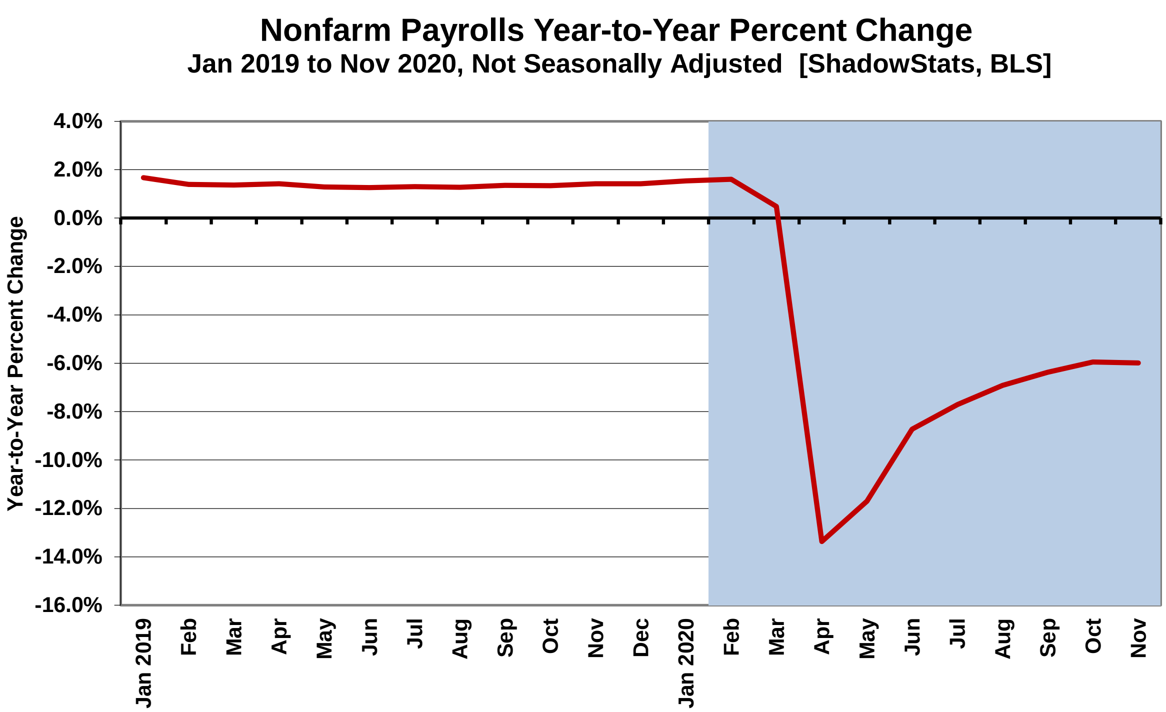
Graph 22: Real GDP, Quarterly, Year-to-Year Change, First-Quarter 2019 to "Final" Third-Quarter 2020)



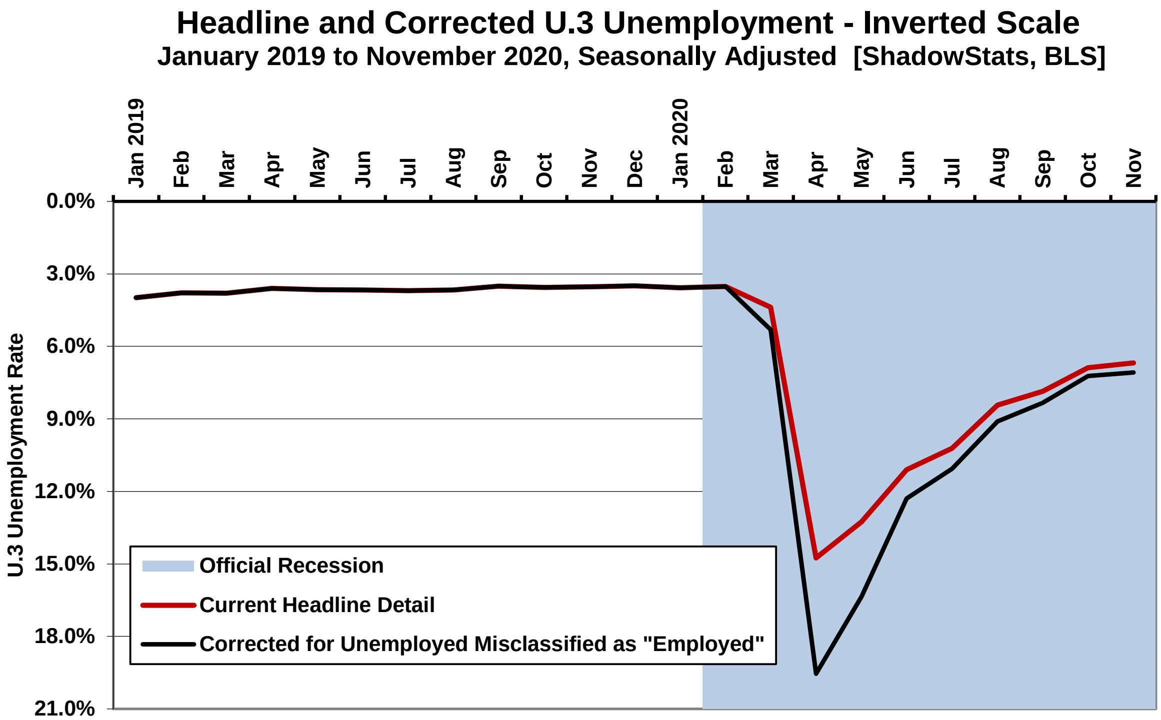
Graph 23: Payroll Employment (January 2019 to November 2020 – Two Months into Fourth-Quarter 2020)



Graph 24: Payroll Employment, Yr-to-Yr Percent Change (January 2019 to November 2020)



Graph 25: Unemployment Rate (Jan 2019 to Nov 2020) – Headline vs. Corrected U.3, Inverted Scale



[Section 3 – Cass Freight Index® – November 2020 begins on the next page]

Section 3 – Cass Freight Index® – November 2020

November 2020 Year-to-Year Freight Activity Increased for the Second Time Since November 2018, Albeit Still Against a Sharp, Unseasonable Decline in 2019

Twelve-Month Moving Average, Which Also Turned Down in November 2018, Also Notched Higher for a Second Time, Albeit Still Deep in Recession Territory

Excessive FOMC Tightening in 2018 Pummeled Consumer Liquidity and the Economy for the 15 Months Preceding the March 2020 Pandemic-Driven Collapse

Other Than for Real Retail Sales, All Other Key Economic Indicators Remain in Annual Contraction

The November 2020 Cass Freight Index® Gained Year-to-Year for the Second Month, Up by 2.67%, Following a 2.43% gain in October and a 1.84% (-1.84%) Annual Decline in September. Reported December 17 by ***CassInfo.com***, the year-to-year increases in the October and November 2020 Cass Freight Index® were the first seen since the Federal Reserve's tightening in November 2018 strangled U.S. Economic Activity.

Increasingly positive annual growth in freight activity usually signals positive economic growth. That said, the annual gains in October and November 2020 freight were boosted on a relative basis against unseasonably sharp declines in 2019 freight activity. Where the October 2020 freight numbers coincided with an upturn in headline annual growth for Real Retail Sales, that upturn weakened in November reporting, on top of downside revisions to October sales, with annual growth in November Industrial Production in intensifying annual decline (see later comments on those series respectively in ***Sections 4*** and ***5***). Coinciding with the shift to positive annual growth in Freight, the prior 12-month moving average of the Cass Freight Index® notched higher for the second month. Those year-to-year and 12-month-moving-average metrics tend to neutralize seasonality in this unadjusted series.

Both measures turned negative in December 2018, when excessive FOMC tightening and rate hikes hit the economy hard. The March 2020 Pandemic-driven economic collapse dominated and supplanted what already was an unfolding recession.

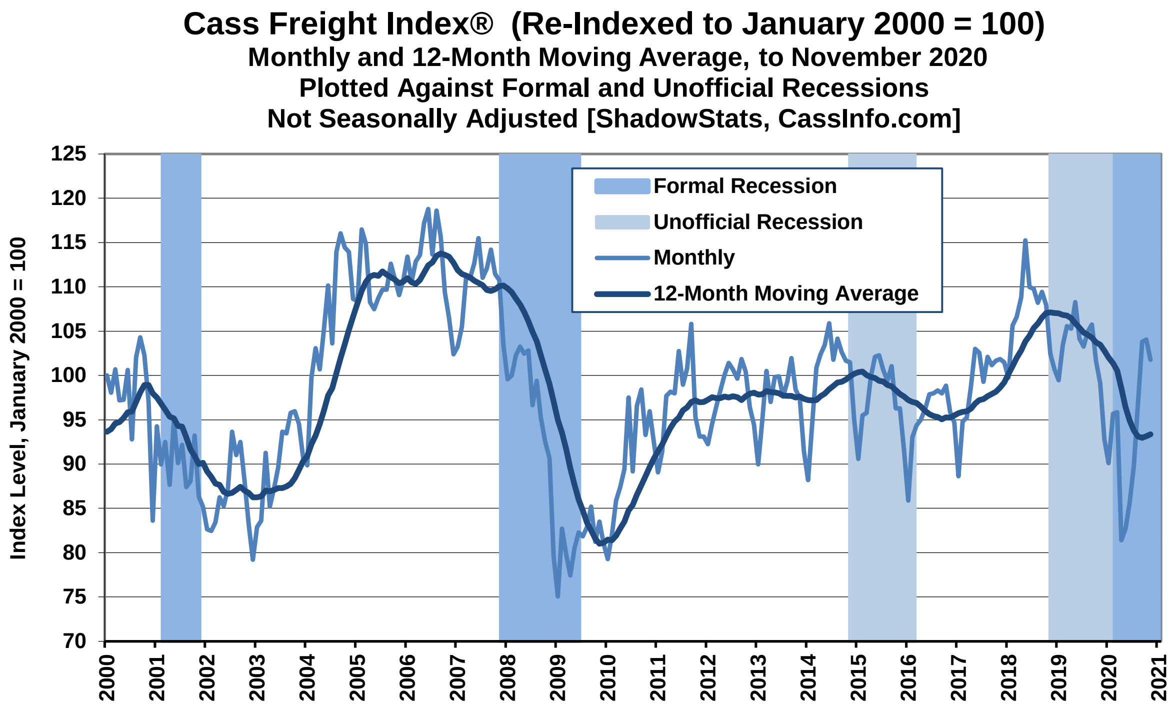
With both freight metrics having reversed their recession signals, circumstances suggest the Pandemic-collapsed economy has bottomed out, although there are indications of a re-intensifying downturn tied to COVID-19. ShadowStats regularly follows and analyzes the Cass Freight Index® as a highest-quality coincident and leading indicator of underlying economic reality. We thank Cass for their permission to graph and to use their numbers in our Commentaries.

Graphs 26 to ***27*** plot the 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 28*** to ***31*** 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.

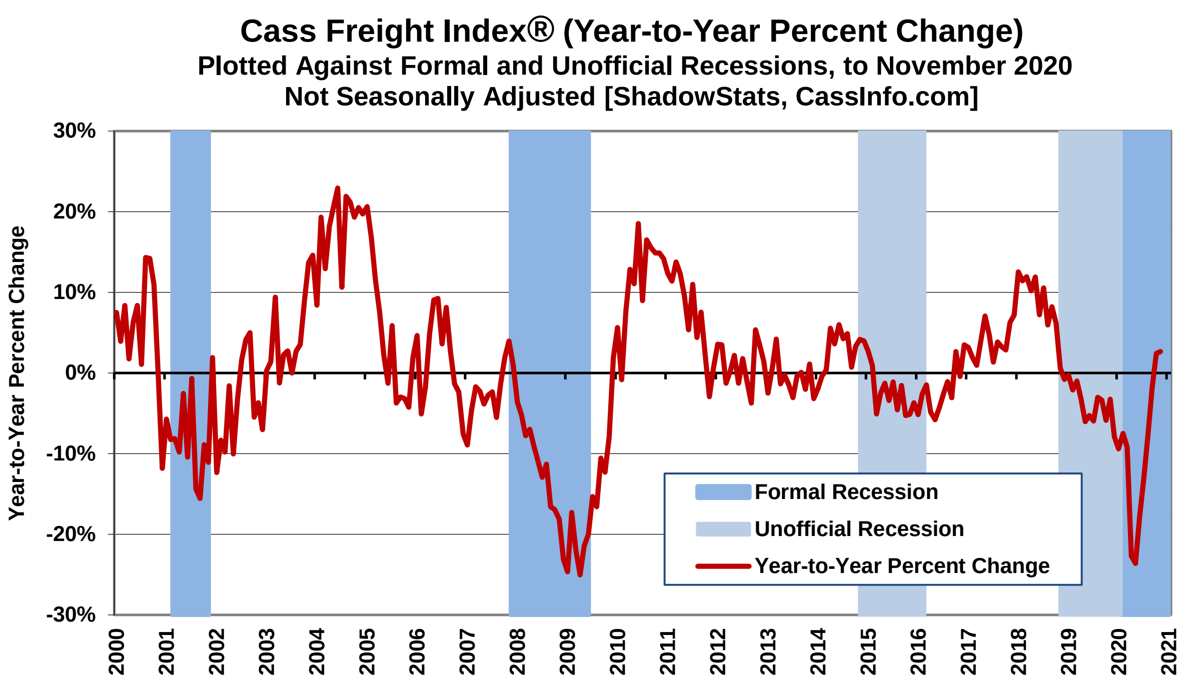
ShadowStats regularly follows and analyzes the Cass Freight Index® as a highest-quality coincident and leading indicator of underlying economic reality. We thank Cass for their permission to graph and to use their numbers in our Commentaries.

[Graphs 26 to 31 begin on the next page.]

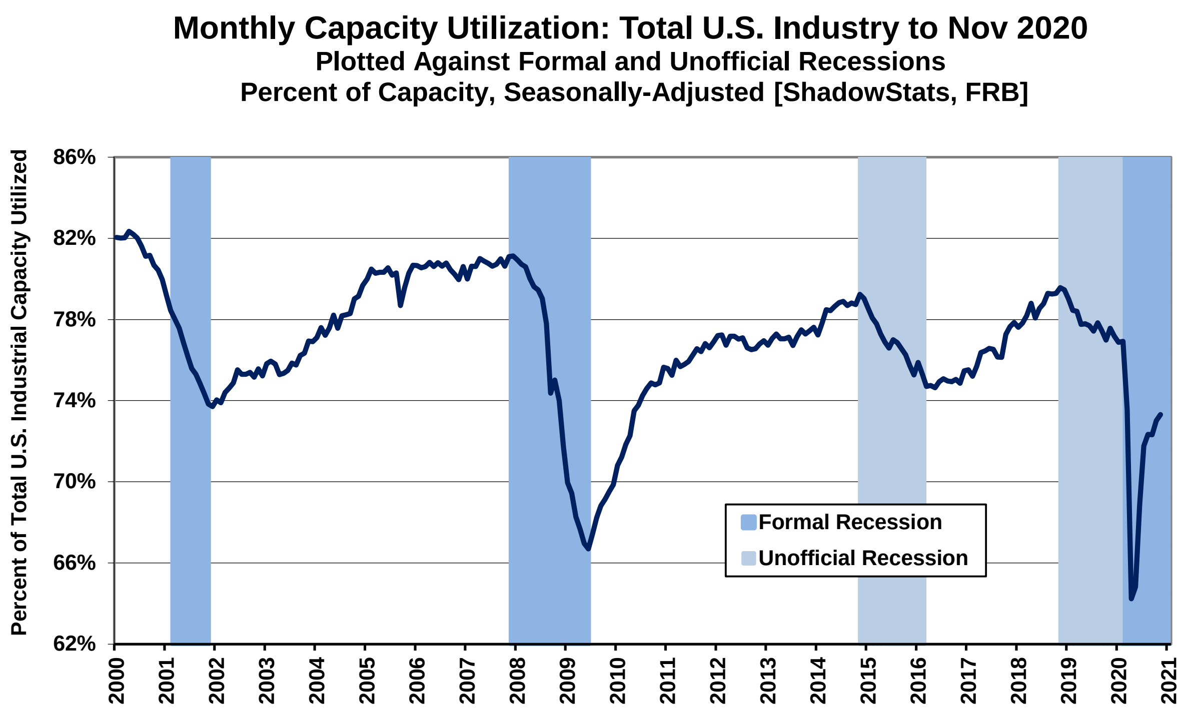
Graph 26: Cass Freight Index®, Re-Indexed to January 2000 = 100 (2000 to November 2020)



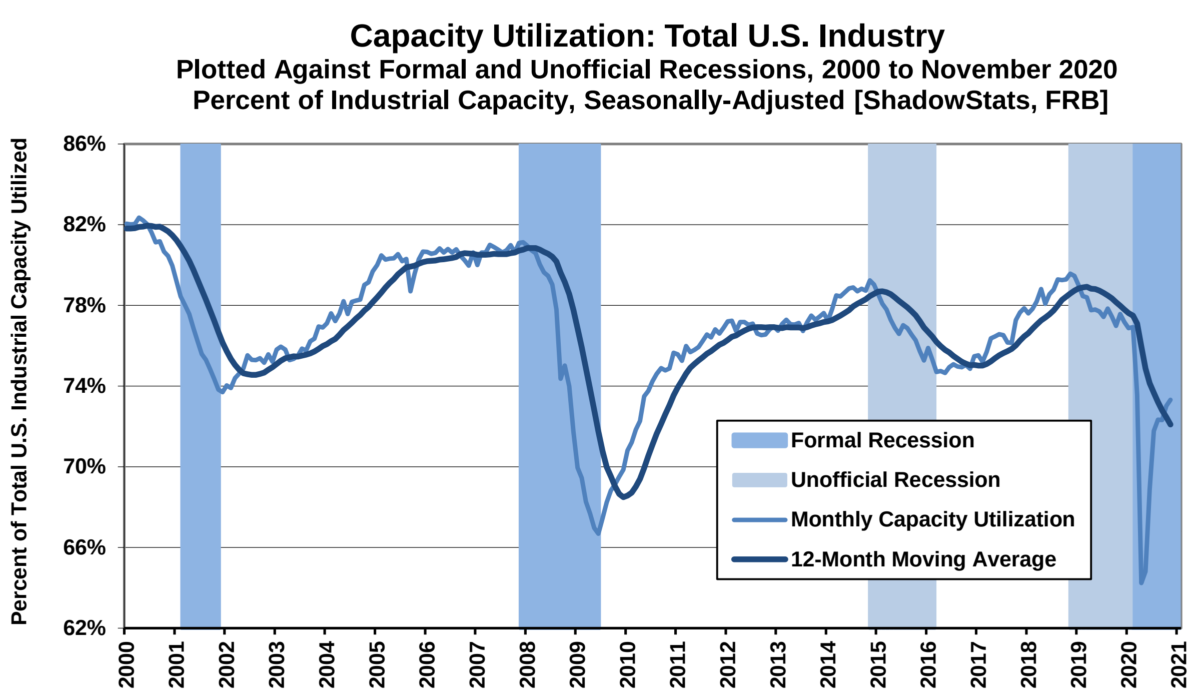
Graph 27: Cass Freight Index®, Year-to-Year Percent Change (2000 to November 2020)



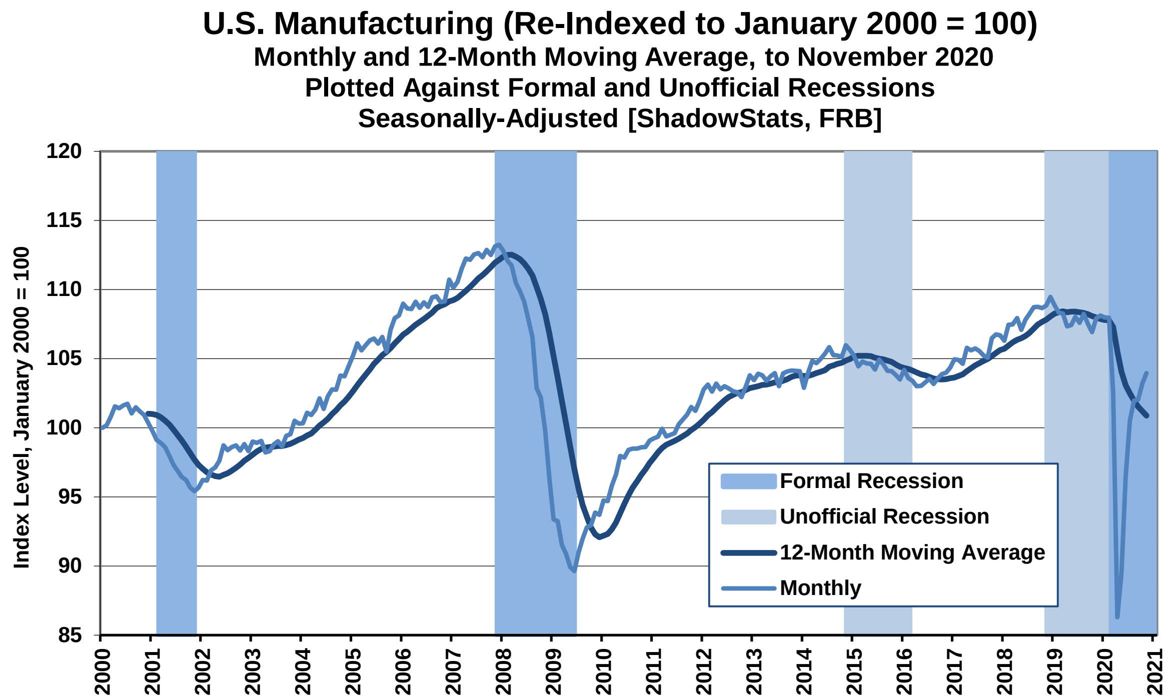
Graph 28: Capacity Utilization (2000 to November 2020)



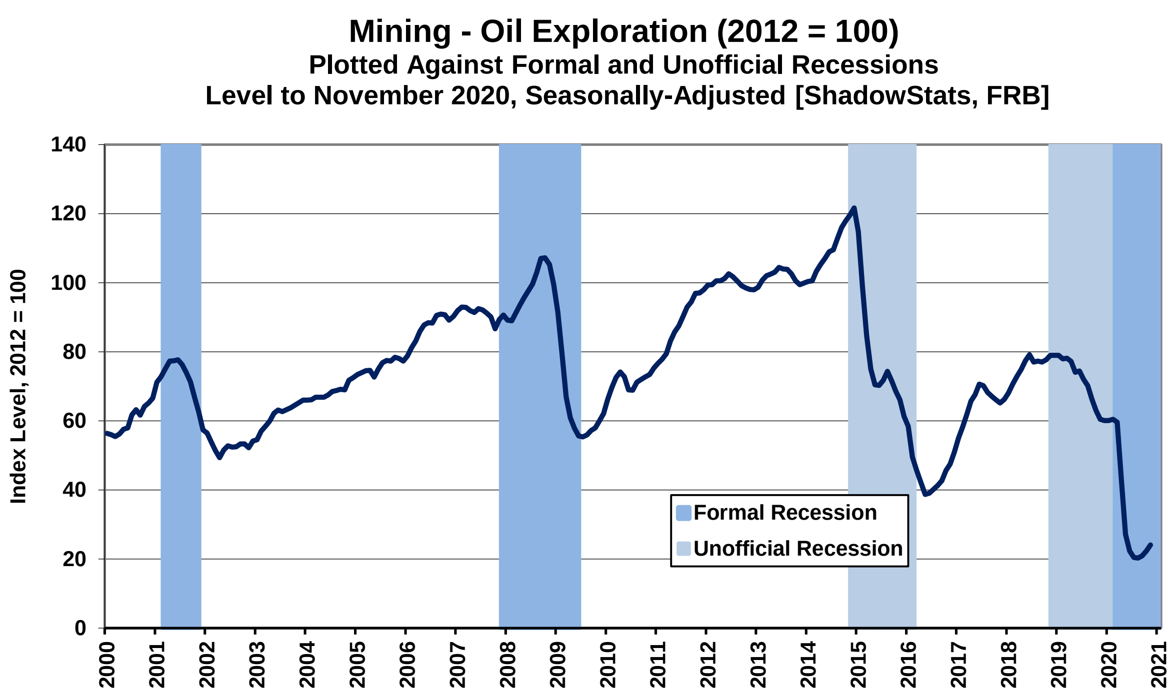
Graph 29: Capacity Utilization, Headline and Smoothed 12-Month Moving Average (2000 to November 2020)



Graph 30: Manufacturing, Headline and Smoothed 12-Month Moving Average (2000 to November 2020)



Graph 31: Mining – Oil Exploration (2000 to November 2020)



Section 4 – Industrial Production – November 2020

Annual Decline Deepens in an "L"-Shaped Economic Non-Recovery

November 2020 Industrial Production declined year-to-year by a deepening 5.50% (-5.50%) versus a revised drop of 5.00% (-5.00%), previously 5.34% (-5.34%) in October 2020. As reported December 15th by the Federal Reserve Board, where the pace of annual decline is deepening for Production, the pandemic-driven economic "recovery" has stalled anew. Keep in mind the year-to-year change in 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 fourteen straight months. Of some concern for November 2020 Retail Sales (Dec 16), Consumer Goods Production was on early track (October and November) for a Third-Quarter 2020 quarterly contraction, aside from a deepening monthly year-to-year decline. On a month-to-month basis, November Production gained 0.39% on top upside revisions, by 0.75% net revisions to October.

On the plus-side, in response to some upturn in oil prices, the Mining Sector turned positive month-to-month in November 2020, up by 2.27% [by 1.65% net of revisions], with the annual contraction in the sector narrowing from 14.97% (-14.97%) [previously 14.45% (-14.45%)] in October 2020 to 12.52% (-12.52%) in November 2020.

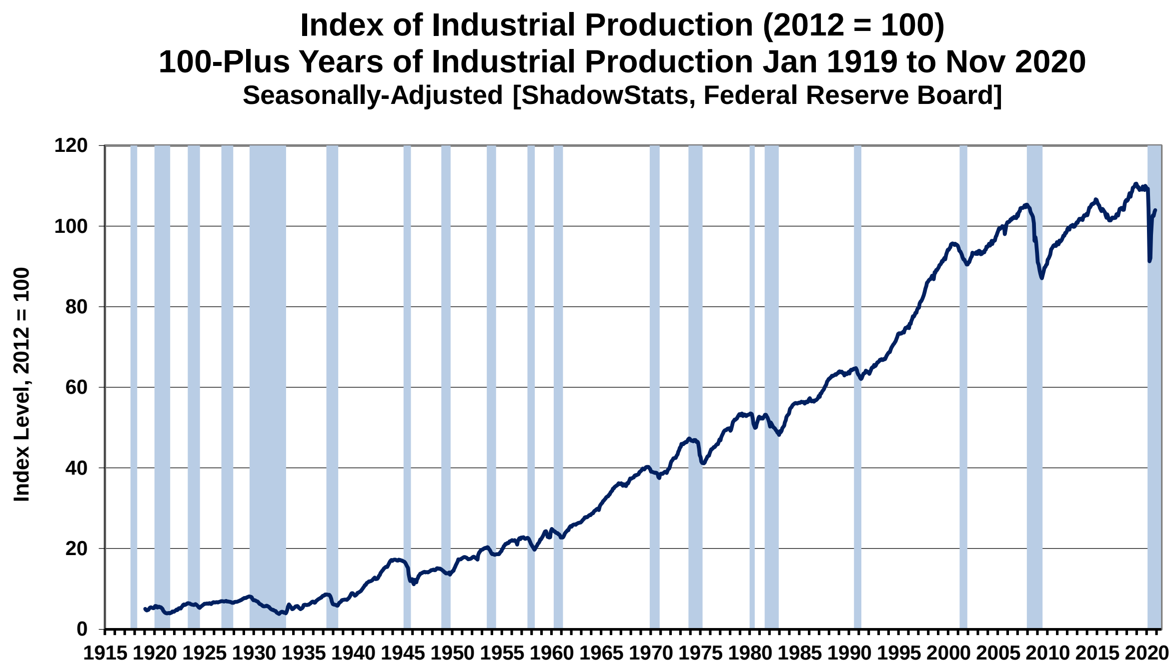
November 2020 Nominal New Orders for Durable Goods rose by 0.9% in the month, up by 1.4% net of upside revisions to October activity. Reported by the Census Bureau, a day early, on December 23rd, thanks to President Trump declaring Christmas Eve a National Holiday—November New Orders for Durable Goods gained for the eighth straight month. Commercial Aircraft orders gaining for the third straight month, the first string of monthly gains seen in that industry since May 2020.

Net of related inflation, seasonally-adjusted real aggregate New Orders gained 0.7% in the month, versus a revised 1.4% [previously 0.9%] in October, up year-to-year by 1.5% in November 2020, versus a revised annual drop of 1.8% (-1.8%) [previously 2.3% (-2.3%)] in October 2020. Ex-Commercial Aircraft order activity, real New Orders gained 0.7% monthly in November, up by 4.2% year-to-year, having gained by 1.2% in the month of October up by 0.6% year-to-year.

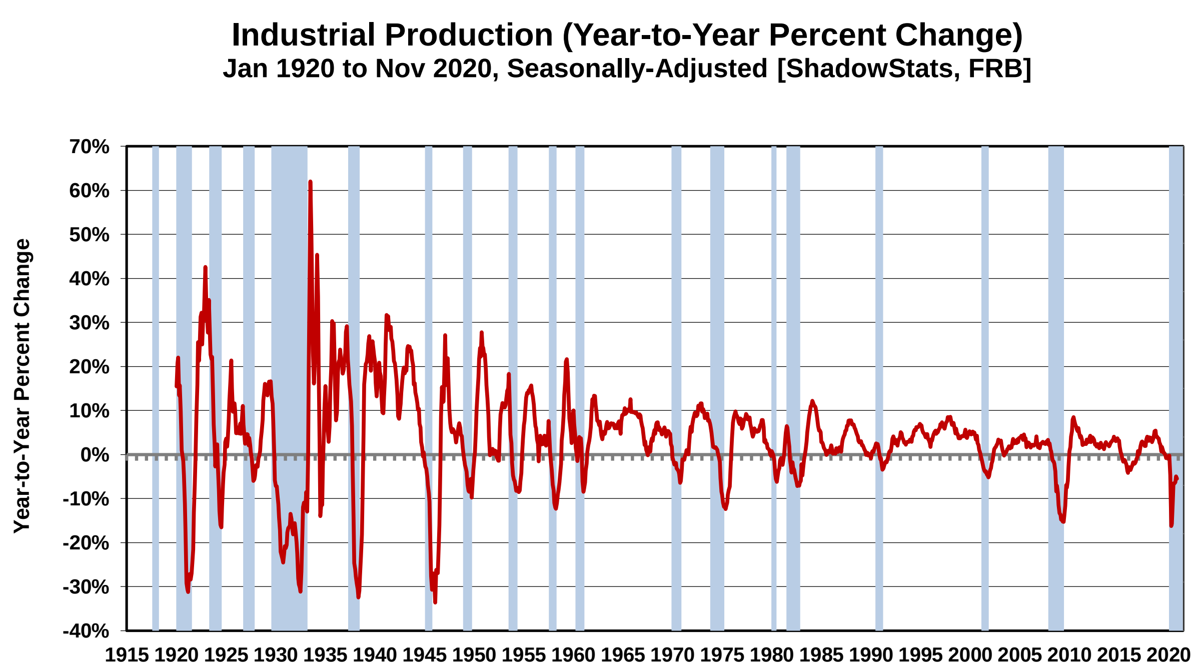
Indications of Faltering Fourth-Quarter Economic Growth. As with the **GDP** coverage (see pages 29 and following), related indicators of near-term ***Industrial Production*** activity are plotted along with related labor or other indicators, as shown here, with ***Graphs 36*** and ***37*** on page 41, and with ***Graphs 42*** to ***45***, beginning on page 44. Similar plots are shown for ***Retail Sales*** on page 51, and ***Construction*** on page 61.

[Graphs 32 to 49 begin on the next page.]

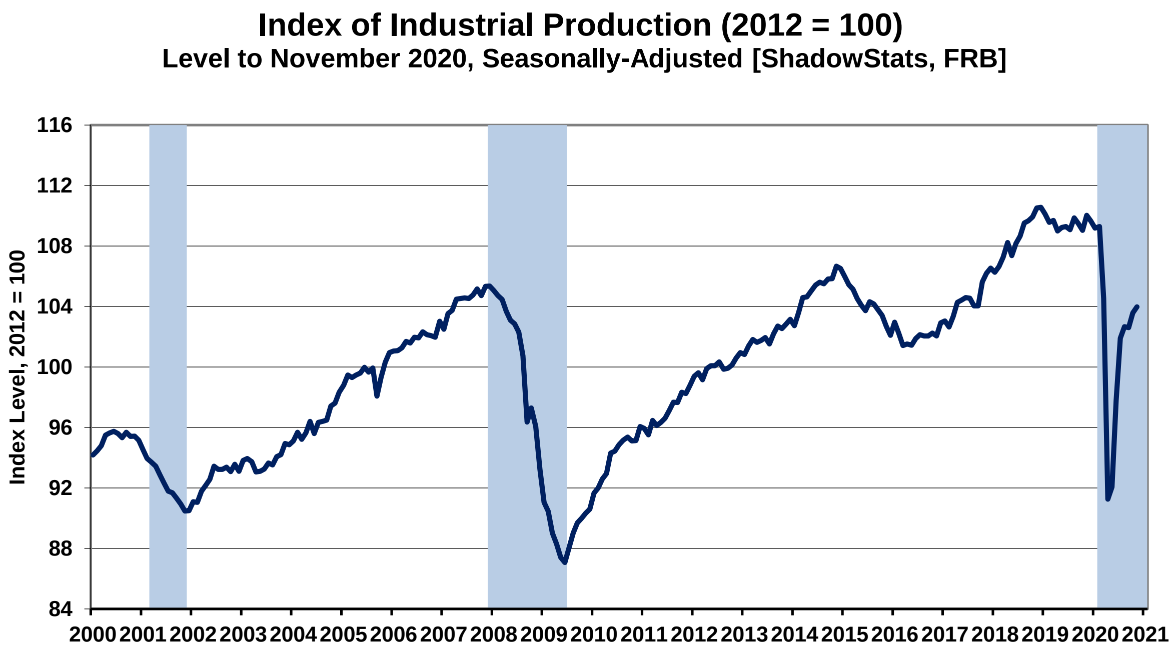
Graph 32: Industrial Production (1919 to November 2020)



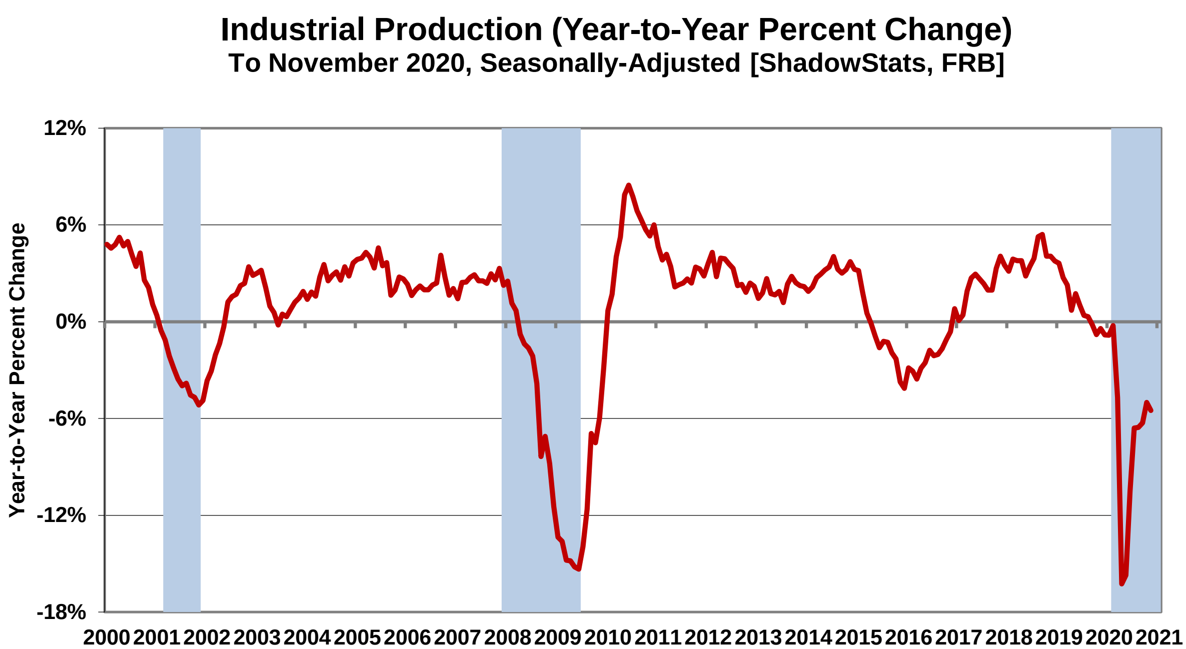
Graph 33: Industrial Production, Year-to-Year Percent Change (1920 to November 2020)



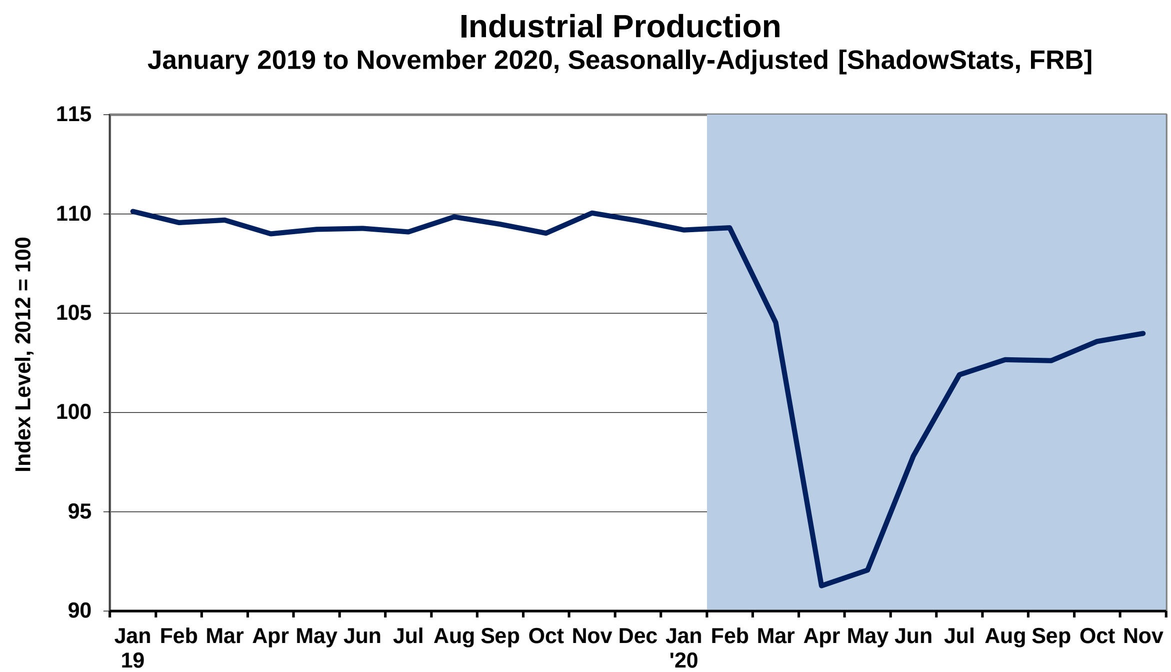
Graph 34: Industrial Production (2000 to November 2020)



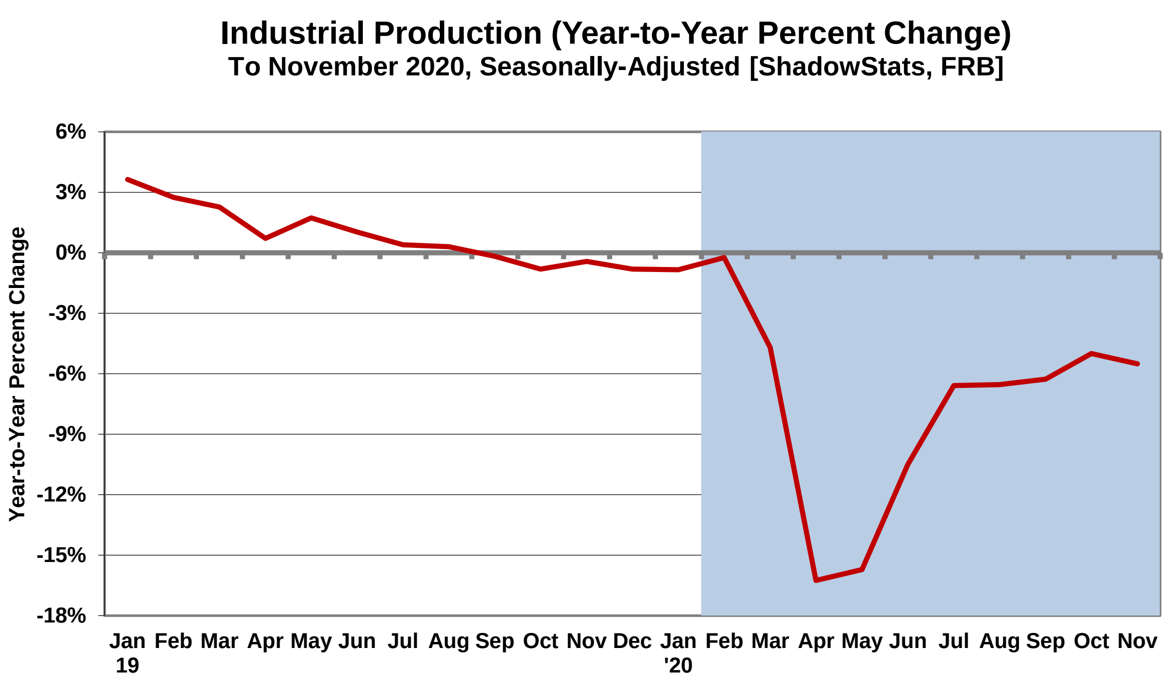
Graph 35: Industrial Production, Year-to-Year Change (2000 to November 2020)



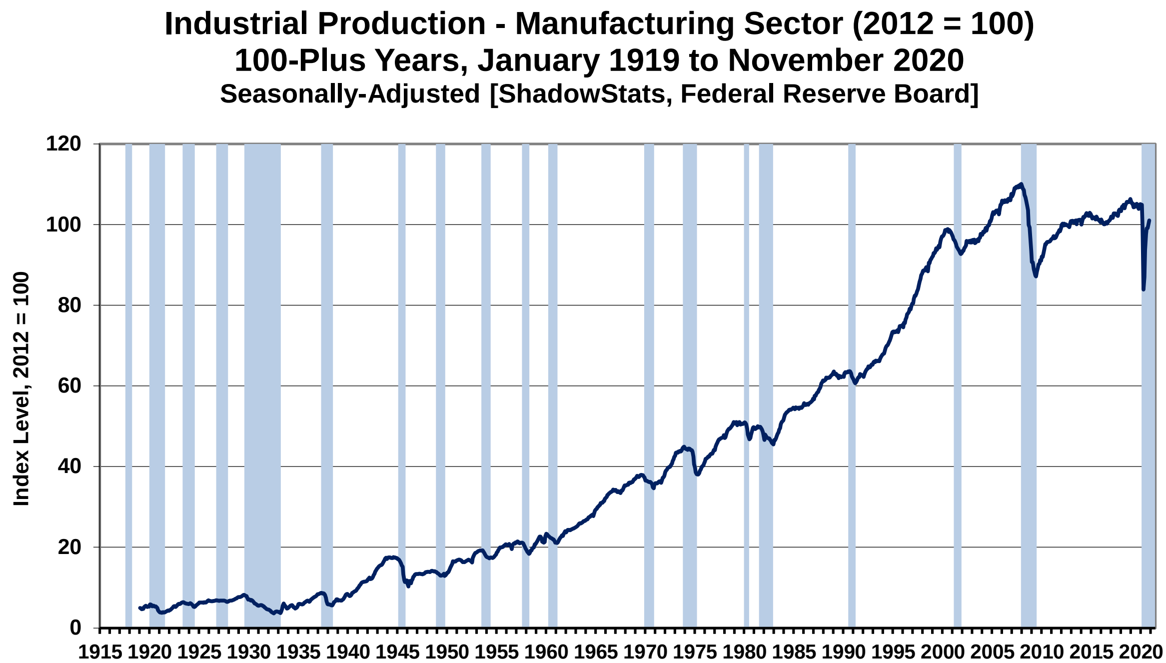
Graph 36: Industrial Production (January 2019 to November 2020)



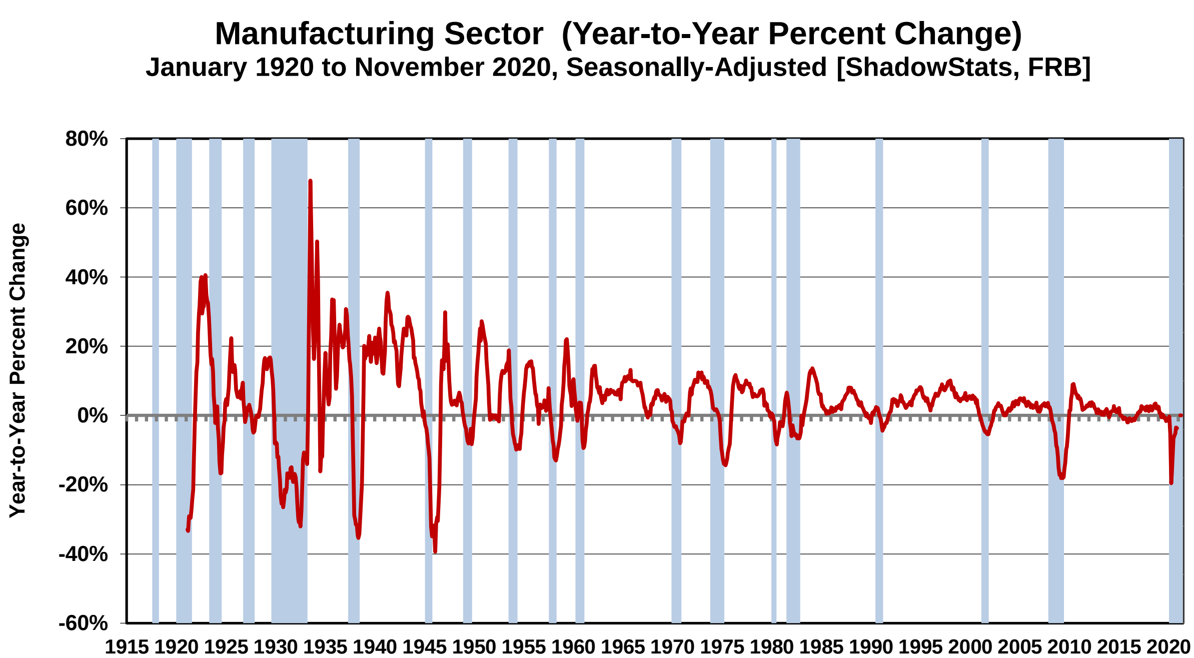
Graph 37: Industrial Production, Year-to-Year Change (January 2019 to November 2020)



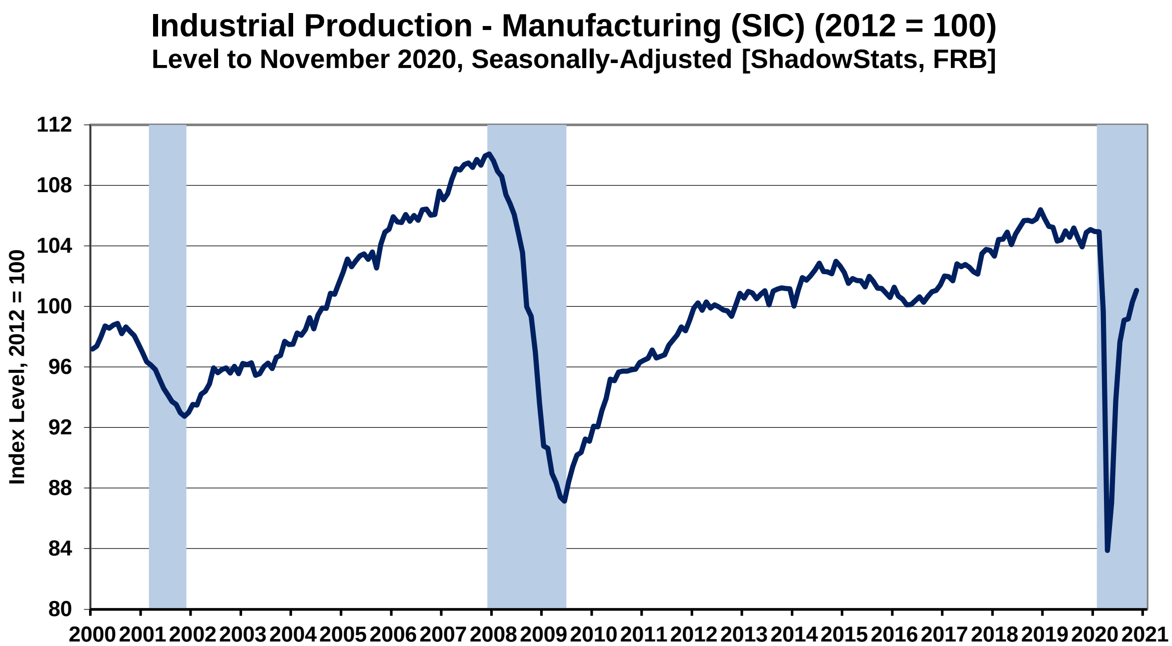
Graph 38: Manufacturing Level (1919 to November 2020)



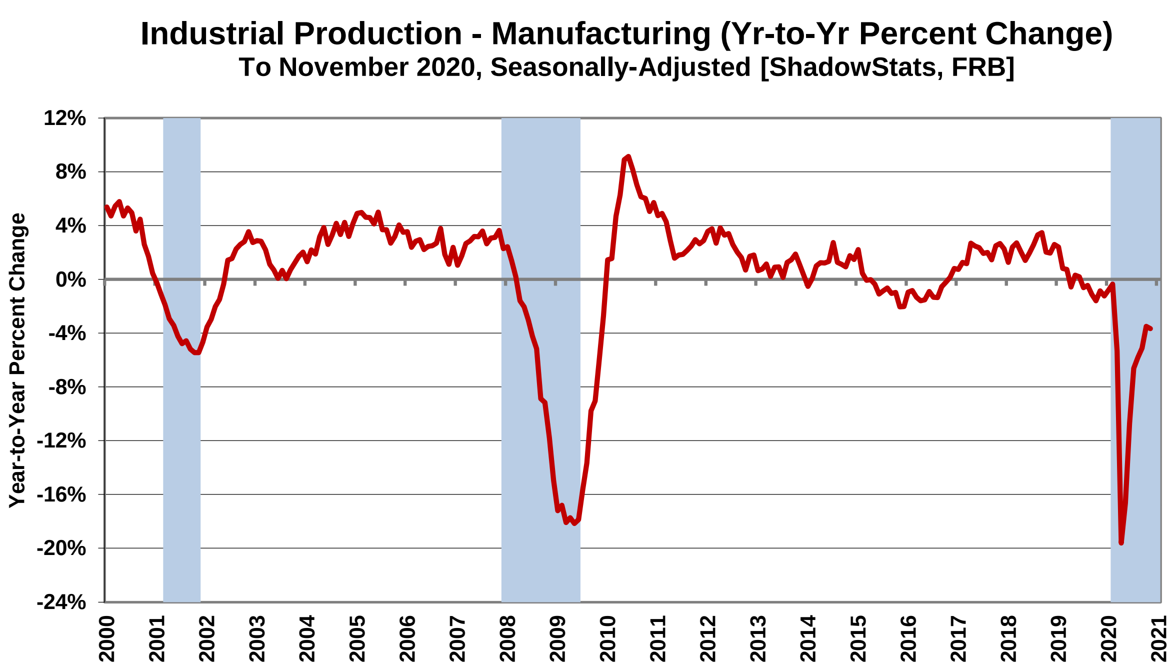
Graph 39: Manufacturing, Year-to-Year Percent Change (1920 to November 2020)



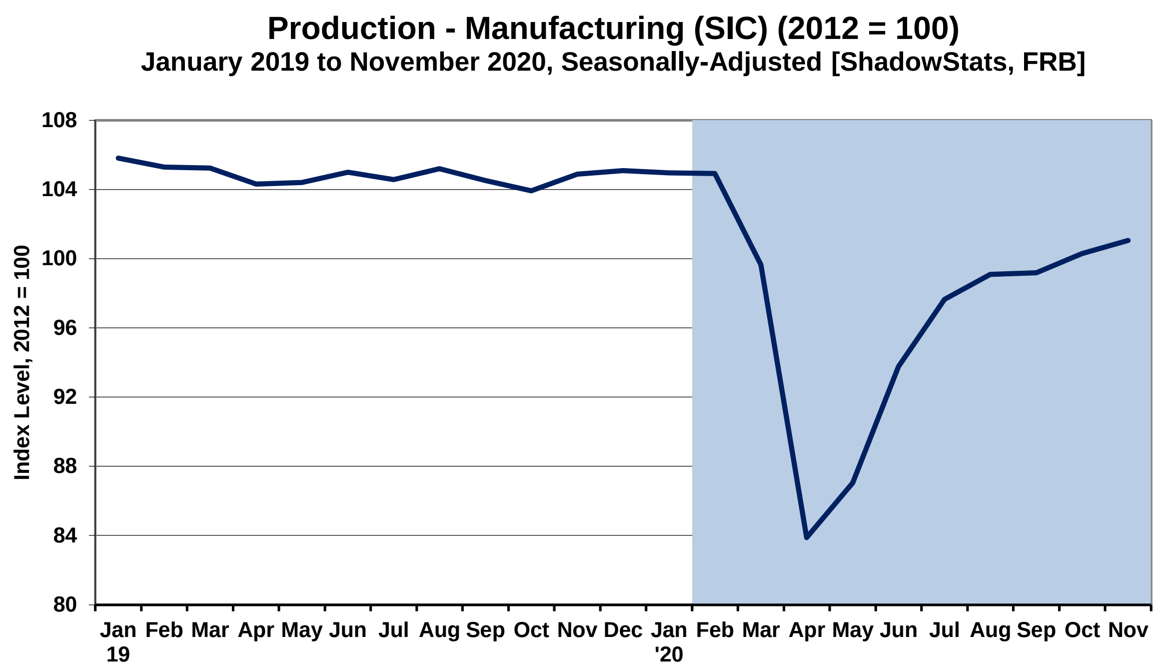
Graph 40: Manufacturing Level (2000 to November 2020)



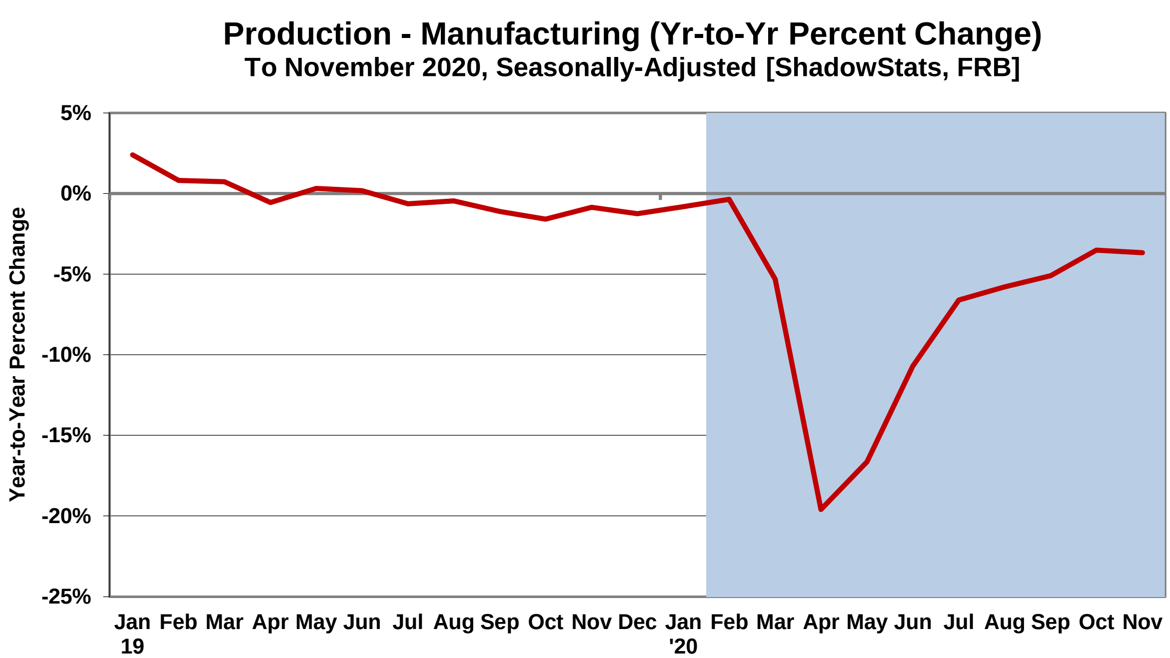
Graph 41: Manufacturing, Year-to-Year Percent Change (2000 to November 2020)



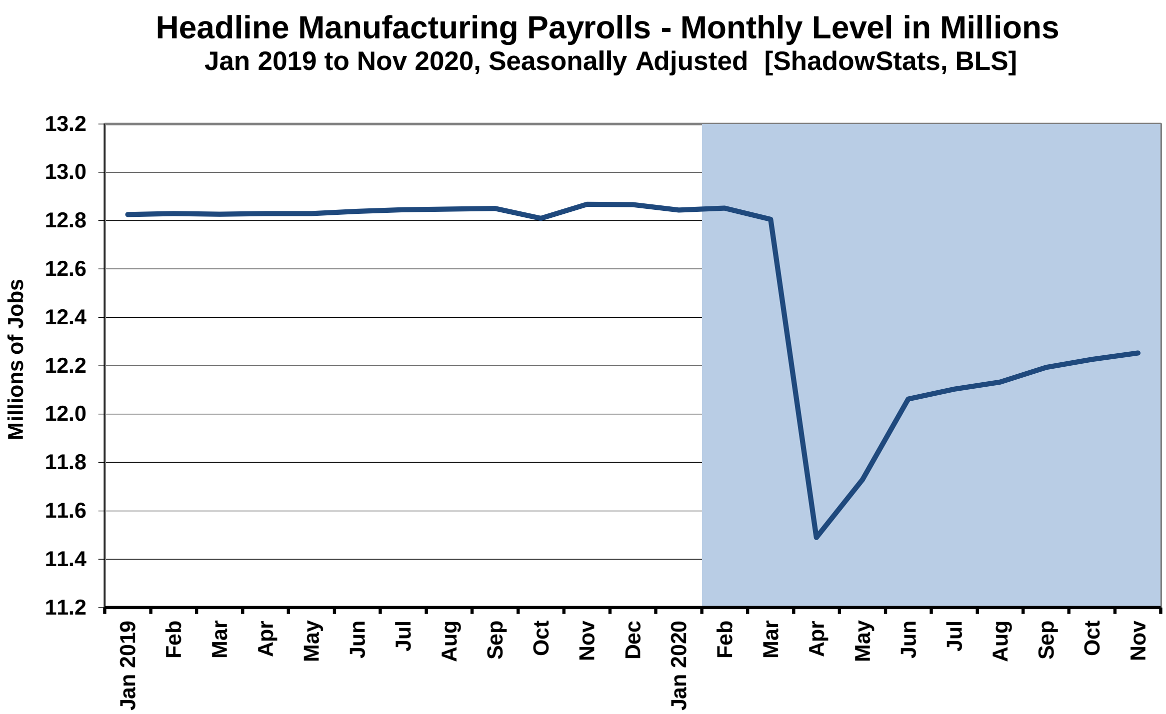
Graph 42: Manufacturing Level (January 2019 to November 2020)



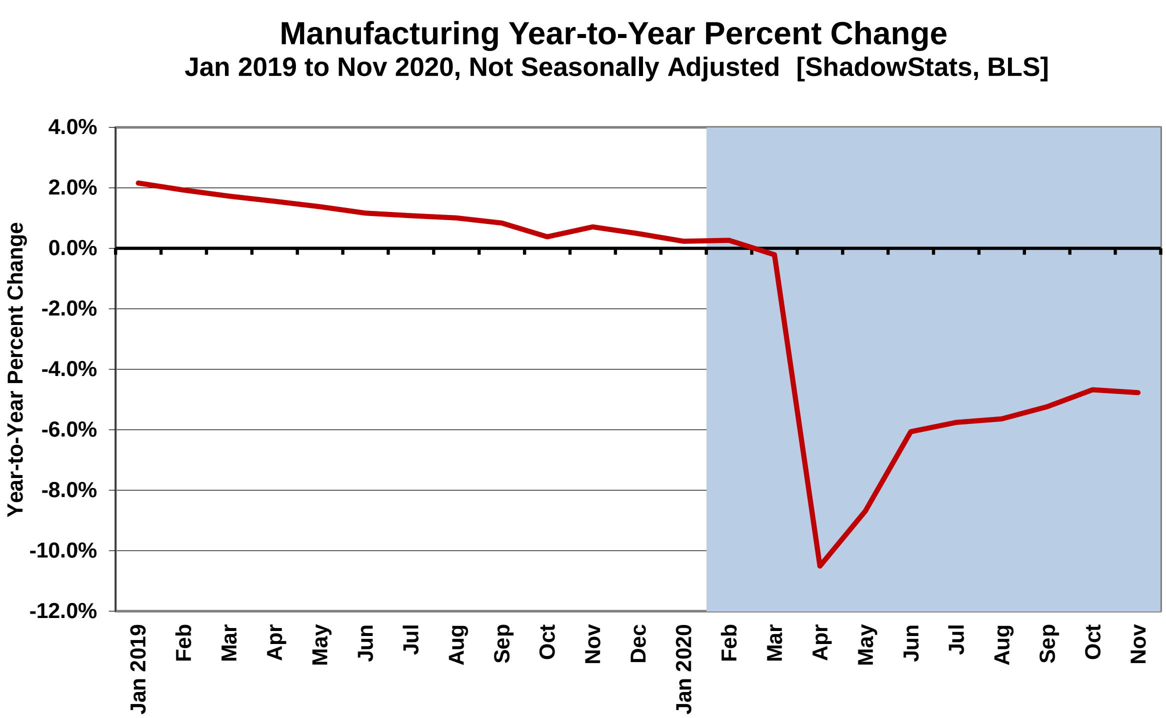
Graph 43: Manufacturing, Year-to-Year Percent Change (January 2019 to November 2020)



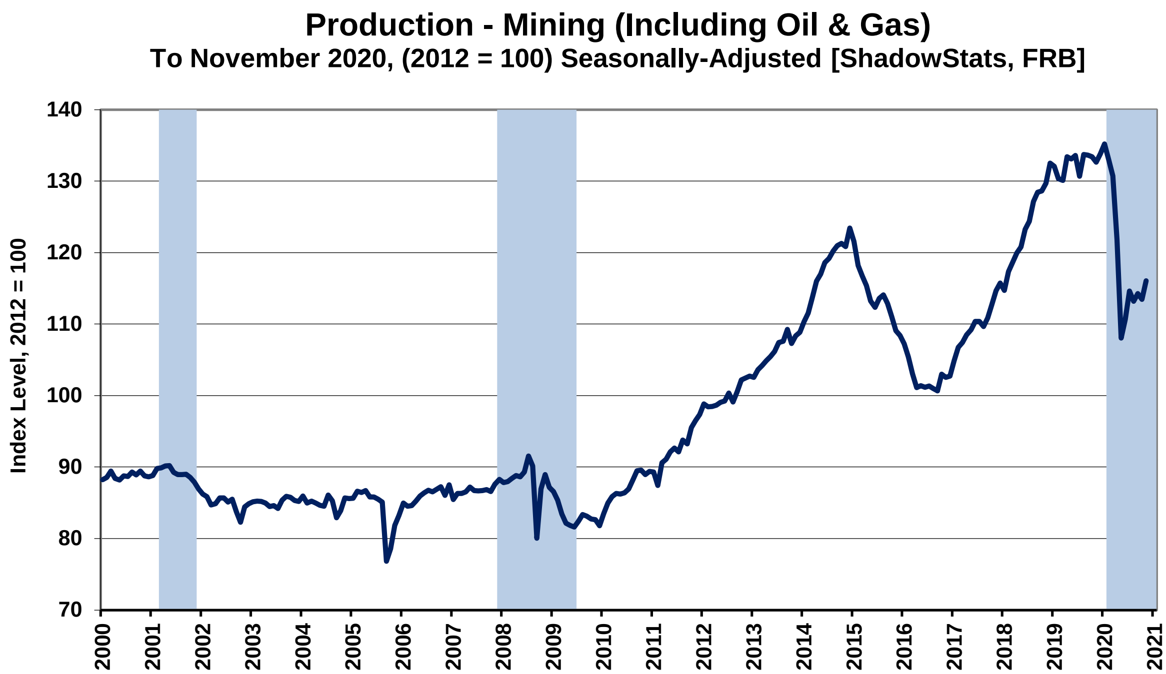
Graph 44: Manufacturing - Payroll Employment (January 2019 to November 2020)



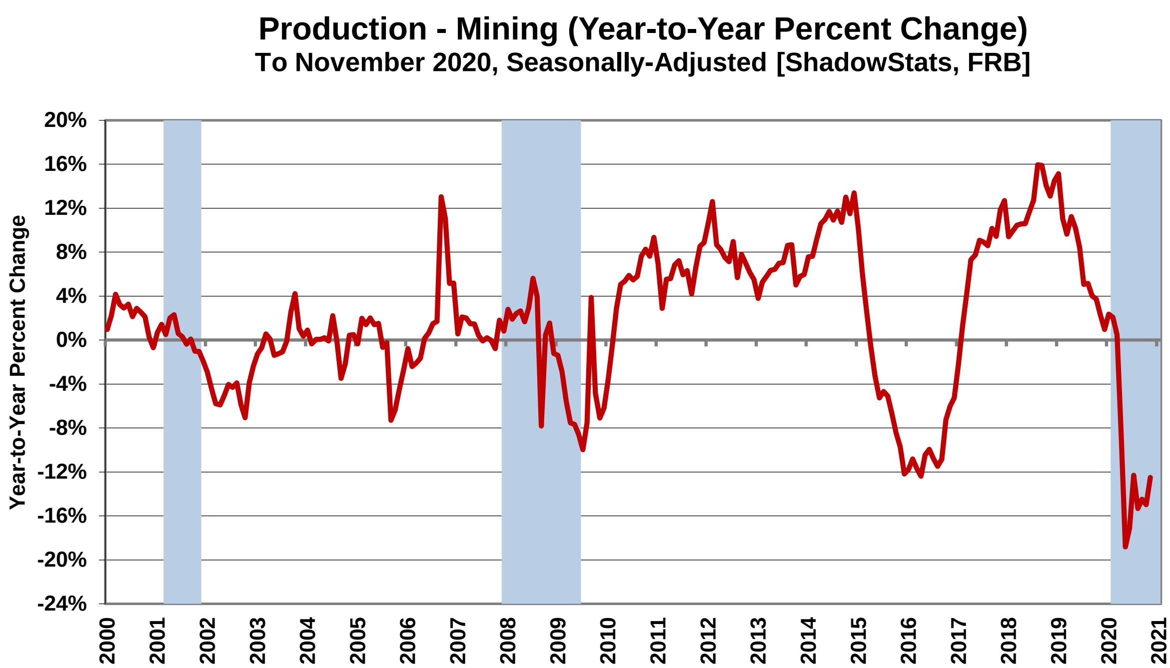
Graph 45: Manufacturing - Payroll Employment, Year-to-Year Change (January 2019 to November 2020)



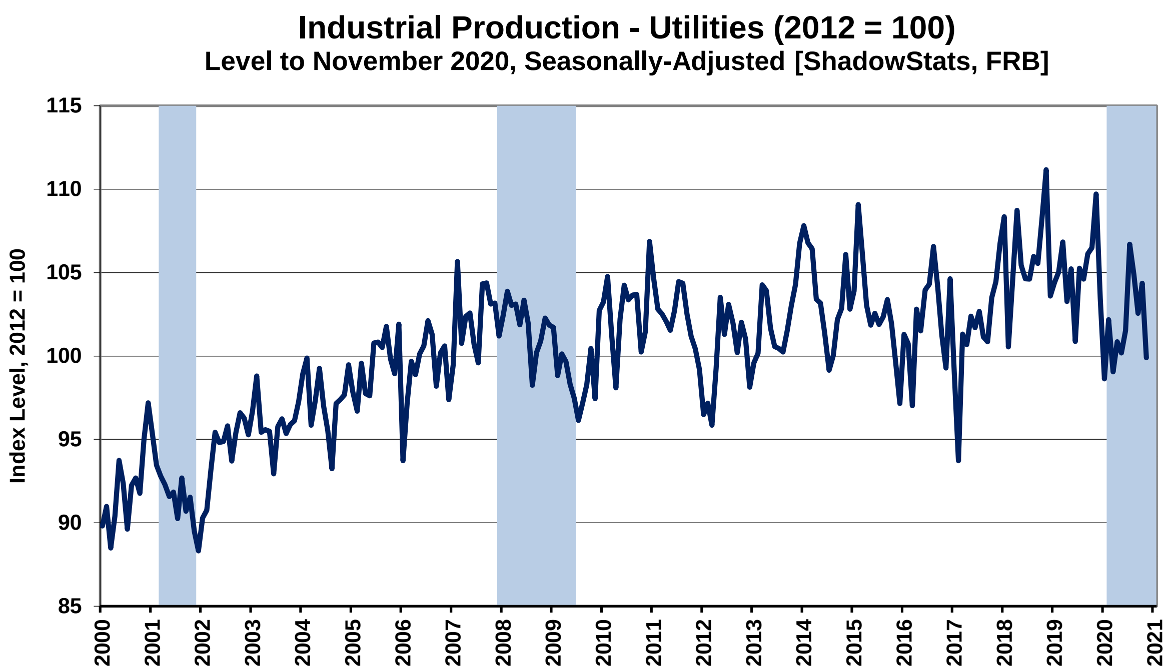
Graph 46: Mining Level (2000 to November 2020)



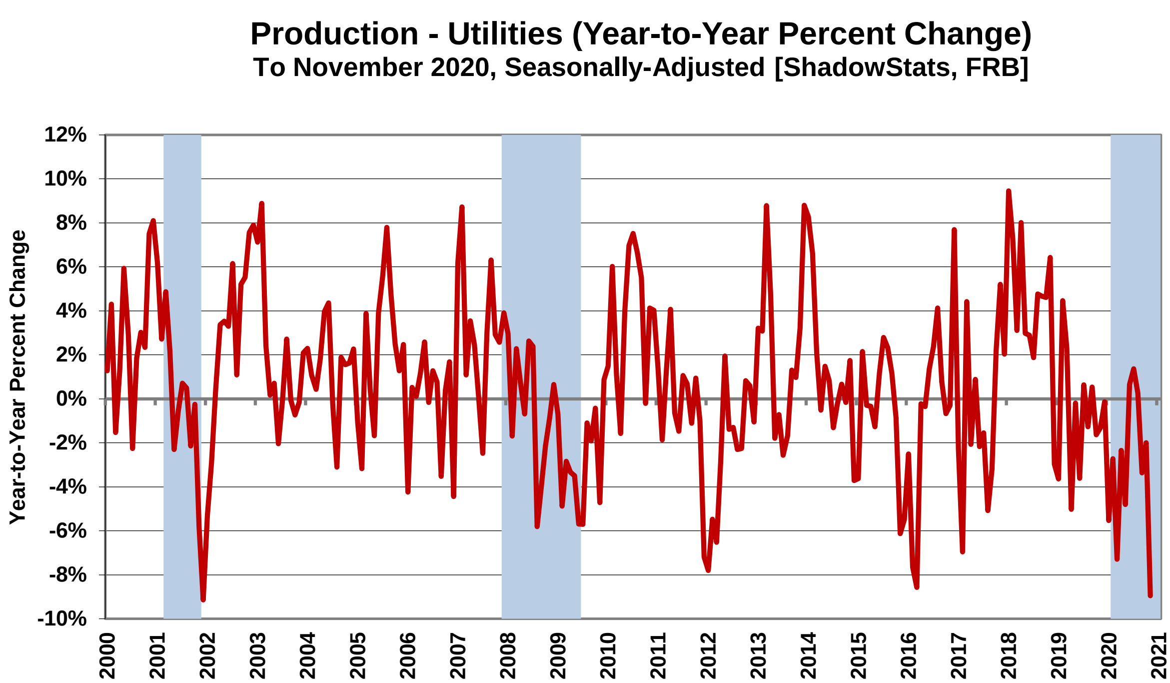
Graph 47: Mining, Year-to-Year Percent Change (2000 to November 2020)



Graph 48: Utilities (2000 to November 2020)



Graph 49: Utilities, Year-to-Year Percent Change (2000 to November 2020)



Section 5 – Retail Sales – November 2020

Falling More Than Expected, on Top of Downside Revisions, and with Rapidly Slowing Annual Growth, November Retail Sales Stalled, Confirming the Unfolding "L"-Shaped Nature of the Economic Non-Recovery. Reported December 16th by the Census Bureau, before inflation-adjustment, nominal November 2020 Retail Sales dropped in the month by 1.1% (-1.1)% [Consensus Outlook was around 0.4% (-0.4%)], following a revised decline of 0.1% (-0.1%) [previously a 0.3% gain] in October, and a revised gain of 1.7% [previously 1.6%] in September.

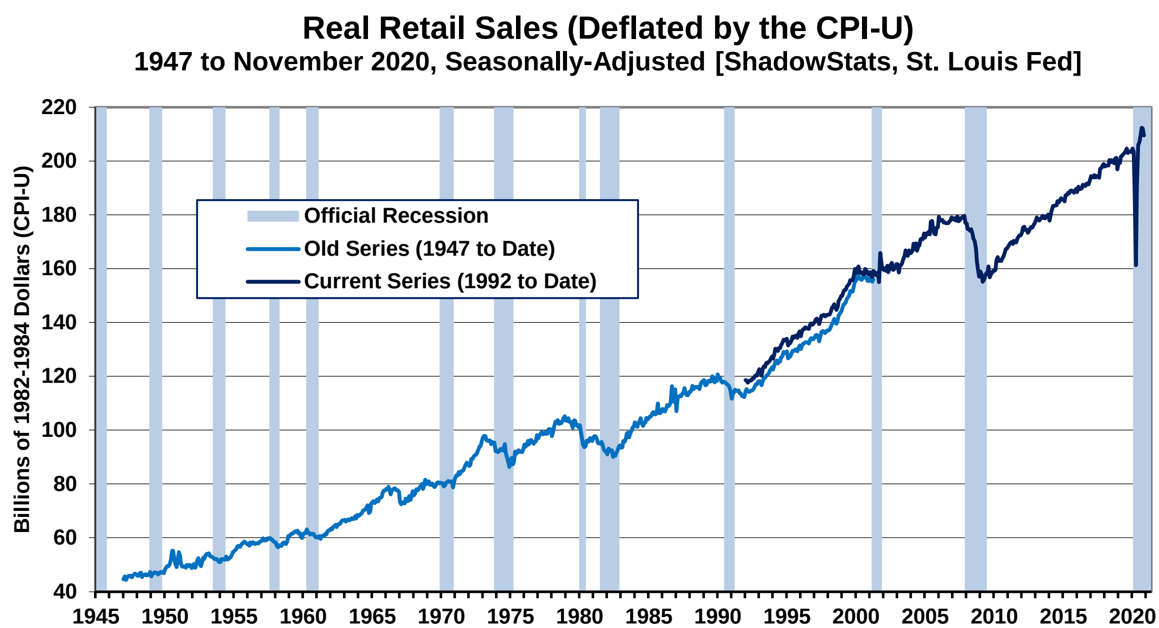
ShadowStats assesses Retail Sales in "real" terms, net of growth due to CPI-U inflation, and as otherwise calculated by the St. Louis Fed. November 2020 Real Retail Sales dropped by 1.3% (-1.3%) in the month, down by 1.4% (-1.4%) net of revisions, following a revised decline of 0.1% (-0.1%) [previously a gain of 0.2%] in October, and a revised monthly gain of 1.5% [previously 1.4%] in September.

Pace of Year-to-Year Gain Slowed Sharply. Respective real annual growth slowed sharply to 2.9% in November 2020, from a revised 4.2% [previously 4.4%] in October 2020 and a revised 4.6% [previously 4.5%] in September 2020. Separately, what had been headlined as booming annual real growth in recent months still is not credible, against ongoing annual declines in related, but more-stable Payroll and Production reporting.

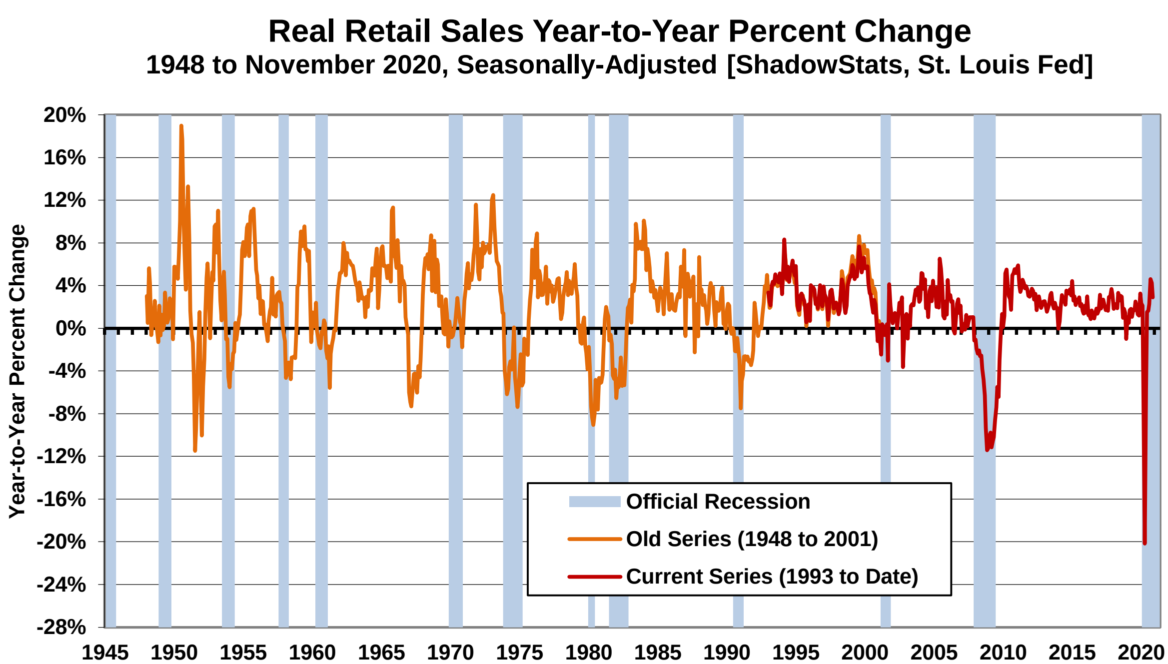
Indications of Faltering Fourth-Quarter Economic Growth. As with the **GDP** coverage (see pages 21 and following), related indicators of near-term ***Retail Sales*** activity are plotted along with related labor or other indicators, as shown here, with ***Graphs 54*** to ***61*** beginning on page 51, Similar plots are shown for ***Industrial Production*** beginning on page 41 and 44, and ***Construction*** on page 61.

[Graphs 50 to 61 begin on the next page.]

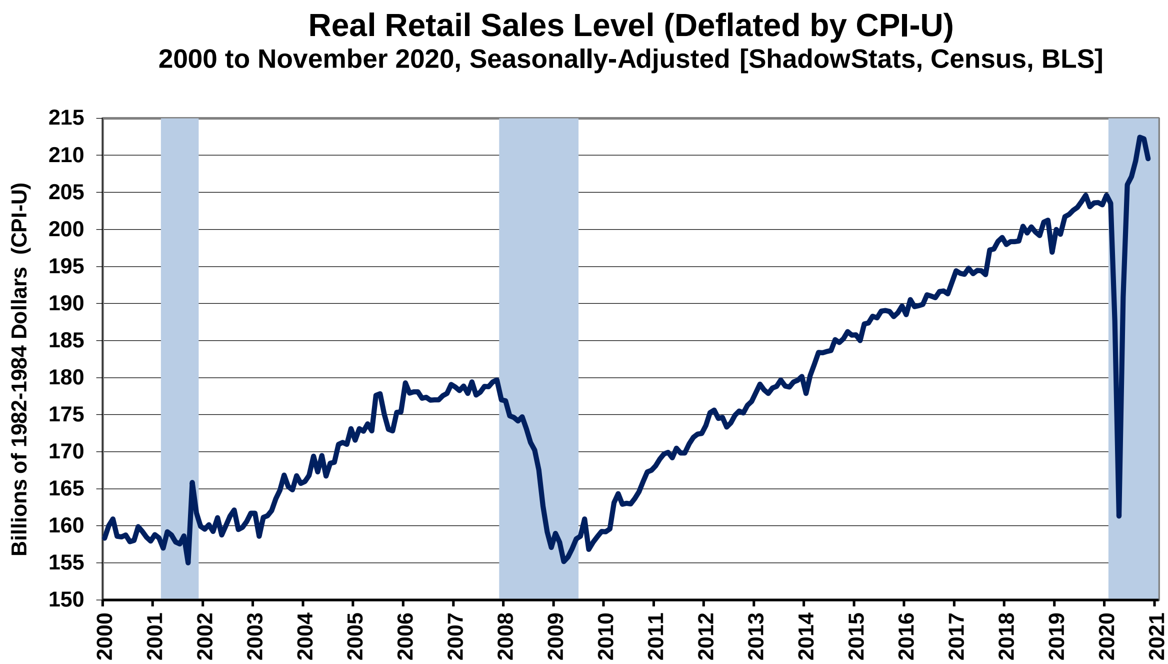
Graph 50: Real Retail Sales (1947 to November 2020)



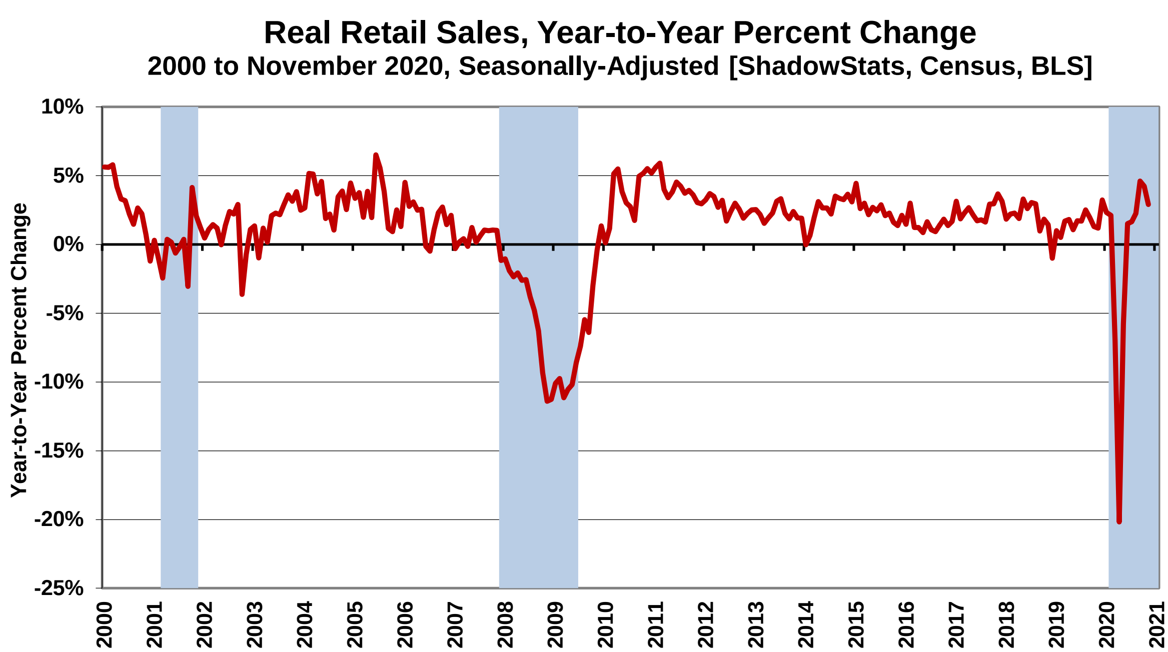
Graph 51: Real Retail Sales, Year-to-Year Change (1948 to November 2020)



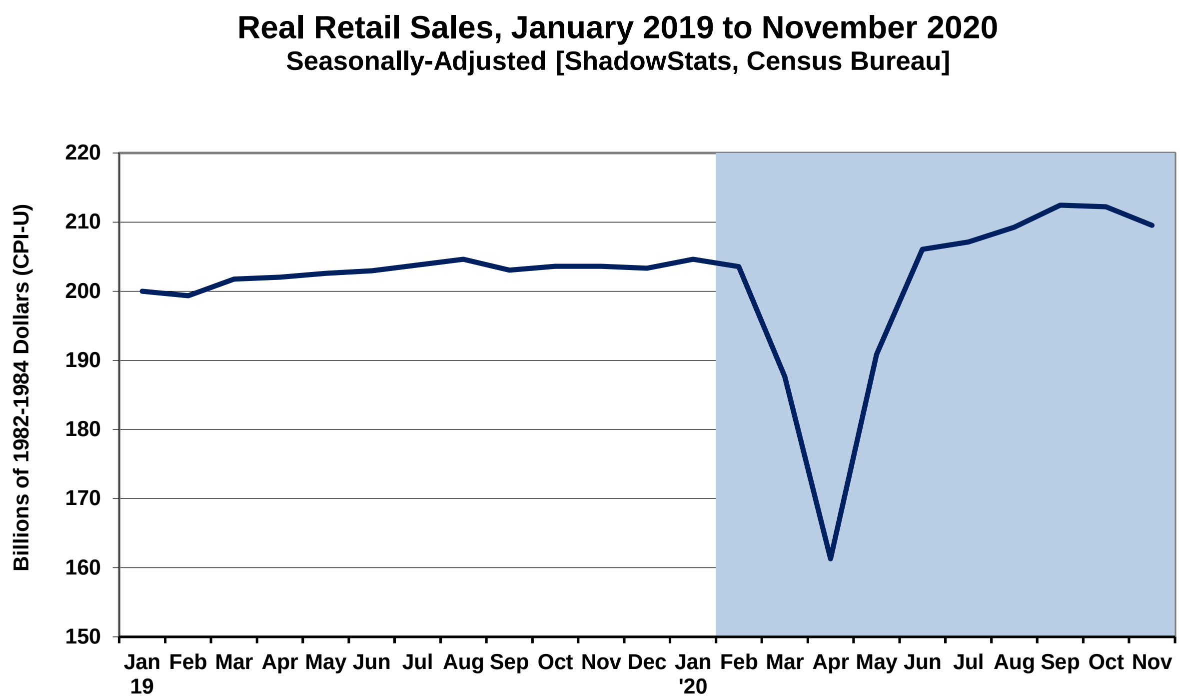
Graph 52: Real Retail Sales (2000 to November 2020)



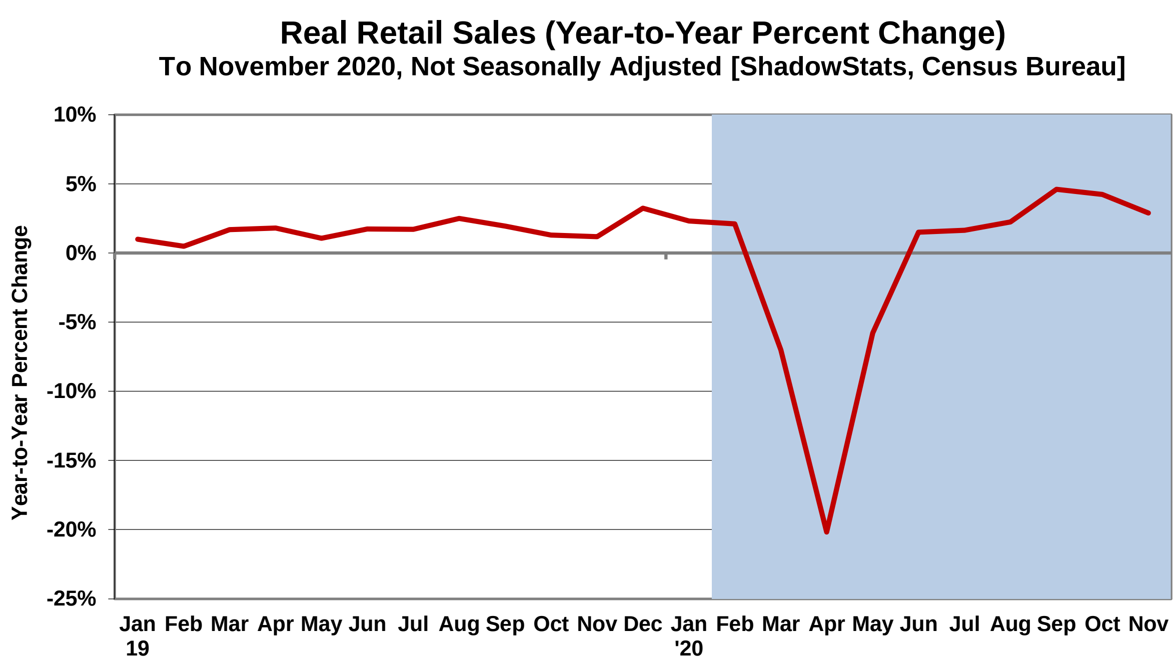
Graph 53: Real Retail Sales, Year-to-Year Percent Change (2000 to November 2020)



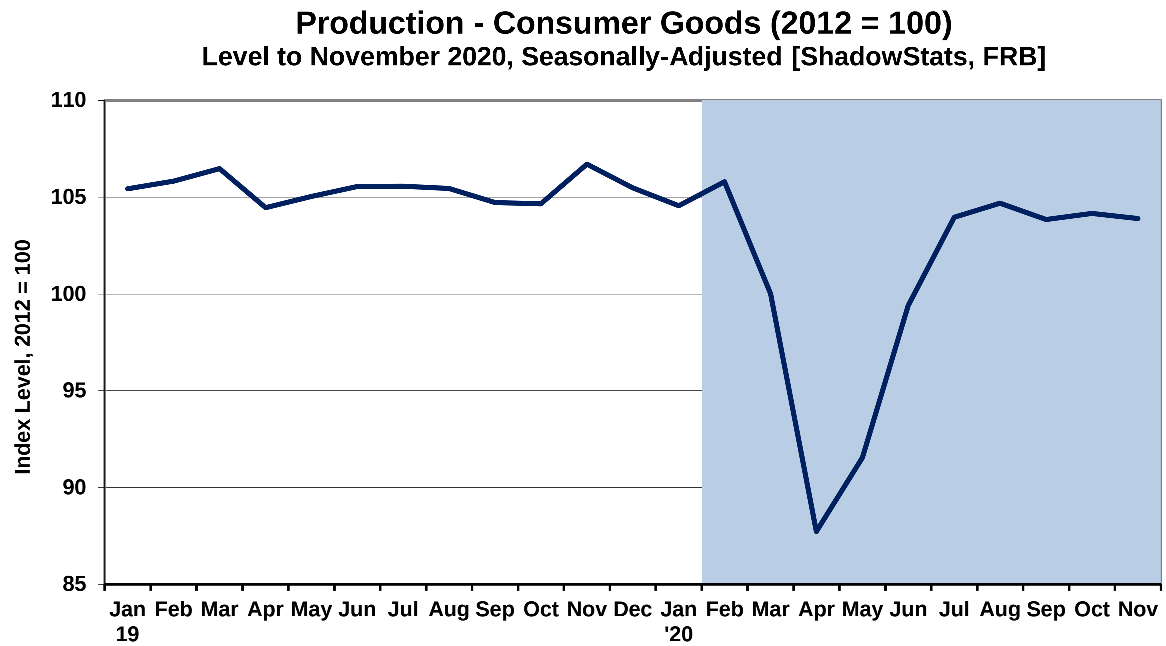
Graph 54: Real Retail Sales (January 2019 to November 2020)



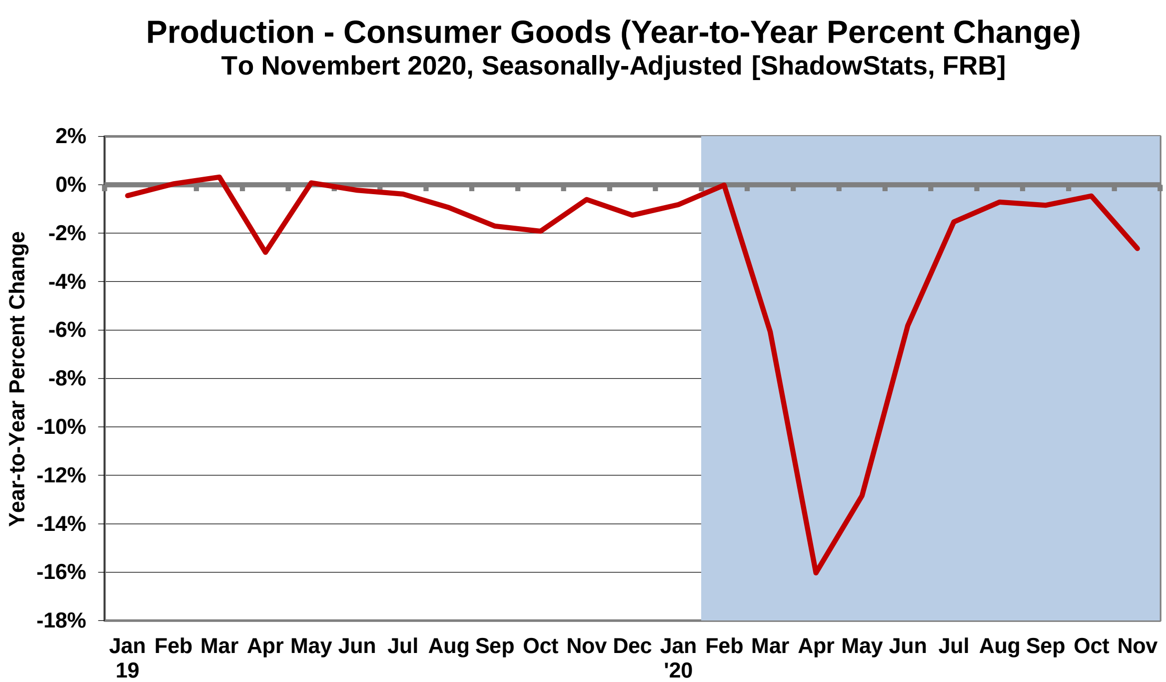
Graph 55: Real Retail Sales, Year-to-Year Percent Change (January 2019 to November 2020)



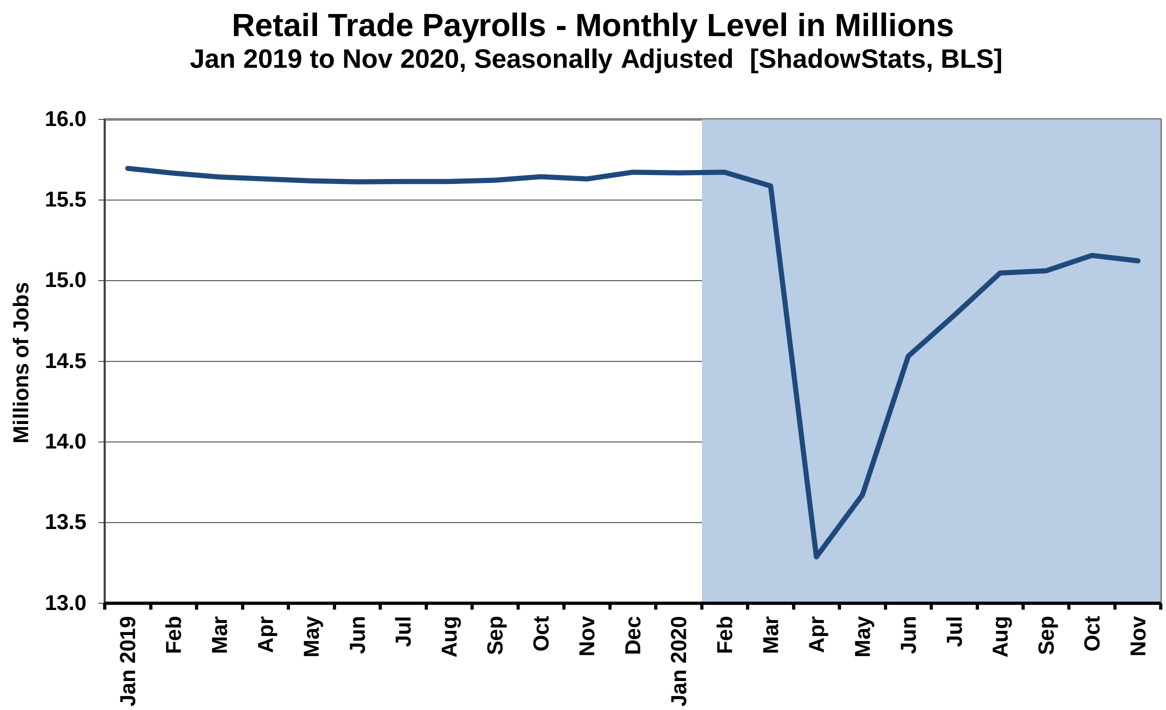
Graph 56: Production of Consumer Goods (January 2019 to November 2020)



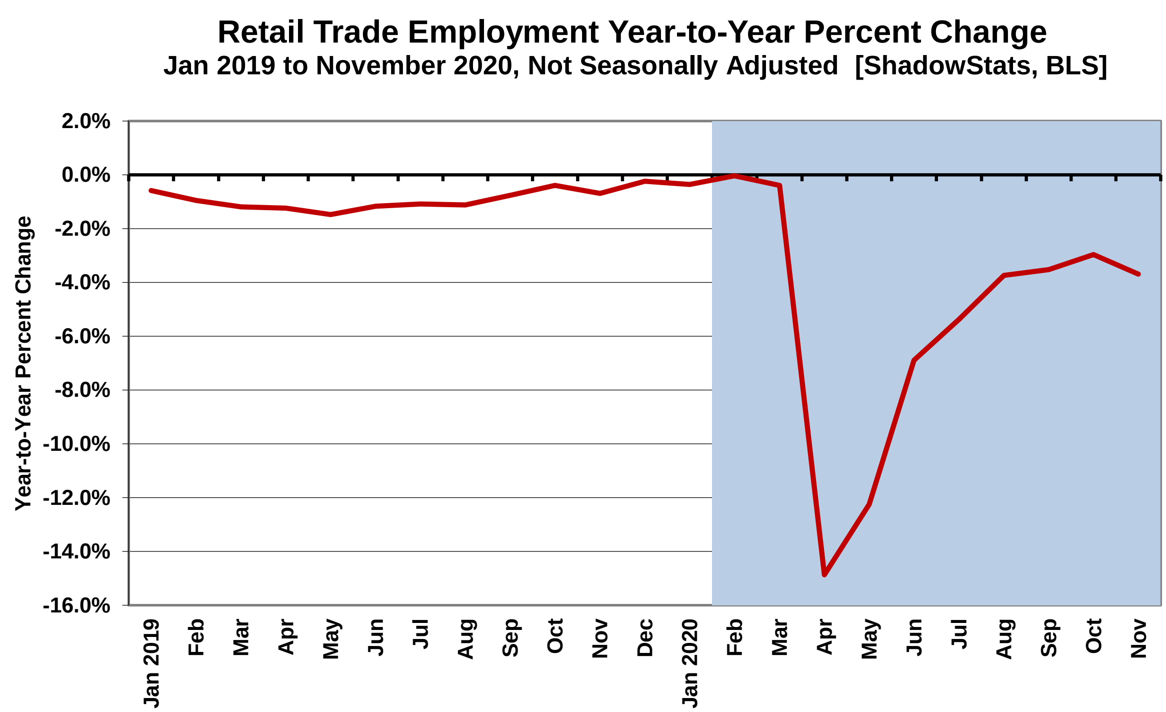
Graph 57: Production of Consumer Goods, Year-to-Year Change (January 2019 to November 2020)



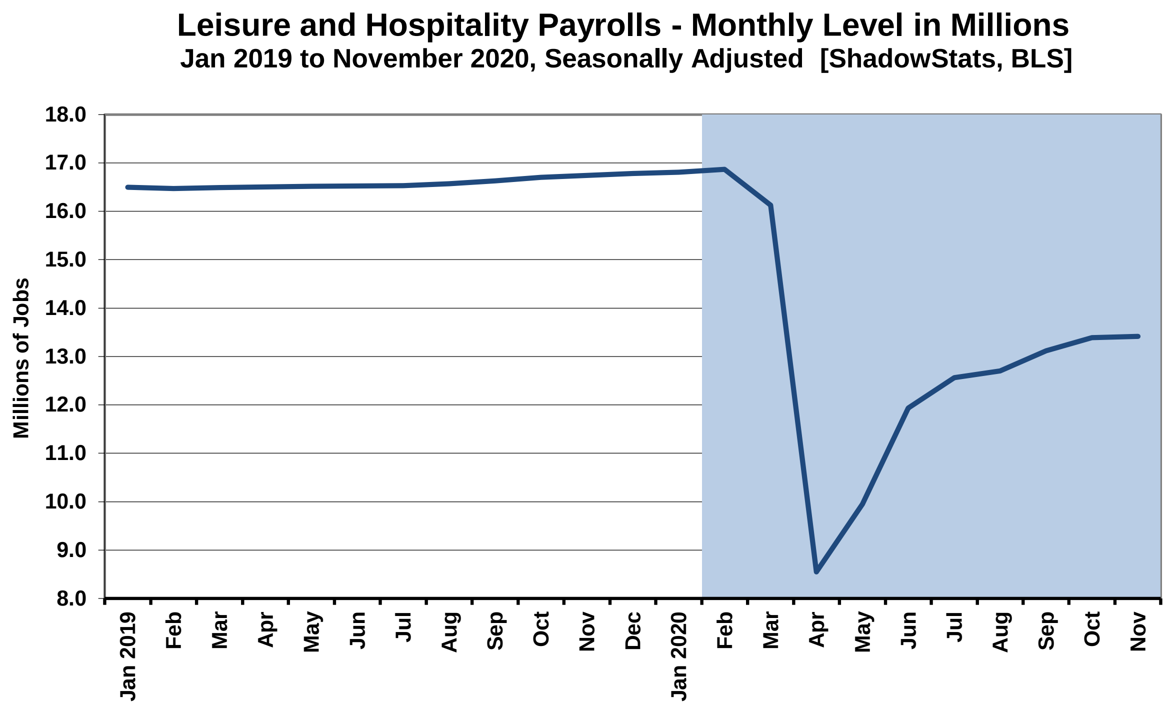
Graph 58: Retail Trade Payroll Employment (January 2019 to November 2020)



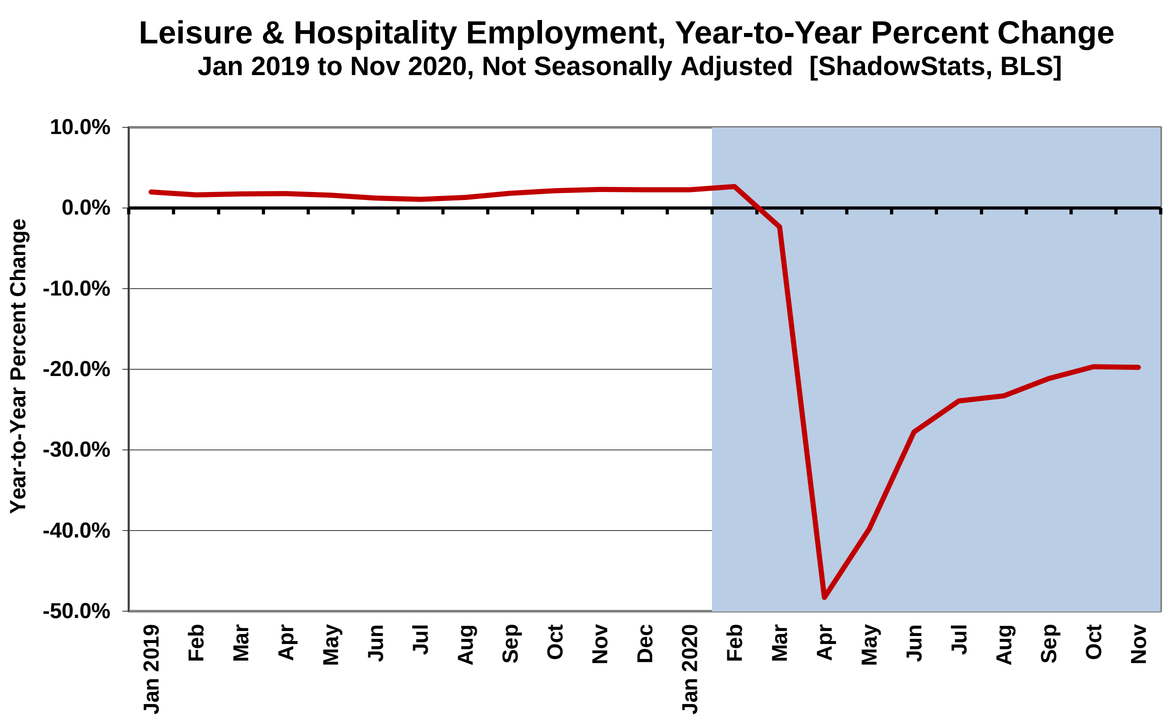
Graph 59: Retail Trade - Payroll Employment, Year-to-Year Change (January 2019 to November 2020)



Graph 60: Leisure & Hospitality - Payroll Employment (January 2019 to November 2020)



Graph 61: Leisure & Hospitality - Payroll Employment, Year-to-Year Change (January 2019 to November 2020)



Section 6 – New Residential Sales and Investment – November 2020

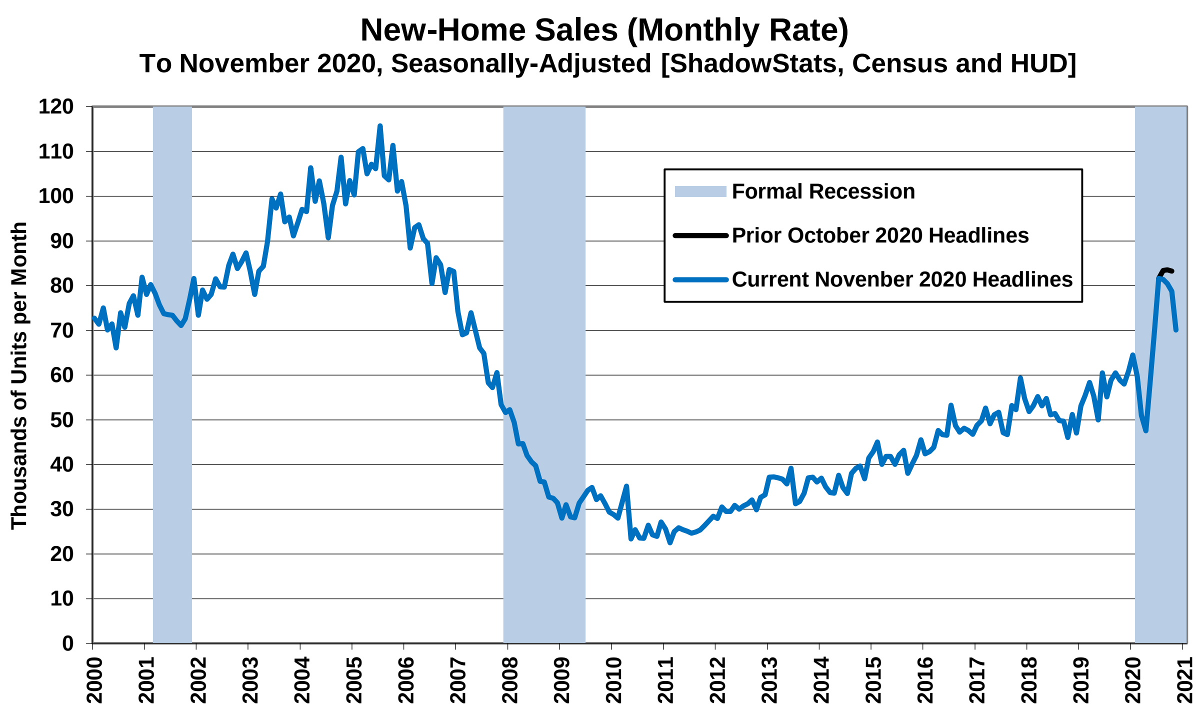
New-Home Sales Collapsed in November on Top of Major Downside Revisions

Effectively Flat November Housing Starts Gained a Not Meaningful 1.2% in the Month

November Building Permits Jumped Monthly by a Statistically Meaningful 6.2%

November 2020 New-Home Sales Collapsed Month-to-Month by 11.1% (-11.1%), on Top of Three Months of Massive Downside Revisions. Reported December 23rd by the Census Bureau, monthly New-Home Sales activity plunged meaningfully in November, despite what usually, is statistically insignificant reporting at 90% confidence intervals. Reflected in ***Graph 62***, November 2020 New-Home Sales activity dropped month-to-month by 11.1% (-11.1%) [down by 15.8% (-15.8%) net of revisions to October sales], with the year-to-year gain slowing to a meaningful 20.8% in the month, down from a downwardly revised annual gain of 33.9% [previously 41.5%] in October 2020. The monthly level of and year-to-year change in November sales both were the lowest since recovering to early Pandemic recovery levels in June 2020. That said, New-Home Sales levels still remained shy of ever recovering pre-Great Recession peak activity by 39.5% (-39.5%).

Graph 62: New-Home Sales (2000 to November 2020 Revisions – Versus Headline October)



Existing-Home Sales Also Declined in November 2020, but Were Up for the Year. As reported December 22nd by the National Association of Realtors (see details at www.nar.realtor), November 2020 Existing-Home Sales declined by 2.5% (-2.5%) in the month, down by 2.3% (-2.3%) net of a minor upside revision to October 2020 activity, but up by 25.8% from pre-Pandemic November 2019. Purportedly booming annual Existing-Home Sales likely have reflected some unusual pressures from the Pandemic-collapsed economy, ranging from people trying to front-run potential foreclosures, to mass exoduses from certain major metropolitan areas such as New York City. ShadowStats will put forth a special analysis in this area.

November 2020 Building Permits gained a statistically meaningful 6.2% [90% Confidence Interval] in the month, while Housing Starts gained a not statistically meaningful 1.2% on top of downside revisions. Reported by the Census Bureau on December 17th, seasonally adjusted November 2020 Building Permits jumped by 6.2% in the month, 8.5% year-to-year, having declined in October by a revised 0.1% (-0.1%) [previously unchanged at 0.0% for the month], up by a revised 2.7% [previously 2.8%] year-to-year.

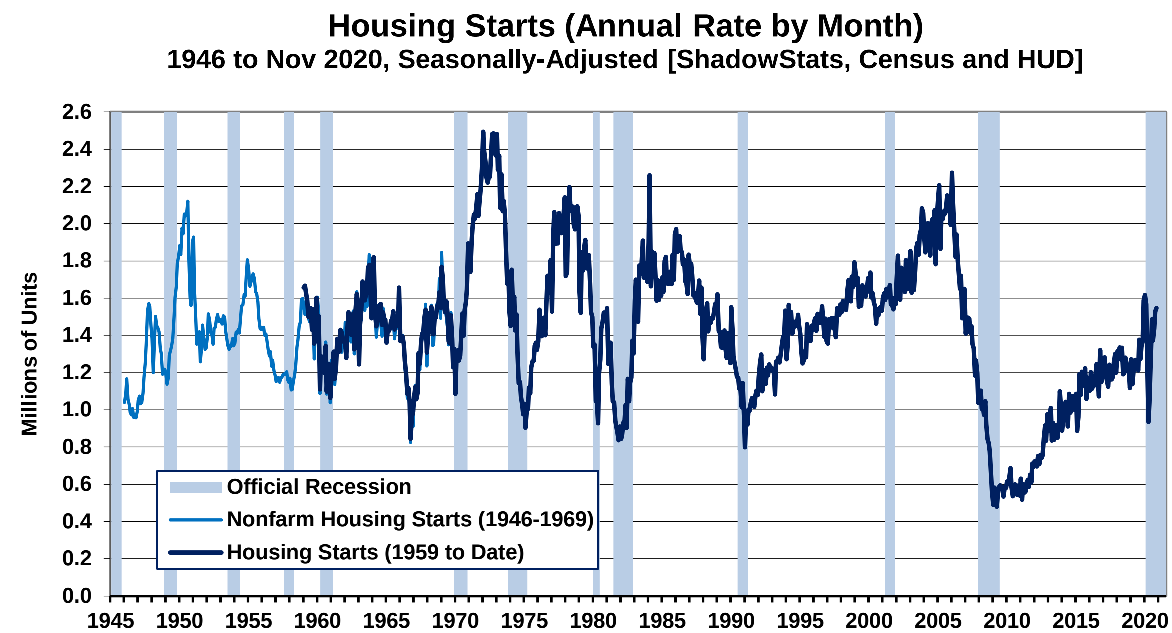
In contrast, November Housing Starts increased 1.2% [1.1% net of revisions] in the month on top of downside revisions to October and particularly to September activity. As result, the marginally significant annual gain in November 2020 Starts of 12.8% was down from 14.0% [previously 14.2%] in October and from 12.8% [previously 14.5%] in September.

Where the headline level of November 2020 Building Permits has rebounded by 53.8% from its Pandemic-driven April 2020 trough, it also now stands at 6.7% above its January 2020 pre-Pandemic peak. The headline level of November 2020 Housing Starts has rebounded by 63.6% from its Pandemic-driven April 2020 trough, yet it also now stands at 4.3% (-4.3%) below its January 2020 pre-Pandemic peak. That said, both headline November 2020 Permits and Starts still hold shy of ever recovering their pre-Great Recession peak levels of activity, respectively by 27.6% (-27.6%) and 31.9% (-31.9%).

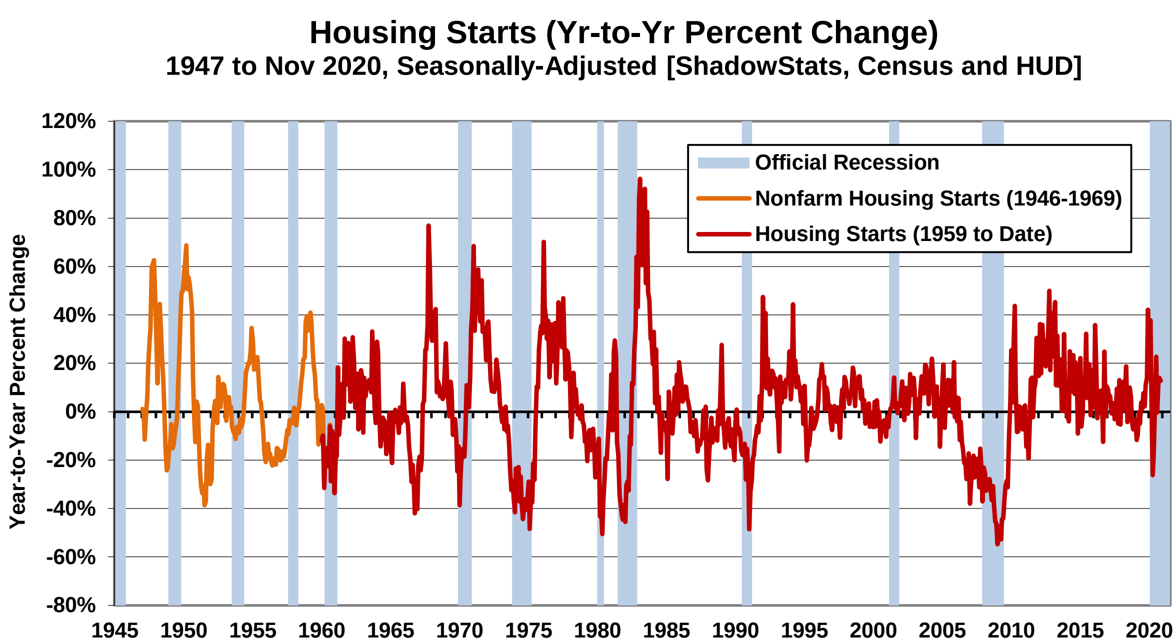
Indications of Faltering Fourth-Quarter Economic Growth. As with the **GDP** coverage (see pages 29 and following), related indicators of near-term ***Construction*** activity (although near-term ***New Residential Construction*** rarely is close to be statistically significant at a 90 confidence interval) is plotted along with related labor indicators, as shown here, with ***Graphs 71*** to ***74*** beginning on page 61, Similar plots are shown for ***Industrial Production*** beginning on page 41 and 44, and ***Retail Sales*** on page 51.

[Graphs 63 to 74 begin on the next page.]

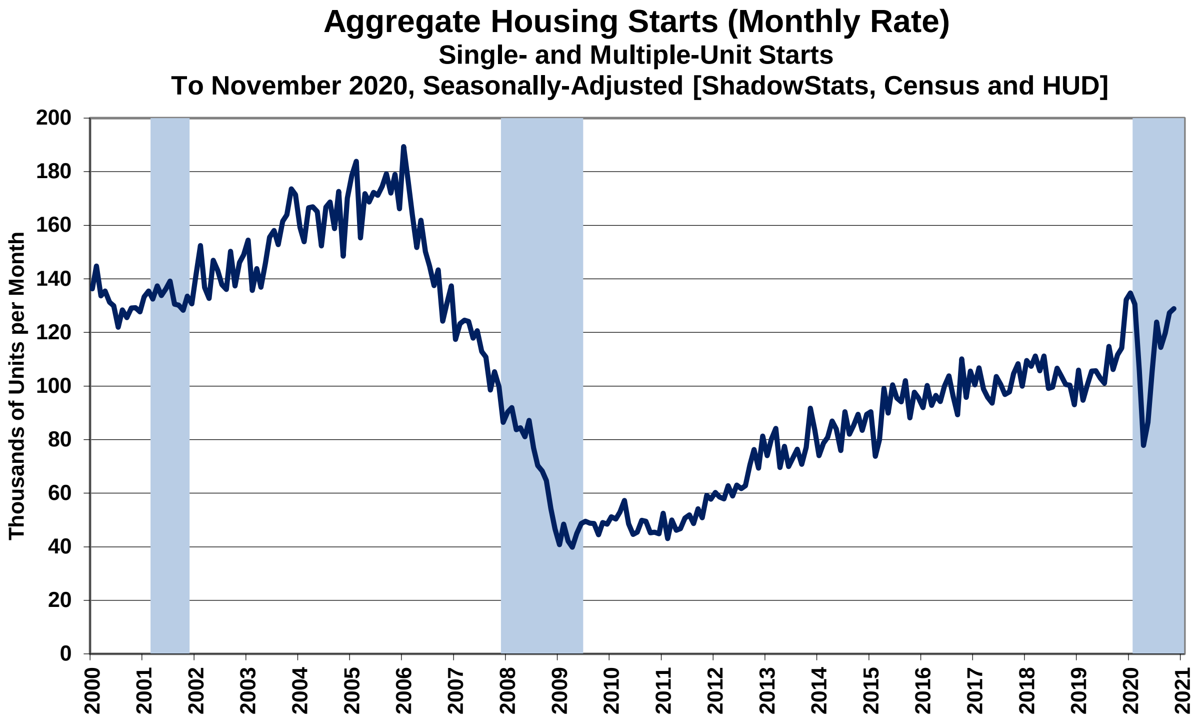
Graph 63: Housing Starts, Monthly Rate (1946 to November 2020)



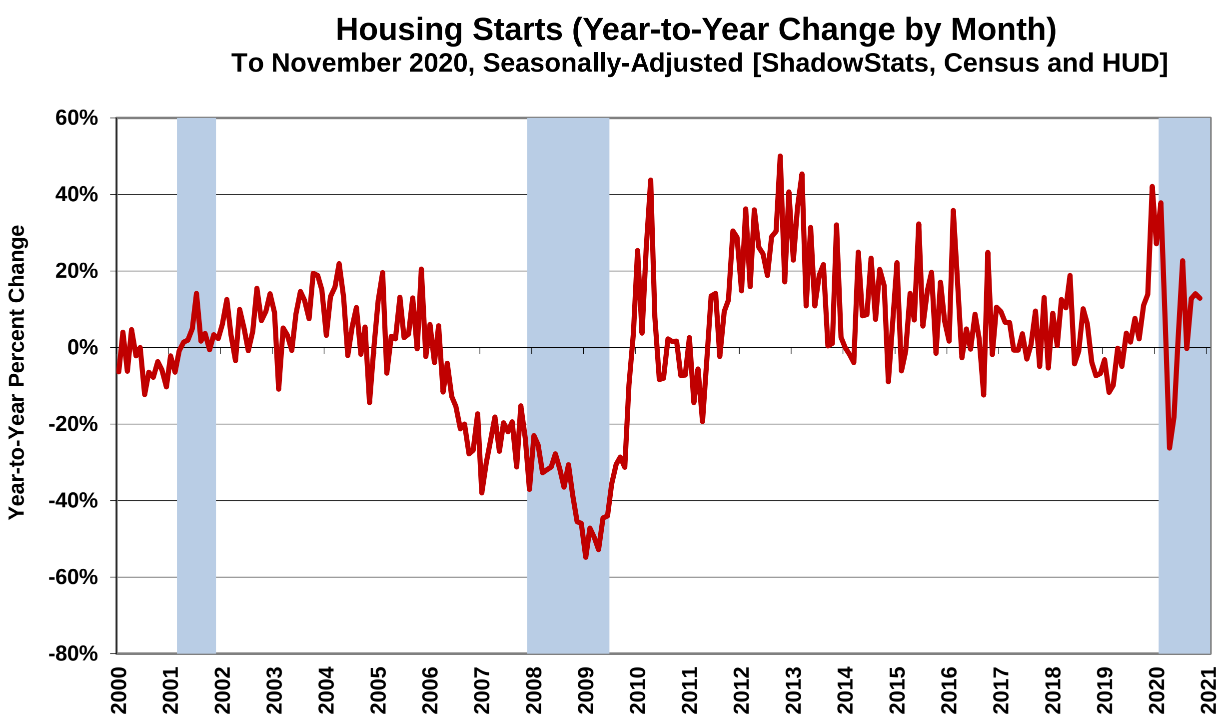
Graph 64: Housing Starts, Year-to-Year Change (1947 to November 2020)



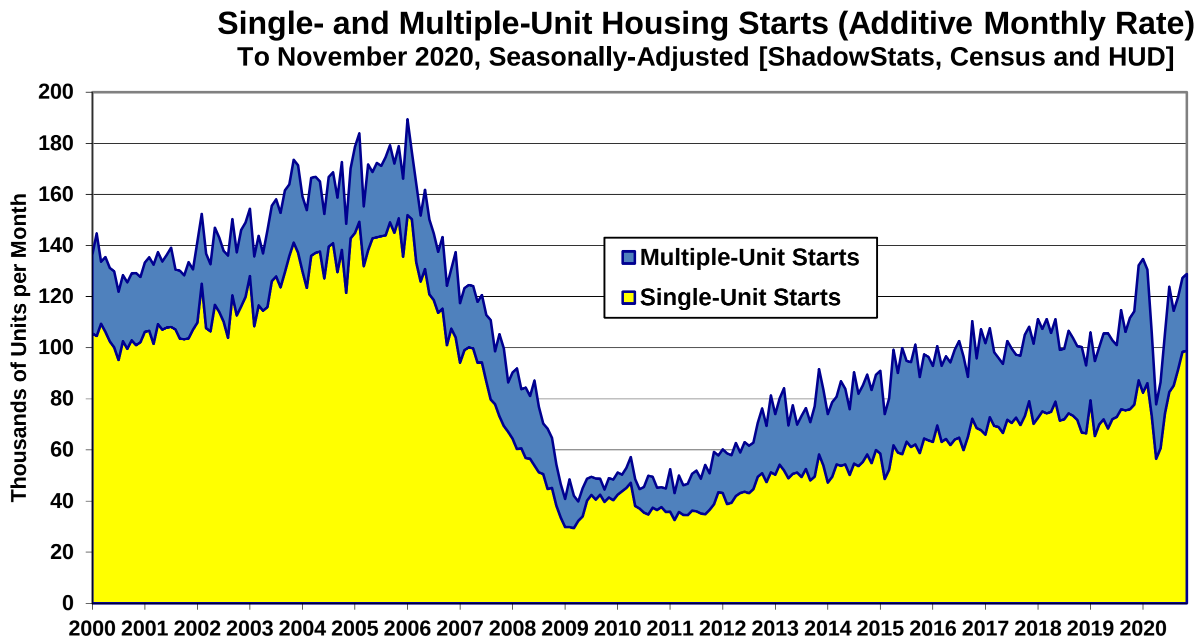
Graph 65: Housing Starts, Monthly Rate (2000 to November 2020)



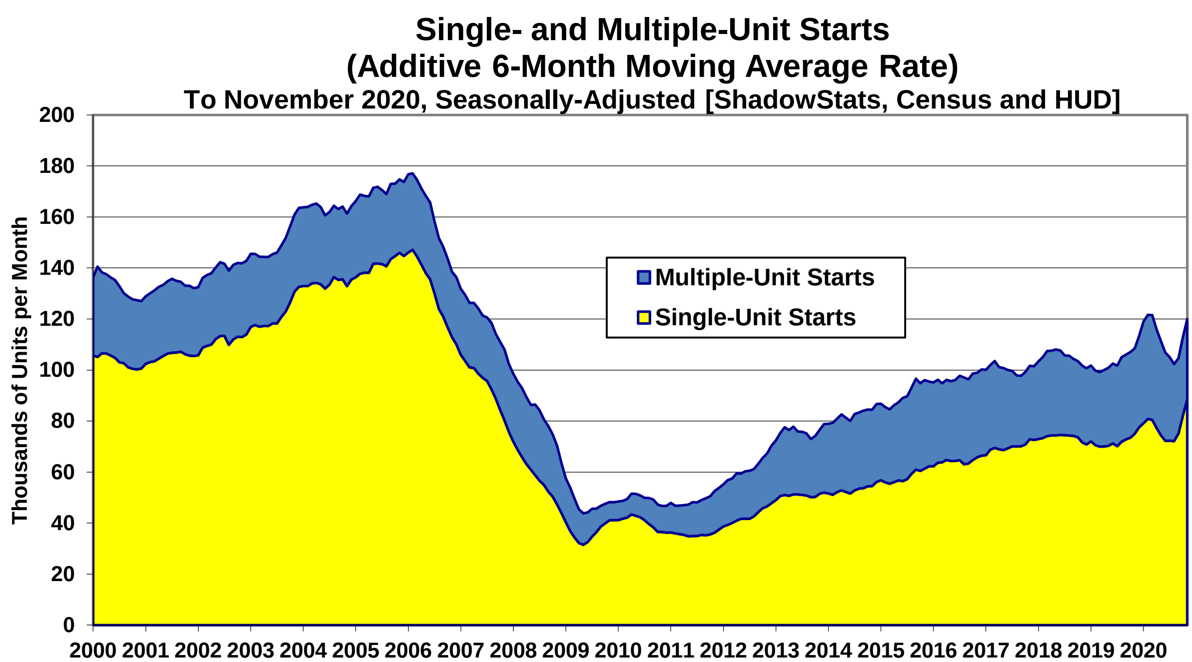
Graph 66: Housing Starts, Year-to-Year Change (2000 to November 2020)



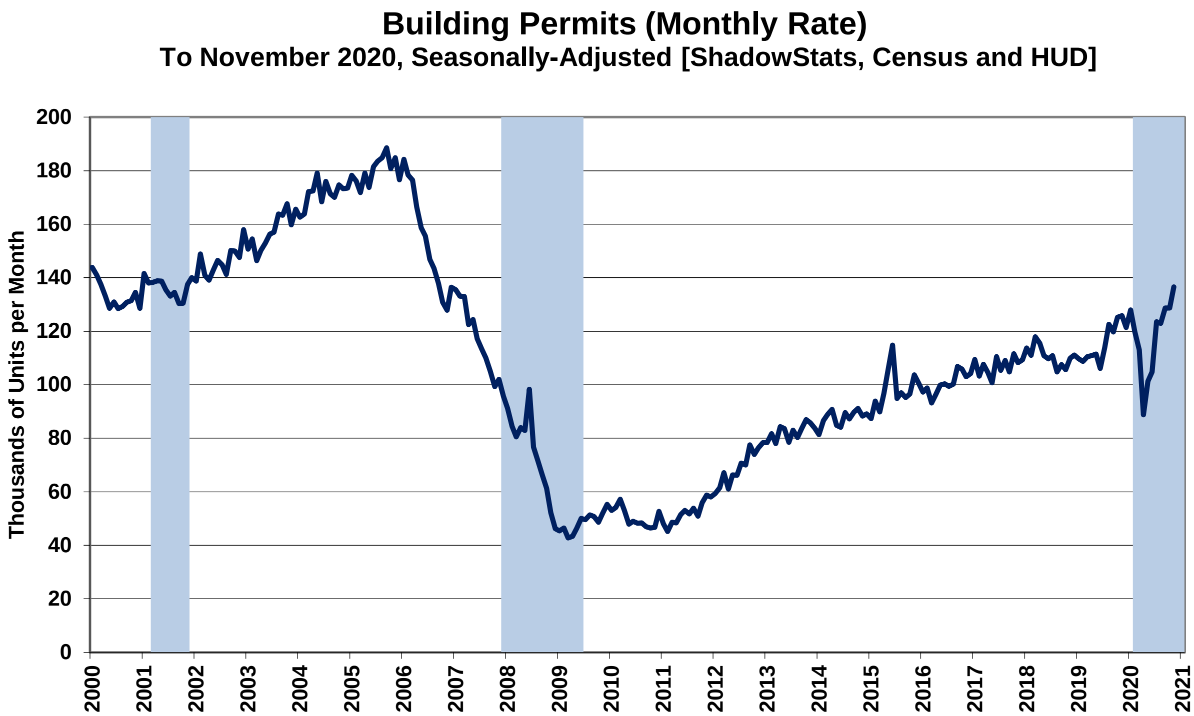
Graph 67: Single- and Multiple-Unit Housing Starts (Monthly Rate), 2000 to November 2020



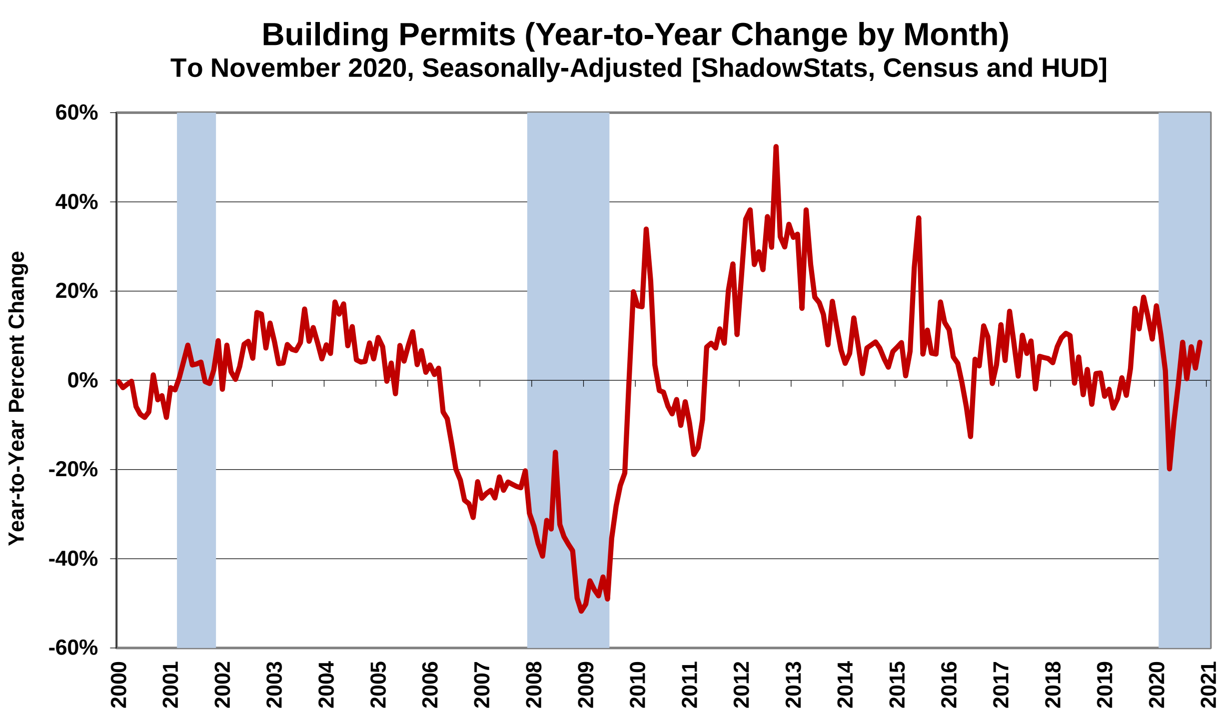
Graph 68: Single- and Multiple-Unit Housing Starts (Six-Month Moving Average), 2000 to November 2020



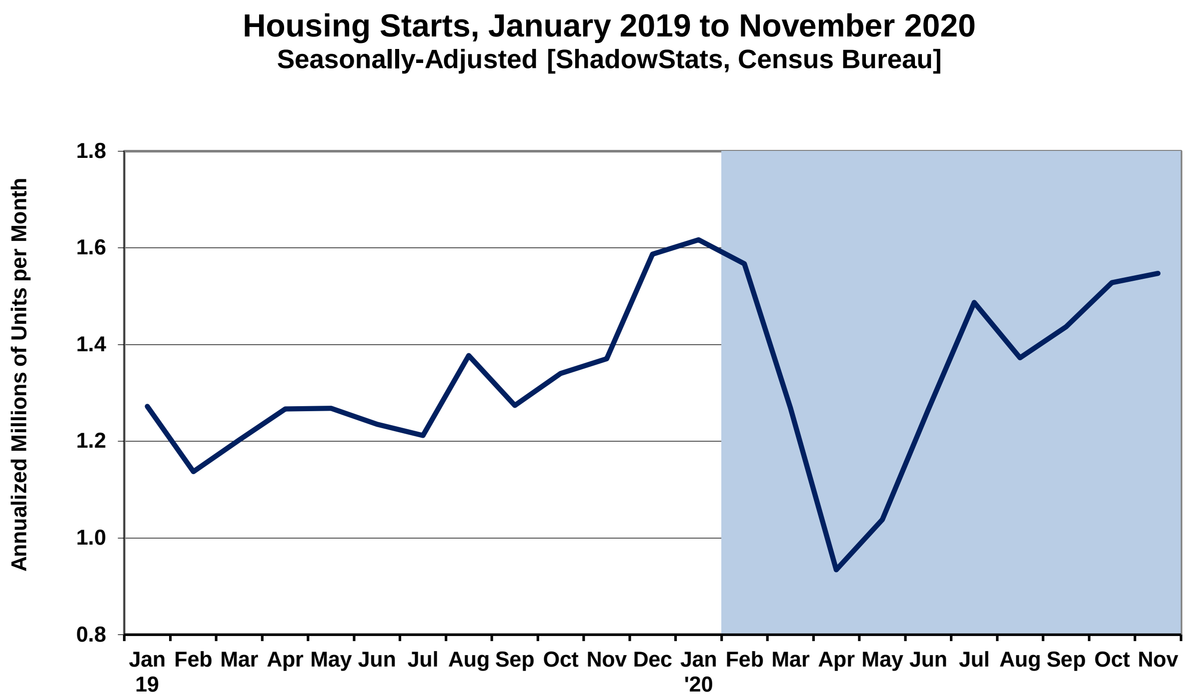
Graph 69: Building Permits, Monthly Rate (2000 to November 2020)



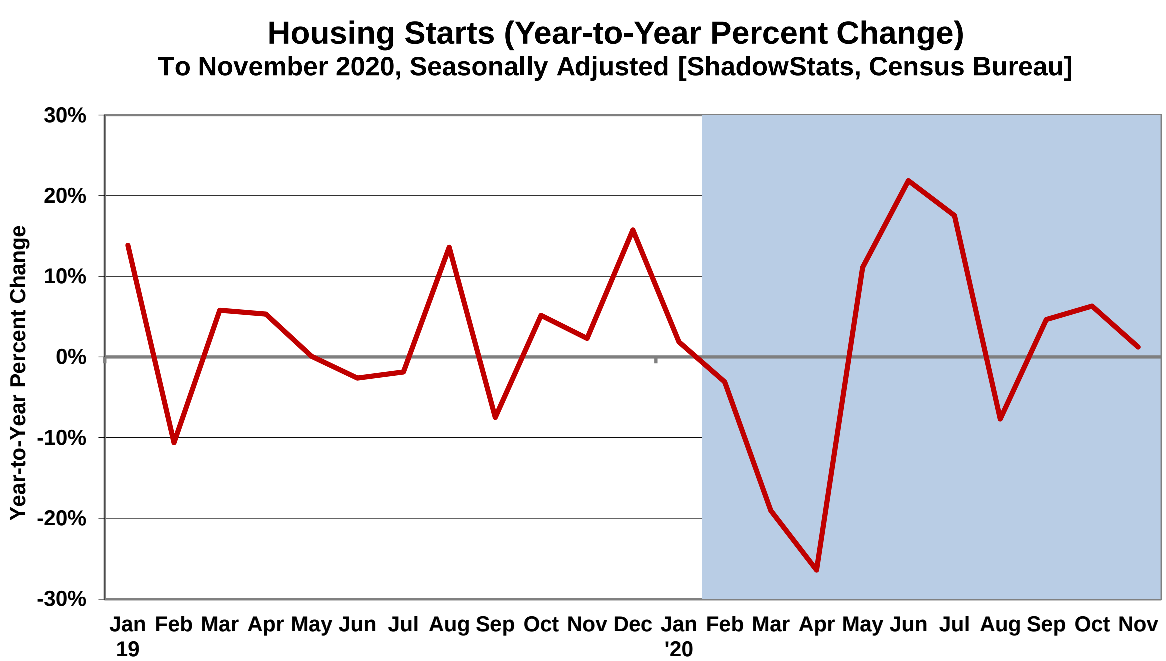
Graph 70: Building Permits Monthly, Year-to-Year Change (2000 to November 2020)



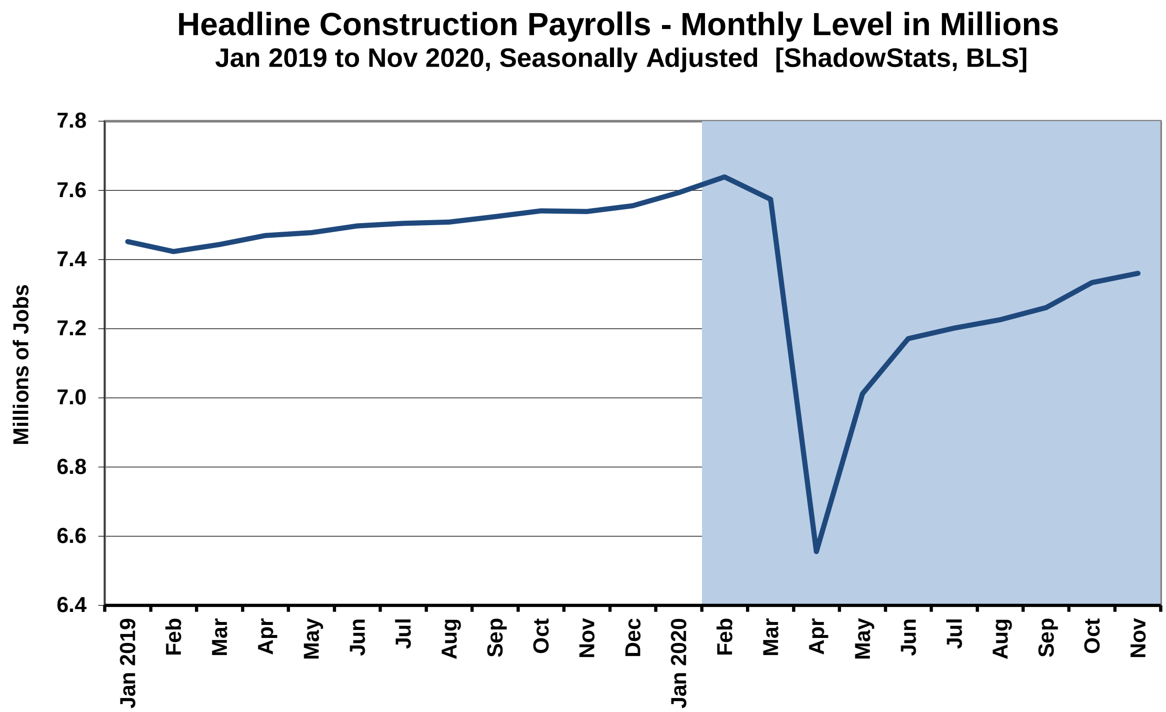
Graph 71: Housing Starts (January 2019 to November 2020)



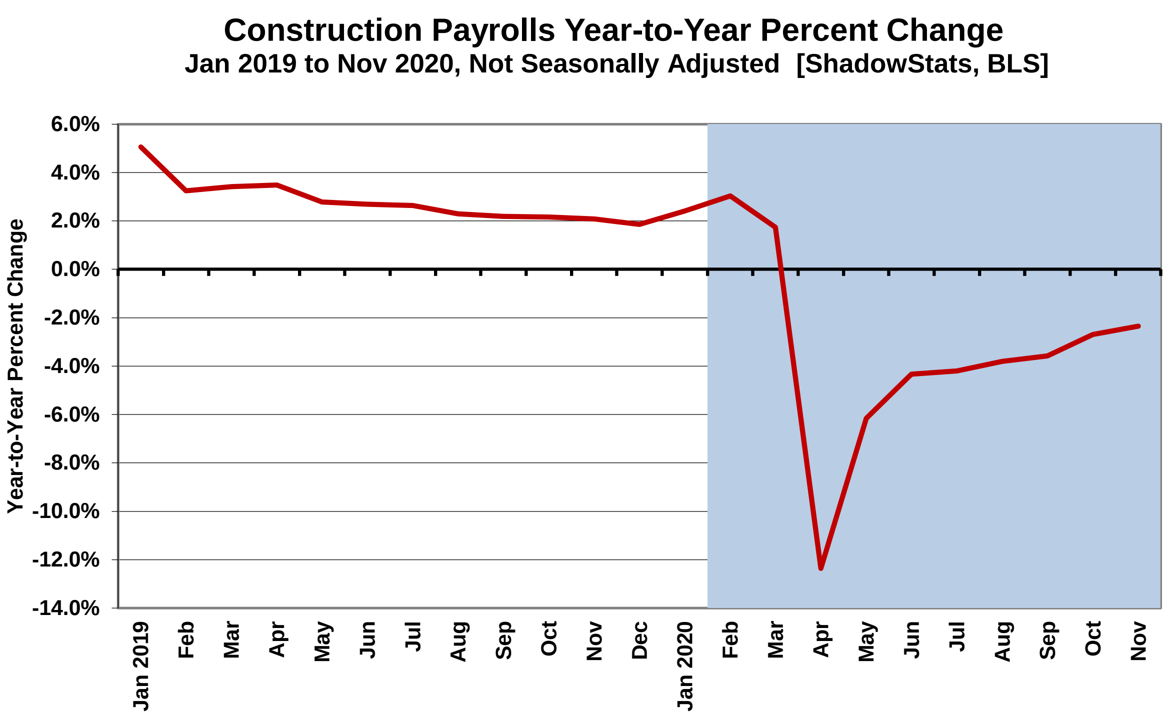
Graph 72: Housing Starts, Year-to-Year Change (January 2019 to November 2020)



Graph 73: Construction - Payroll Employment (January 2019 to November 2020)



Graph 74: Construction - Payroll Employment, Year-to-Year Change (January 2019 to November 2020)



[Financial Market Graphs 75 to 83 begin on the next page.]

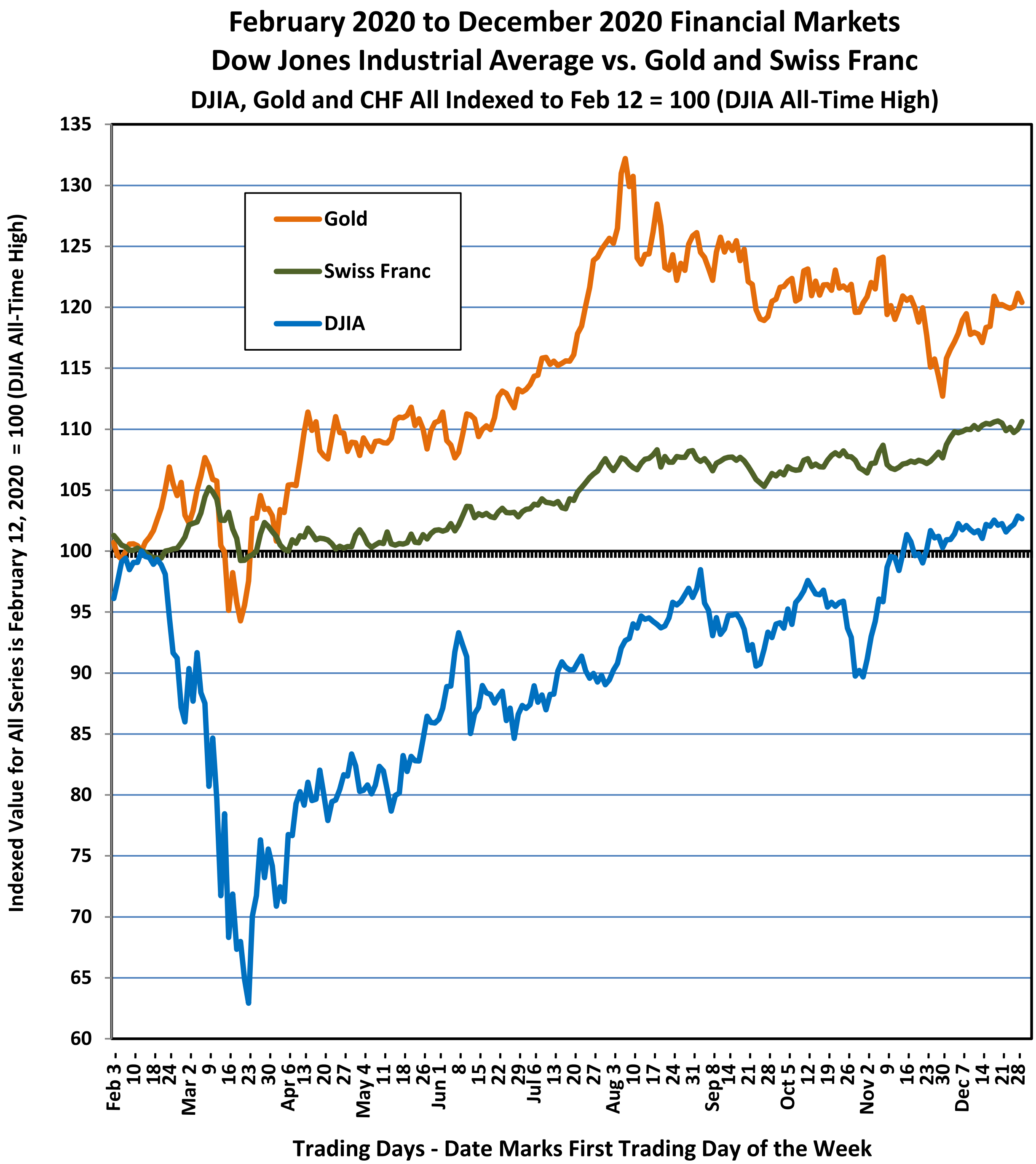
Section 7 - Financial Market Graphs Updated to December 28, 2020

Irrespective of Massive Economic Stimulus, Major Dollar Debasement Lies Ahead in 2021

Holding Physical Gold, Silver and the Swiss Franc Protect U.S. Dollar Purchasing Power

Collapsing Economic Activity Generally Is Not Bullish for Equity Markets

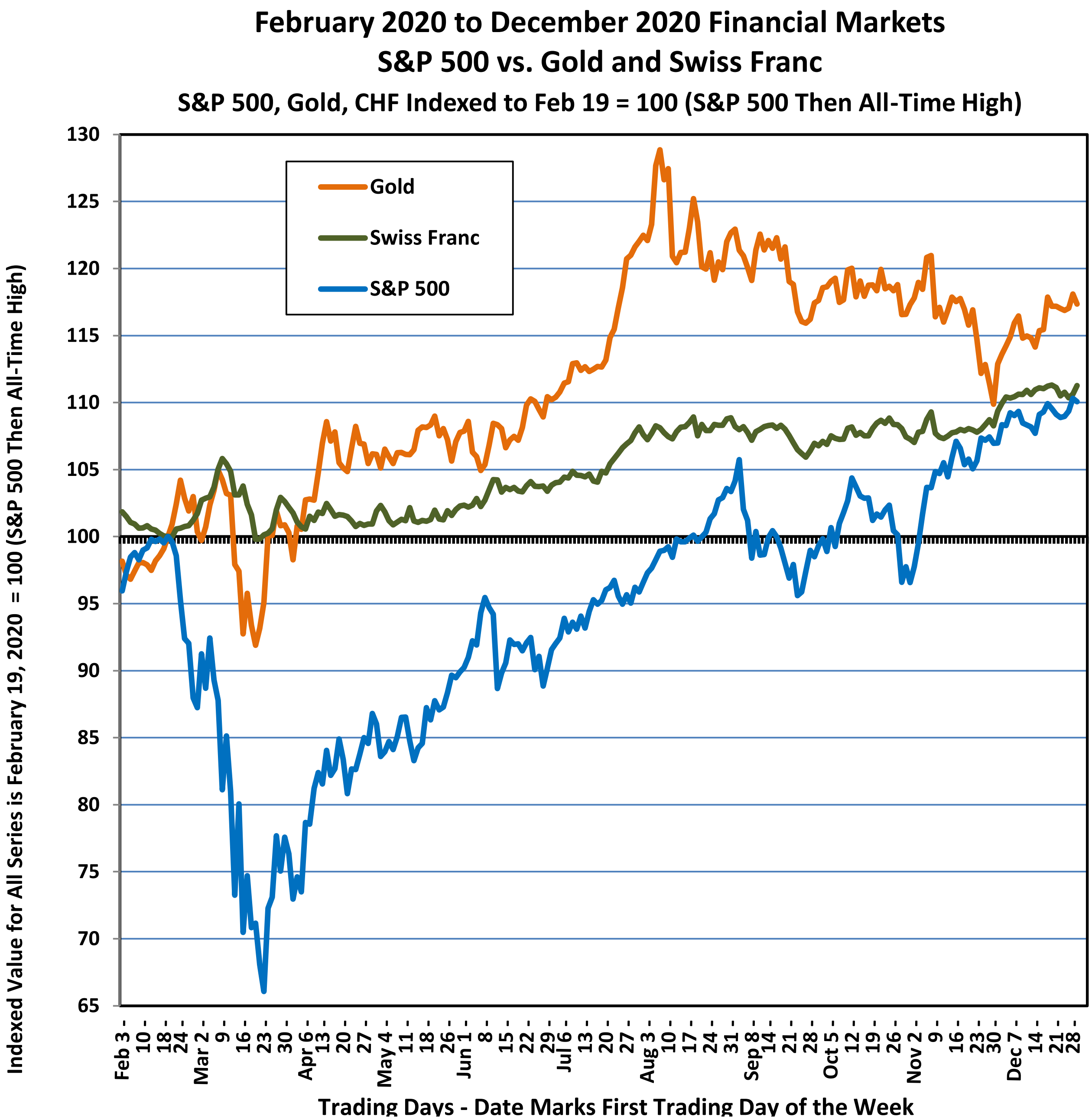
Graph 75: February 3 to December 29, 2020 Daily Financial Markets (Dow Jones Industrial Average)



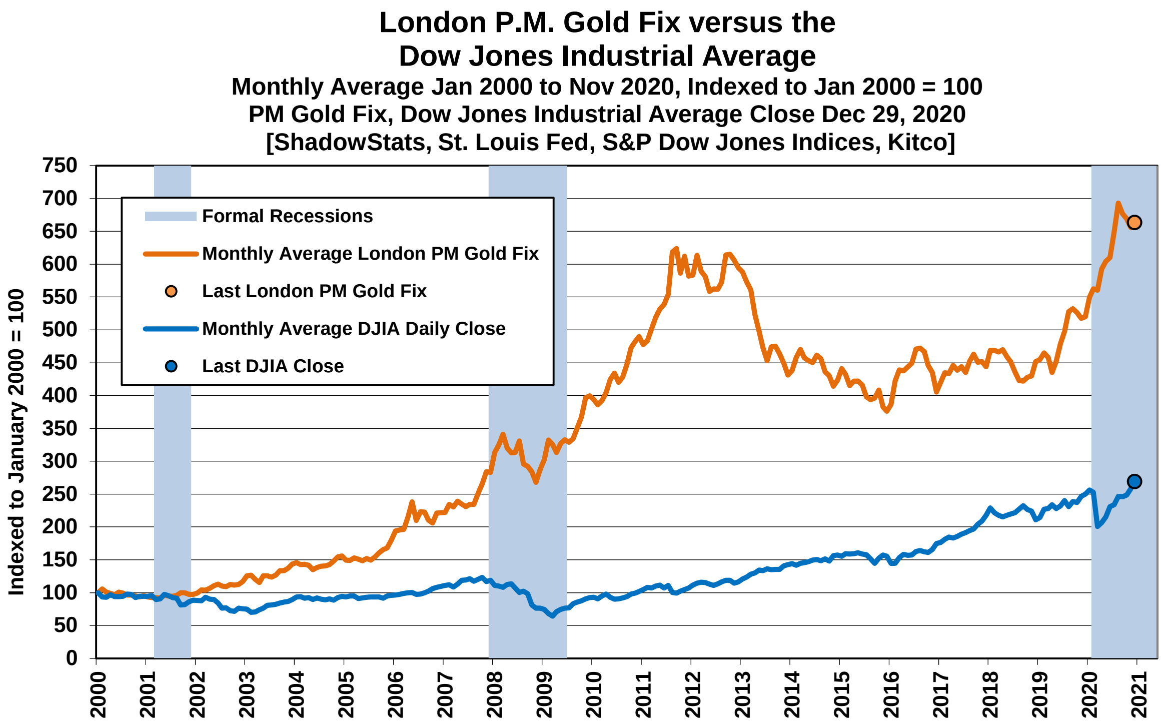
DJIA and S&P 500 Hit New Peaks—Still Inconsistent With Horrific Economic Conditions

Graphs 75 and ***76*** 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 pre-Coronavirus stock-market record closing highs in February 2020. Massive new fiscal and monetary stimuli likely 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 the 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.***

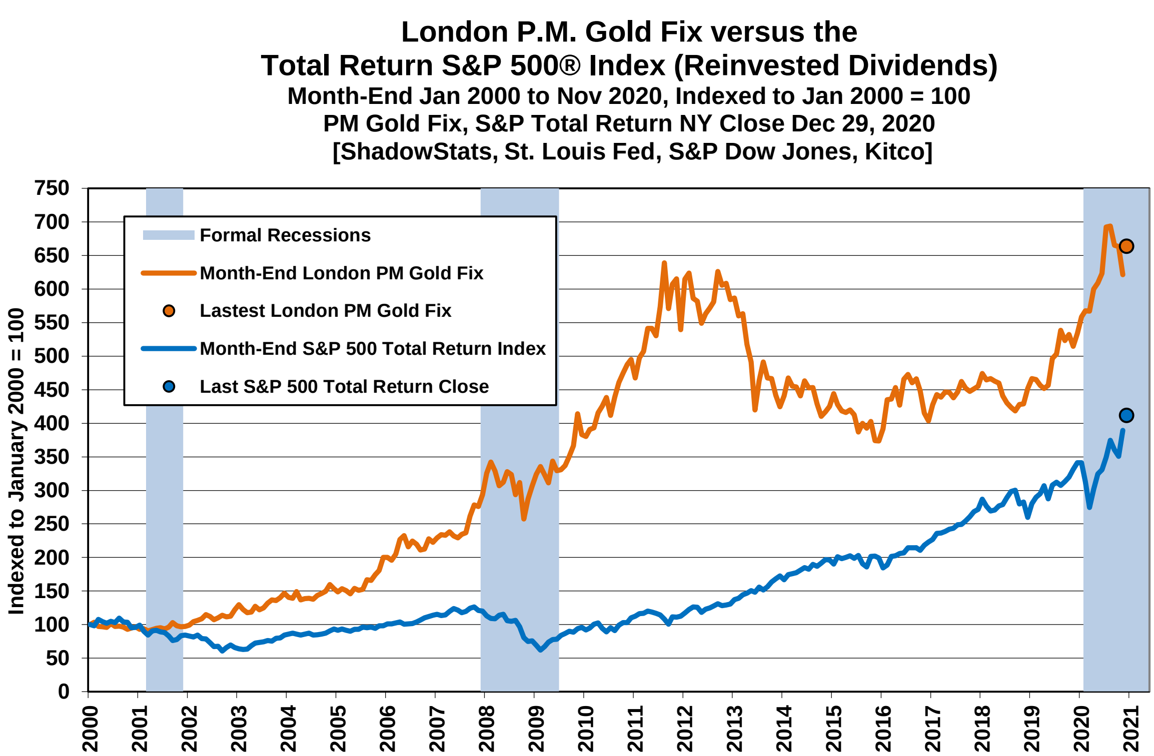
Graph 76: February 3 to December 29, 2020 Daily Financial Markets (S&P 500)



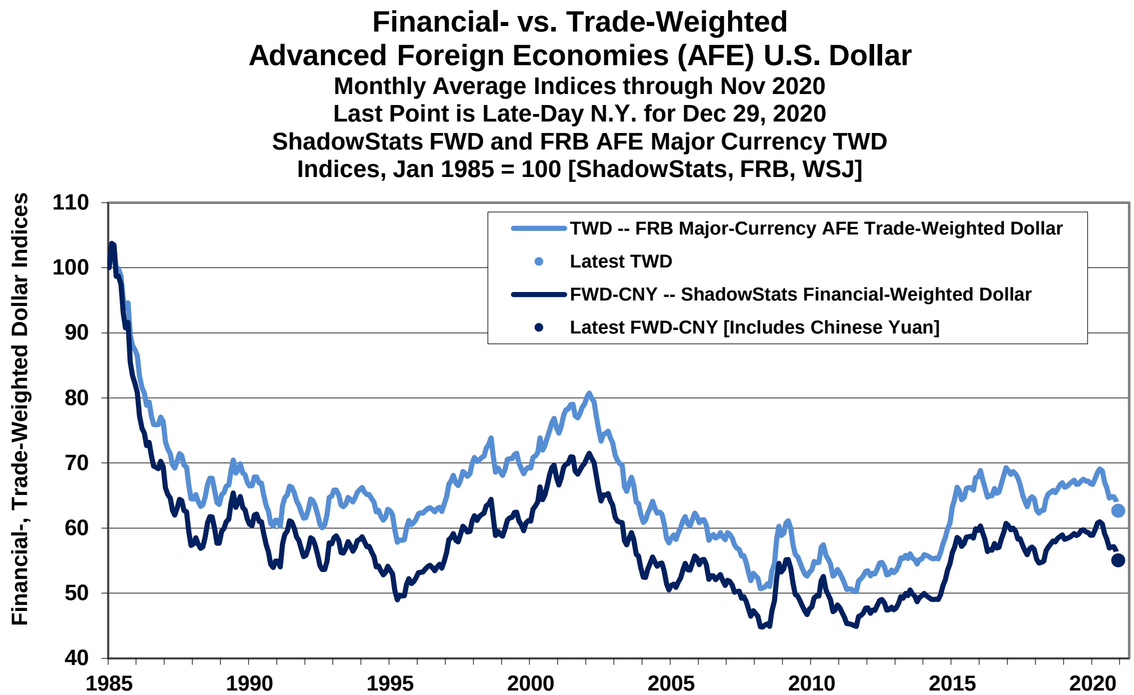
Graph 77: Dow Jones Industrial Average versus Gold (Monthly Average and Latest)



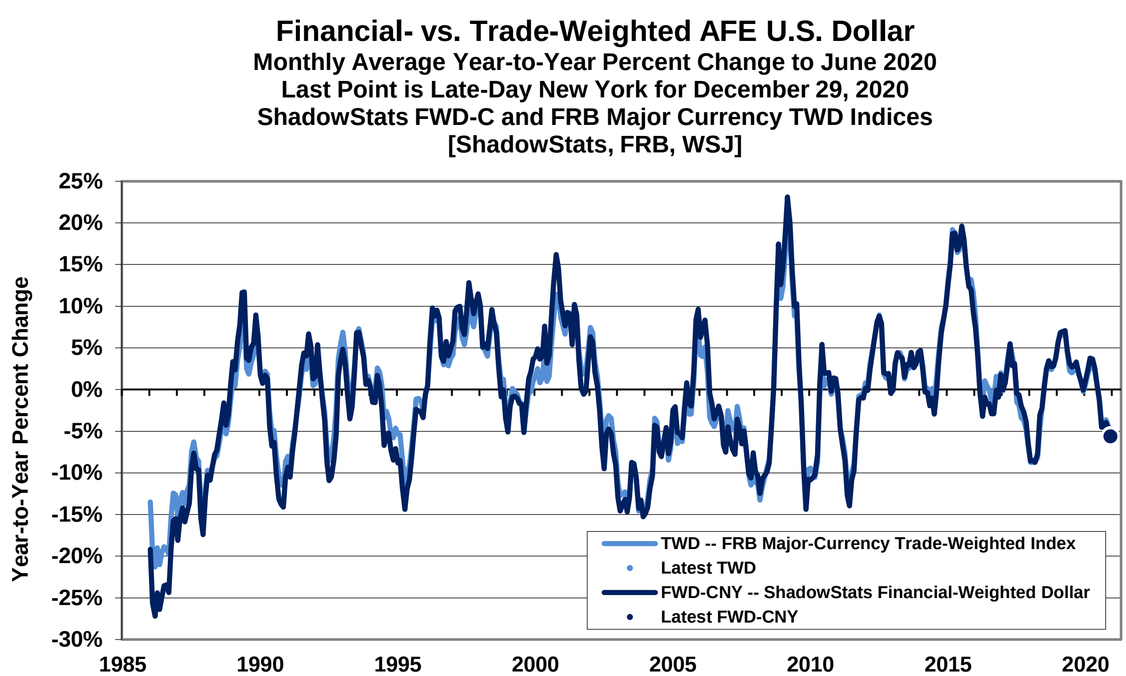
Graph 78: Total Return S&P 500® versus Gold (Month-End and Latest)



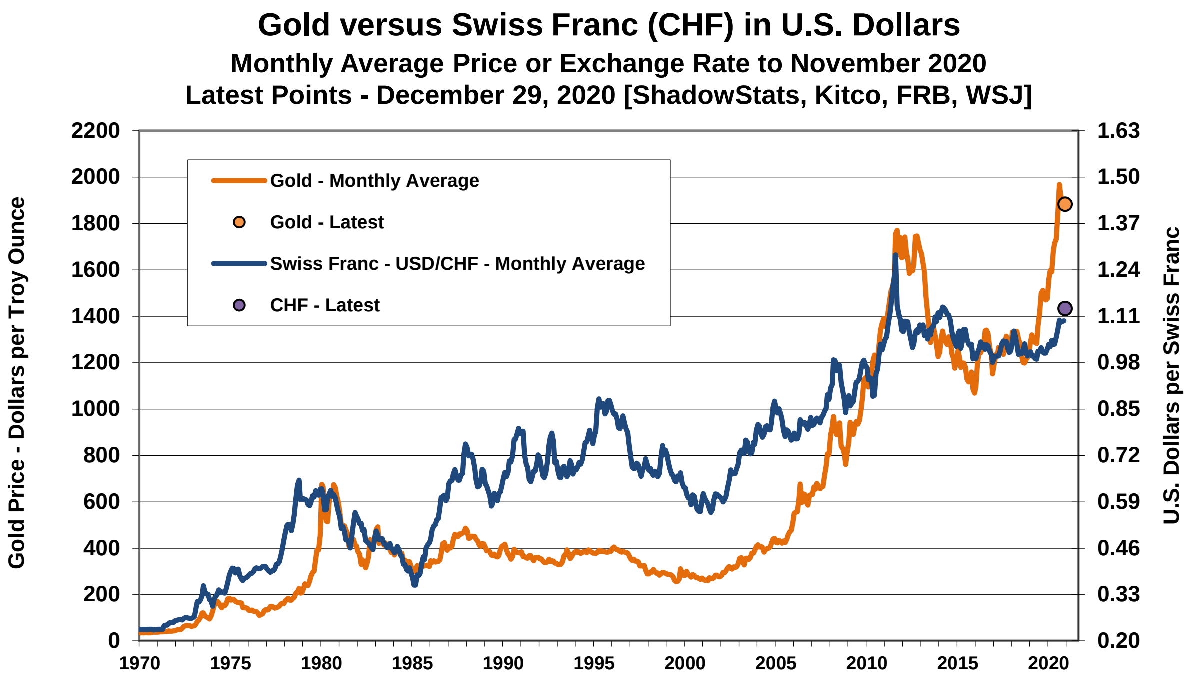
Graph 79: U.S. Financial- vs. Trade-Weighted U.S. Dollar



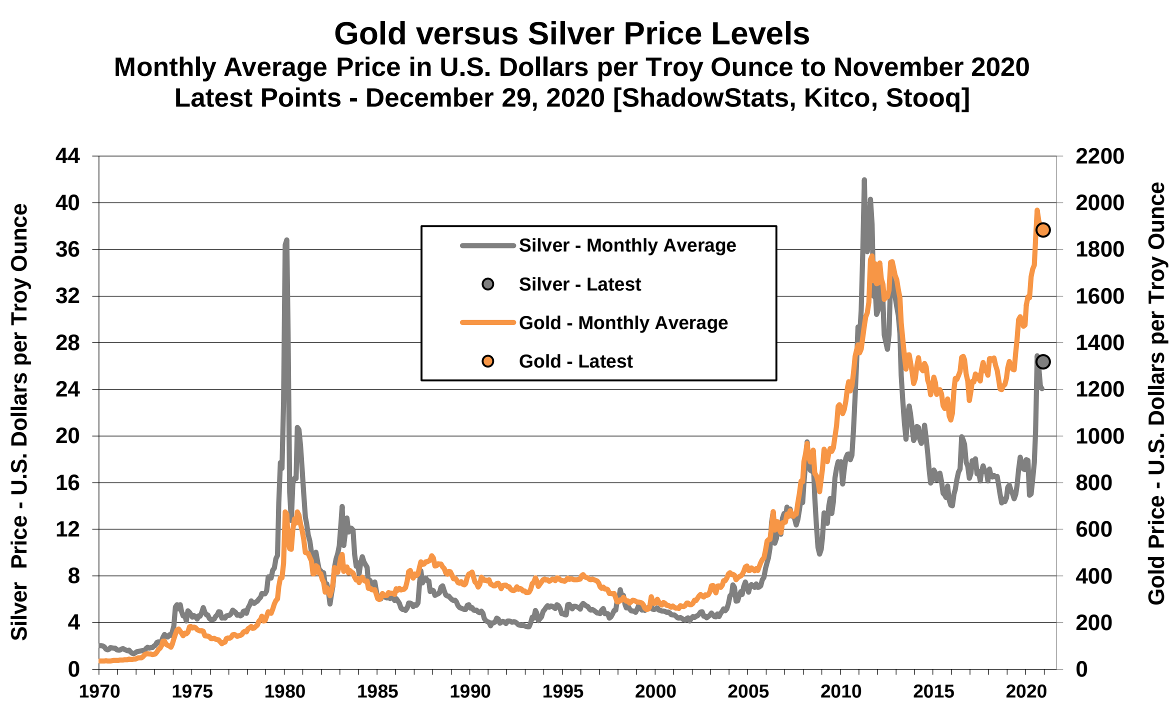
Graph 80: U.S. Financial- vs. Trade-Weighted U.S. Dollar, Year-to-Year Change



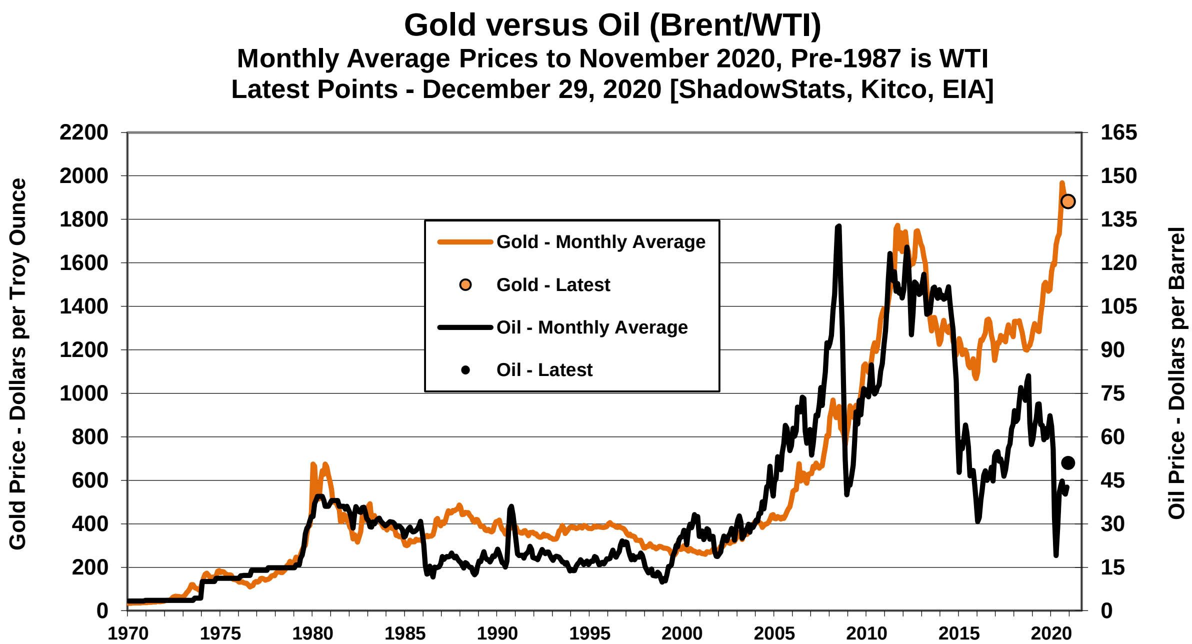
Graph 81: Gold versus Swiss Franc



Graph 82: Gold versus Silver



Graph 83: Gold versus Oil



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