

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

ShadowStats Economic Commentary, Issue No. 1453

Money Supply, CPI, Labor Numbers, Revised GDP, Trade Deficit, Construction

December 14, 2020

Four Million Unemployed People Are Missing from the Headline Labor Force

**Pandemic-Disrupted U.3 Unemployment Effectively Was 9.0% in
November 2020, Not the Headlined 6.7%**

**November Unemployment and Payrolls Confirmed Stalled,
L-Shaped, Non-Recovering Economic Activity**

For the Second Straight Month, Payrolls Declined Year-to-Year by 6.0% (-6.0%)

**Theoretically Equivalent Third-Quarter 2020 GDP (Product) and GDI (Income)
Rebounded by Varying Annualized Quarterly Gains of 33.1% and 25.5%,
Still Holding Far Shy of Economic Recovery**

**Unprecedented in 40-Plus Years of Weekly Monetary Reporting:
Money Supply M1 Jumped by 14.1% in the Last Two Weeks, in a
Post-Election / COVID-19 Flight to Cash, From M2 to M1**

**Year-to-Year Gain in Monthly November M1 Jumped to a Record 53.2% from the
Prior Record of 42.3% in October, Surged to 65.6% in Week-Ended November 30th**

**The U.S. Dollar Is at Its Lowest Level Against the Swiss Franc
Since January 2015, Down by 10.0% (-10.0%) Year-to-Year**

A Weak Dollar Is Highly Inflationary for the United States and Bullish for Gold

**Collapsed Oil Prices Still Suppressed November CPI and PPI Annual Inflation;
Yet, Oil Prices Suddenly Are Surging Anew**

**Holding Physical Gold Protects the Purchasing Power of Dollar Assets,
Irrespective of Any Near-Term Volatility in, or Manipulation of, Gold Prices**

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Note to Subscribers

Amidst computer and Internet disrupted delays, *Flash Commentary, Issue No. 1453* has evolved into a full *Economic Commentary*, going to press amidst a still-unsettled U.S. Election and developing Coronavirus Pandemic and Vaccine/Treatment circumstances. ShadowStats comments in [*Flash No. 1451*](#) and [*No. 1452*](#) on the Pandemic and political circumstances remain play. The headlined *ShadowStats Outlook* for an evolving hyperinflationary economic collapse continues, as discussed briefly in today's *Opening Comments*. That circumstance is the particular focus of pending *ShadowStats Special Benchmark Commentary, Issue No. 1455* (renumbered from 1454). *ShadowStats Flash Commentary No. 1454* should follow over the December 22nd Weekend, covering the December 15-16 FOMC and the latest November 2020 economic numbers.

Posting before the New Year, *No. 1455* will update the broad economic and inflation outlook for the United States in the year. With the effective nature and control of the U.S. Government to be determined in January, combined with reportedly deteriorating Pandemic conditions and some renewed shutdowns, amidst happy developments in play for COVID-19 vaccines and treatments, the ongoing *ShadowStats Outlook* will be updated as circumstances dictate.

While the broad *ShadowStats Outlook* continues to evolve, it has not changed dramatically. The general themes and elements of the ShadowStats 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 an evolving *Hyperinflationary Great Depression*. The Pandemic has inflicted massive structural damage on the United States' economy and on the lives and psyche of its people. While economic recovery indeed should accelerate with effective vaccines and treatments, continued major, expansive Federal Reserve Monetary and Federal Government Fiscal Policies also should remain in place for some time, well into 2021 and beyond. – WJW

New Circumstances, Breaking Economic News and ShadowStats Schedule Changes are highlighted, as they happen, in the [*Daily Update*](#) Section of the [*ShadowStats Home Page*](#). Rapidly shifting headlines, reporting details, intervening events, unusual developments in the markets, with the FOMC or the economy, and *ShadowStats* scheduling—all are covered in the *Daily Update* (right-hand column of the opening page of www.ShadowStats.com). Initial assessments of headline details and any unusual twists in regular economic reporting or FOMC announcements also are reviewed there, standardly within a couple hours of the official posting of a given news release.

General background to the current *ShadowStats* outlook includes key economic, market and systemic assessments of recent months, 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 and, along with [*Flash Commentary, Issue No. 1452*](#), 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 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,
- 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, continuing 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

Pandemic-Driven Economic Shutdown Is Not Part of a Regular Business Cycle

**Economic Indicators Such as Unemployment Were Designed for
Measuring Regular Business Cycles, Not for One-Off, Extraneous Crises**

**Reflecting Impact of the Extraordinary COVID-19 Systemic Disruptions,
ShadowStats Introduces the “Pandemic-Disrupted U.3 Unemployment Rate” or U.3-PD**

**November U.3-PD Unemployment Was 9.0% vs. the Government’s Headline U.3 of 6.7%;
Broad Economic Activity Remains “L”-Shaped, Still Well Shy of Full Recovery**

**Extraordinary Flight to Cash as
Annual Growth in Week-Ended November 30th Money Supply M1 Surged to 65.2%**

Headline Inflation Has Been Constrained by Low Oil Prices, Which Now Are Soaring

**November 2020 Labor Numbers Confirmed a Stalled Recovery, With Deepening
Annual Payroll Declines in Manufacturing, Retail Trade and Leisure & Hospitality Sectors**

Outlook Dims for Headline Fourth-Quarter 2020 GDP

**Financially Impaired Consumers and Businesses Need
Continuing, Massive Fiscal and Monetary Stimulus in the Year Ahead**

**Holdings of Physical Gold and Silver Will Help Investors to
Maintain the Purchasing Power of Their U.S. Dollars**

**U.S. Economy Continues to Suffer a Shutdown Collapse, with Understated Damage from
Pandemic-Driven Unemployment, Signals of Unstable Systemic Liquidity, Out of Control Monetary
and Fiscal Stimuli and a GDP with Negligible Prospects of Growth in the Year Ahead.** Today’s *Commentary* opens with Monetary Policy and Federal Reserve conditions, which face something of an open hearing out of Wednesday’s FOMC Press Conference. Given the recent flight to Cash and to Safety, all is not quite normal, as discussed in *Section 1 - FOMC and the Money Supply*, beginning on page 10. Discussed in *Section 2 – November CPI, ShadowStats-Alternate and PPI Inflation*, beginning on page 21, what should be and will become soaring domestic inflation has been suppressed by collapse oil prices, which are beginning to rise anew.

In **Section 3 – Employment and Unemployment – November 2020**, beginning on page 24, *ShadowStats* Introduces the **Pandemic-Disrupted U.3 (U.3-PD) Unemployment Rate**. Suggested by an old friend, *ShadowStats* is pleased to introduce the concept of separate accounting for systemic disruptions to headline unemployment reporting from non-business cycle, one-off disruptions, such as seen with the current Pandemic Shutdown. ShadowStats has noted previously, as updated in **Graphs 30 and 31** (page 31), that somewhere between 4.1 and 4.8 million “Unemployed Persons” have disappeared from the pre-Pandemic U.3 Unemployment Labor Force. Based on the missing 4.1 million “Unemployed” in the system, the headline U.3 Unemployment likely should be around 9.1% instead of the headline 6.7% in November 2020.

The Labor Force, which is the sum total of Unemployed individuals plus Employed individuals, usually stays fairly constant over time. A drop in the “Employed” count regularly is offset by an increase in the “Unemployed” count. The Pandemic shutdown has been different, with increasing short-term Discouraged Workers (those who have given up looking for work in the last year because there were no jobs to be had), and with those working Part-Time for Economic Reasons, soaring in recent months. If the changes in those categories, post-Pandemic Shutdown, were restructured into the current, headline U.3 Unemployment Rate (hence the “Pandemic-Disrupted” prefix), U.3 would be 9.0% (acceptably close to the earlier 9.1% estimate), instead of the headline November 2020 U.3 unemployment rate of 6.7%.

Separately, weakening October and November 2020 employment numbers sent out cautionary signals for slowing domestic economy activity.

Watch for the Headline December 2020 Labor Details. Full headline details, methodology and graphs will follow in the coverage of the headline reporting of the December 2020 employment and unemployment numbers, due for release on January 8, 2021. Where this new series reflects some current disruptions to headline unemployment accounting, it still does not address adequately either new persons entering the labor market, or those who otherwise have had to accept downgraded employment conditions.

As a separate issue, which will be discussed in pending **Special Benchmark Economic Commentary, Issue No 1455**, separately reported quality issues have surfaced, tied to the impact of the Coronavirus Pandemic on the ability of the U.S. government to conduct Household Surveys. The Census Bureau found that its annual National Income and Poverty Survey was distorted meaningfully, in conducting a Household Survey during the Pandemic.

In **Section 4 –Third-Quarter GDP (Revised), GDI and GDP**. Although widely as expected, headline details showed deepening trade difficulties, mixed, faltering and inconsistent GDI activity.

Section 5 – Construction Spending – October 2020 gained sharply on top of upside revisions to real Private Construction Spending.

Section 6 – Financial Market Graphs Updated to December 14, 2020. The U.S. dollar is collapsing along with a downturn in gold prices. Combine the negative dollar with soaring oil prices, Federal Reserve monetary and U.S. Government fiscal malfeasance, and the outlook for the price of gold could not be much better.

Section 1 - FOMC and the Money Supply

**Weekly M1 “Flight to Cash/Safety” Surge Greatest Since 9-11 Terrorist Attacks;
Two Weeks Surge Was the Greatest in History of Weekly Monetary Reporting**

**Monthly Annual Growth in November 2020 M1 Surged to a Record 53.2%,
Annual Growth in the Week Ended November 30th Surged to an Unprecedented 65.6%**

Annual Growth of 15.2% in Currency in Circulation Is Highest Since Y2K Preparations

**Federal Reserve Openly Is Attempting to Spike Inflation;
December FOMC Meeting Likely Will Leave Inflationary Policies Intact**

System Still Moving Towards a Hyperinflationary Economic Collapse

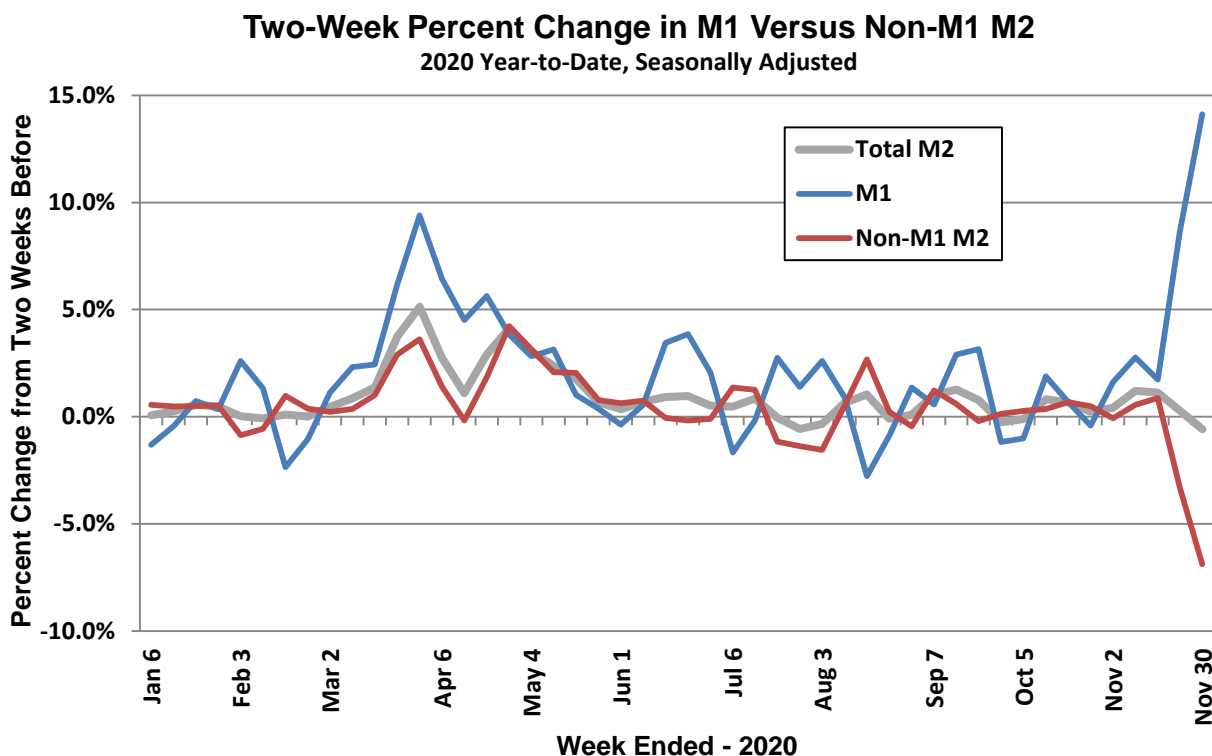
**Steadily Rising Levels of Monthly Average Money Supply M1, M2 and M3
Keep Setting Historic Highs**

Money Supply M1 Primarily Is Cash (Currency Plus Checking Accounts), M2 Primarily is M1 Plus Savings Accounts, Time Deposits of Less Than \$100,000 and Retail Money Market Funds. The weekly, sharp seasonally adjusted flow of Money out of the Non-M1 Component of Money Supply M2 into M1 in week ended November 23, 2020 was second only to the flight-to-cash (flight-to-safety) in the week following the 9-11 Terrorist Attacks in 2001 [see the definitional note following *Graph 3* on page 12]. Money flowed back in the next week in 2001, but it continued to flow out in the week-ended November 30th, the greatest two-week flight to cash in the history of weekly Money Supply reporting back into the 1970s.

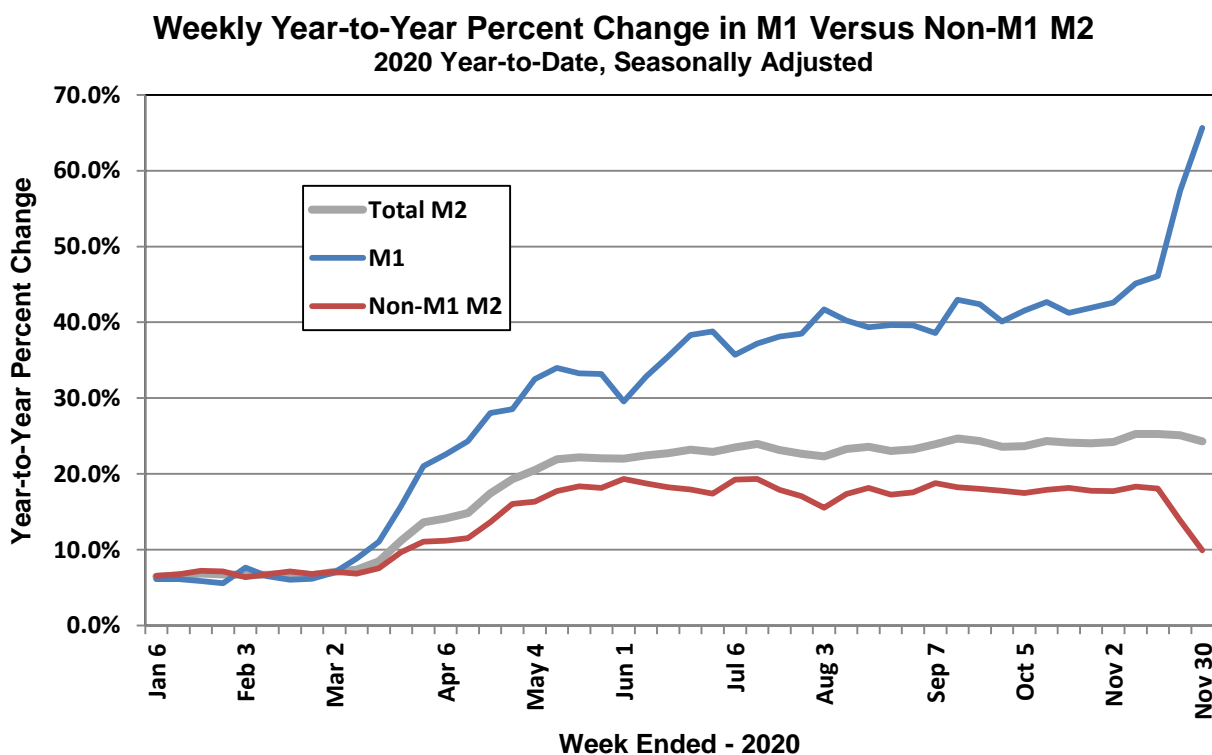
The Biggest Flight-to-Cash in Modern Monetary History. The seasonally adjusted level of Money Supply M1 in the last two weeks has jumped by a record 14.1% (24.0% unadjusted), or a seasonally adjusted \$809.3 billion (\$1.33 trillion unadjusted), as savings accounts were liquidated in M2 and the funds shifted to cash and checking accounts in M1. In the same two-week period, total M2, which includes M1, only declined by 0.6% (-0.6%) seasonally adjusted and gained only 0.4% unadjusted. The numbers were published by the Federal Reserve Board (FRB) on December 10th.

Given the timing and background circumstances, ShadowStats speculation as to what might be driving the flight-to-cash centers on public perceptions of deteriorating COVID-19 conditions and/or some post-Election concerns and uncertainties. If tied to the Pandemic or the Election, these near-term money shifts more realistically should be viewed on a not-seasonally-adjusted basis. ShadowStats will update the circumstance as it evolves. Following *Graphs 1* to *3* plot first the two week percent change by week in M1 and the Non-M1 Component of M2, plot second the year-to-year change by week, and plot third the dollar levels of M1 and M2 by week.

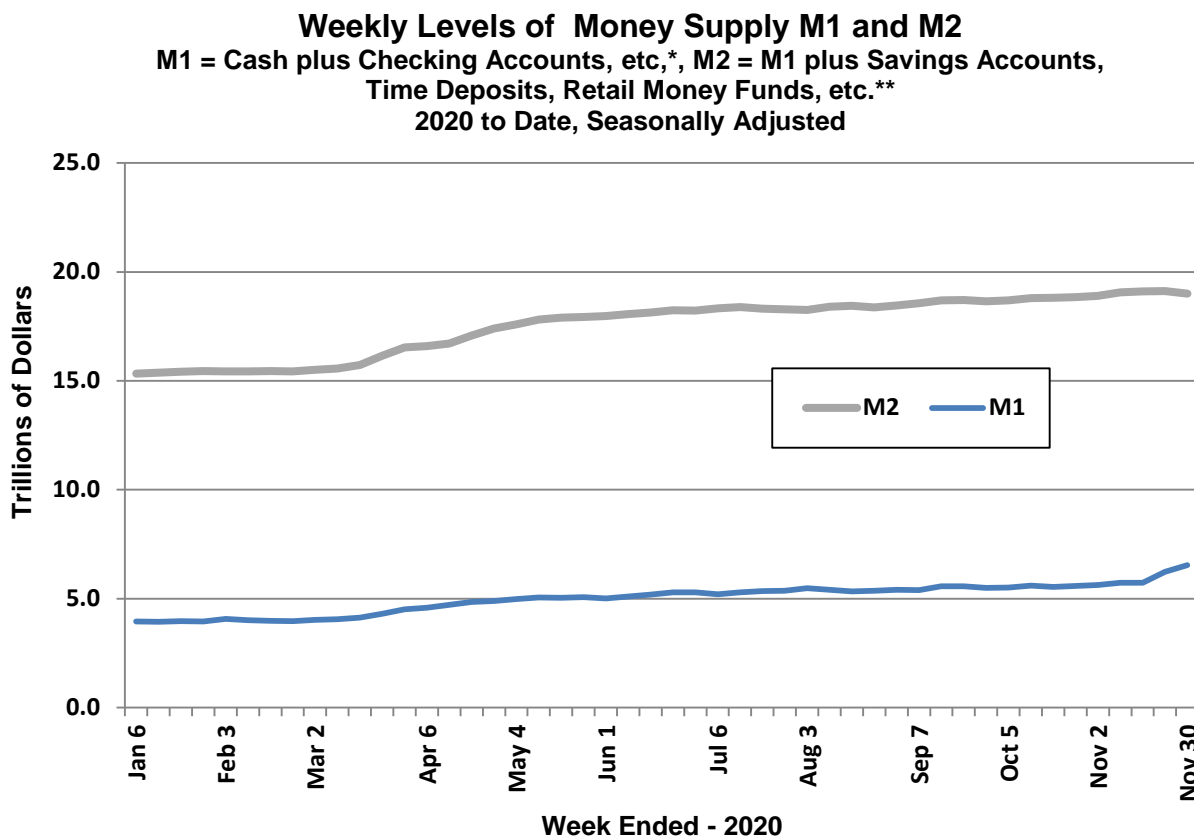
Graph 1: Flight to Cash from Non-M1 M2 to M1 – Two-Week Percent Change



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



Graph 3: Weekly Levels of Money Supply M1 and M2, Flight to Cash



As defined in the Federal Reserve statistical release [H.6 Money Stock Measures](#):

* 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.

Full-Month reporting of Monthly Average November 2020 M1 Money Supply exploded year-to-year by an unprecedented 53.2%, up from 42.3% in October. Based on headline FRB reporting of November 2020 Money Supply, and the ShadowStats M3 estimation, November 2020 monthly Money Supply levels hit historic highs, 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 53.72% in November 2020, up from 42.26% in October. The unusually large jump in M1 reflected the largest-ever two-week movement of funds from M2 to M1 accounting. November M2 annual growth was a record 25.14%, up from 24.17% in October. For the week-ended November 30, 2020, year-to-year change for M1 was 67.6%, for M2 was 25.1%. Although the ShadowStats Ongoing Estimate of M3 has softened year-to-year to 22.77%, down from June's record 24.91%, again, the dollar level of M3 still rose to a record high.

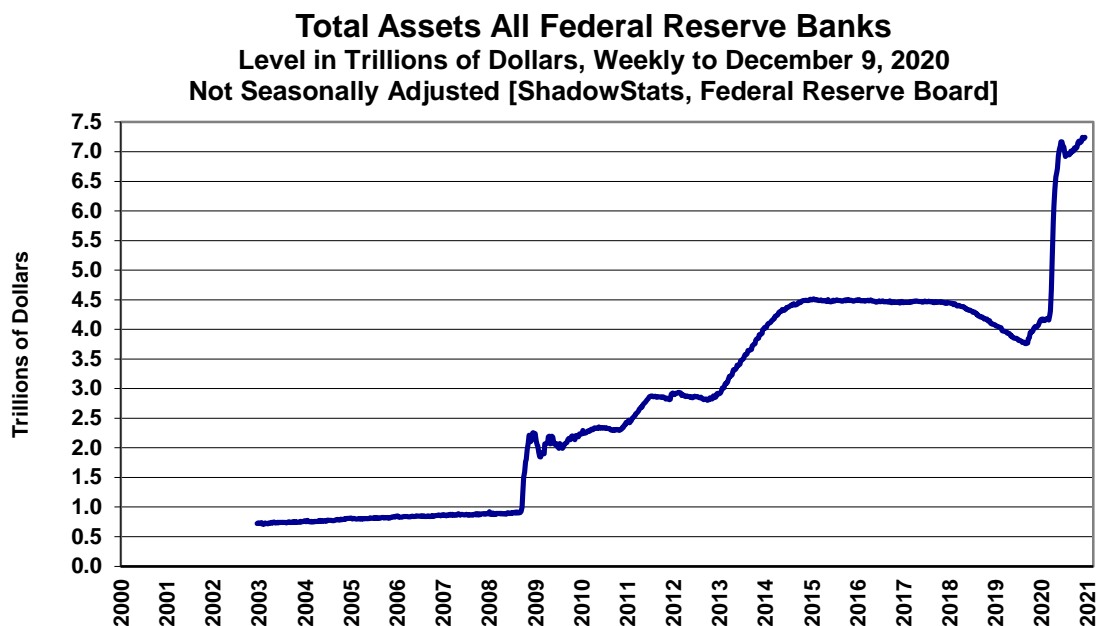
Targeted at boosting headline inflation, annual growth in the FOMC-controlled Monetary Base jumped to 53.6% in November 2020, from 51.2% in October, off an interim near-term low of 44.2% in July, having peaked earlier at 58.7% in May 2020, as part of the Fed's initial Pandemic monetary stimulus. Separately, 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.

December FOMC Meeting Likely Will Leave Existing, Extremely Accommodative Policies in Place, Spiking Money Supply Growth and Trying to Spike Headline “Core” Personal Consumption Expenditure Inflation. At his pending December 16th FOMC Press Conference, Federal Reserve Chairman Jerome Powell likely will reconfirm that the extraordinarily expansive and accommodative monetary policies and Fed Funds targeted at 0.00% to 0.25%, will continue for the duration of the Pandemic-driven economic collapse and until the “new” policy of formally debasing the U.S. dollar at a greater pace shows results. Once, again, the FOMC looks for headline “Core” PCE inflation to move above what had been its formal 2.0% target, for an extended period (see [*Flash Commentary, Issue No. 1449*](#)). An extended analysis of the Fed's “Core” [net of food and energy PCE] and the current unfolding inflation circumstance follows in pending *Special Benchmark Commentary, Issue No. 1455*.

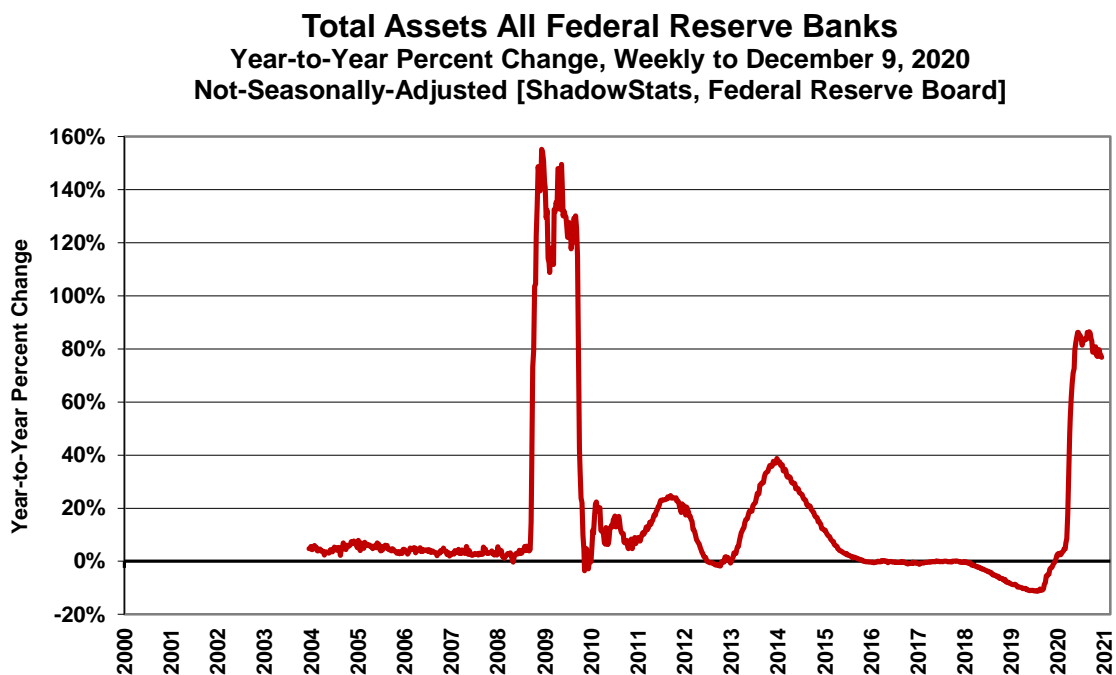
Any headlines out of December 16th FOMC Policy Announcement and Press Conference should be updated by 6:00 pm ET on the *Daily Update* page of www.ShadowStats.com, with coverage in pending *Flash Commentary, Issue Daily Update No. 1454*, over the December 19th weekend.

[Updated Money Supply Graphs 4 to 17 begin on the next page.]

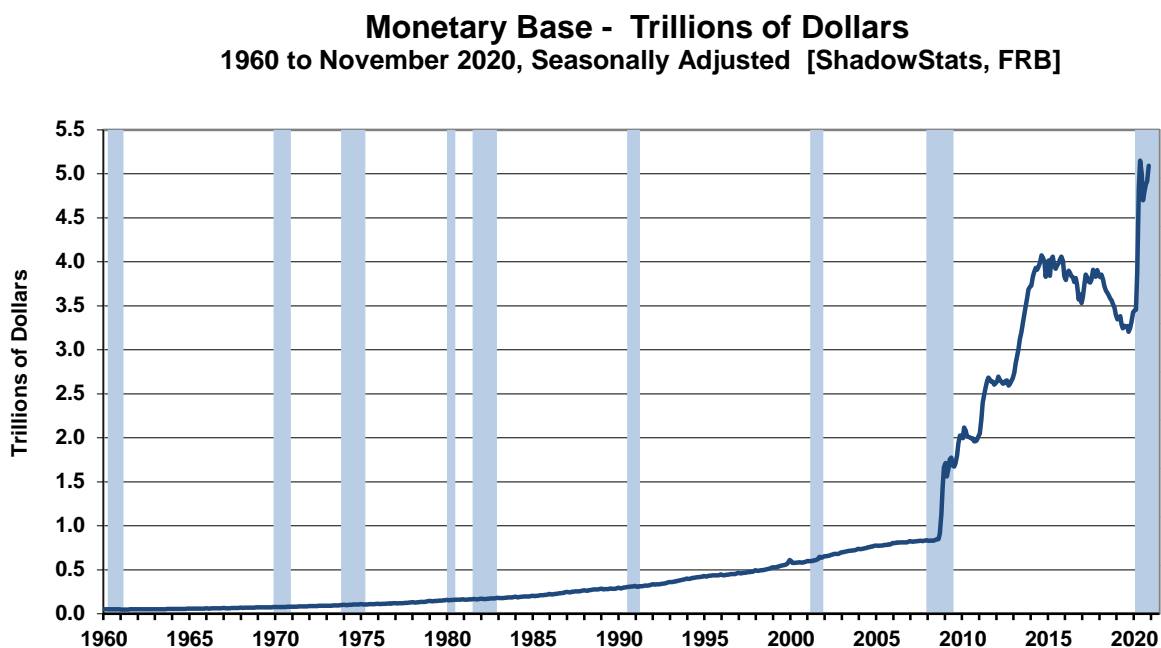
Graph 4: Total Assets All Federal Reserve Banks (2000 to December 9, 2020)



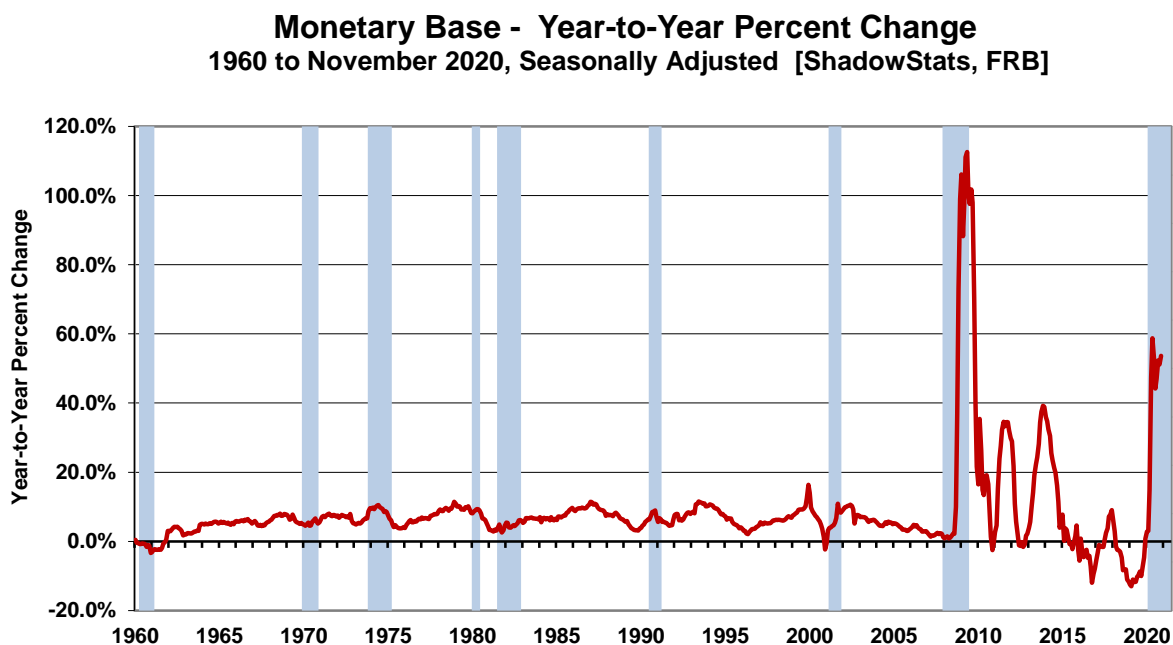
Graph 5: Total Assets All Federal Reserve Banks, Year-to-Year Change (2000 to December 9, 2020)



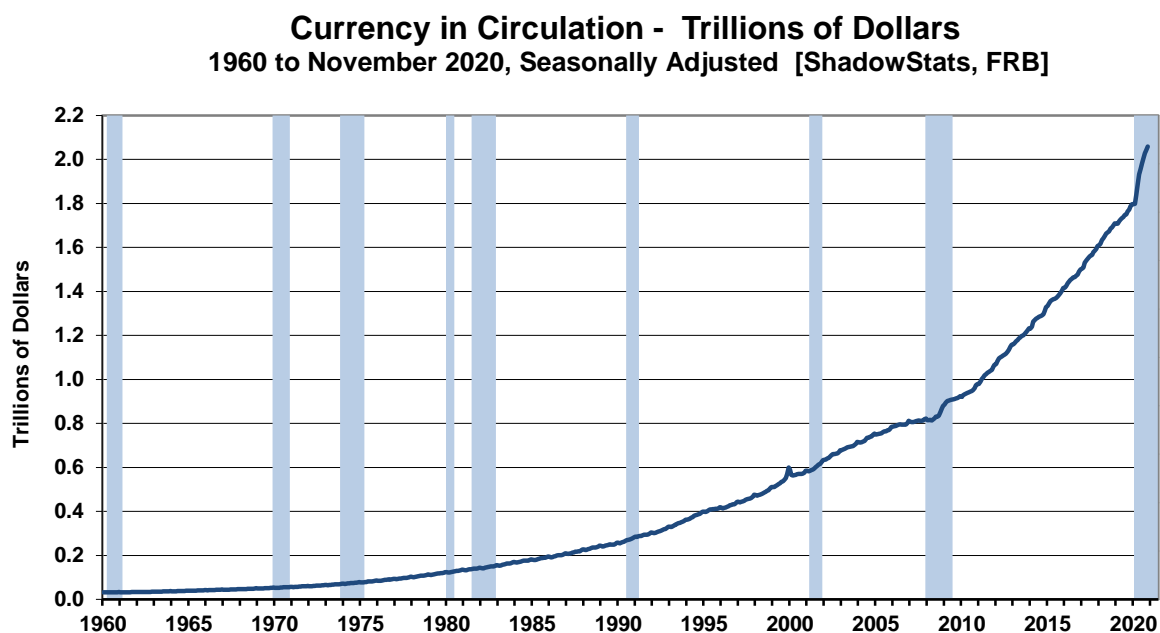
Graph 6: Monthly Monetary Base (1960 to November 2020)



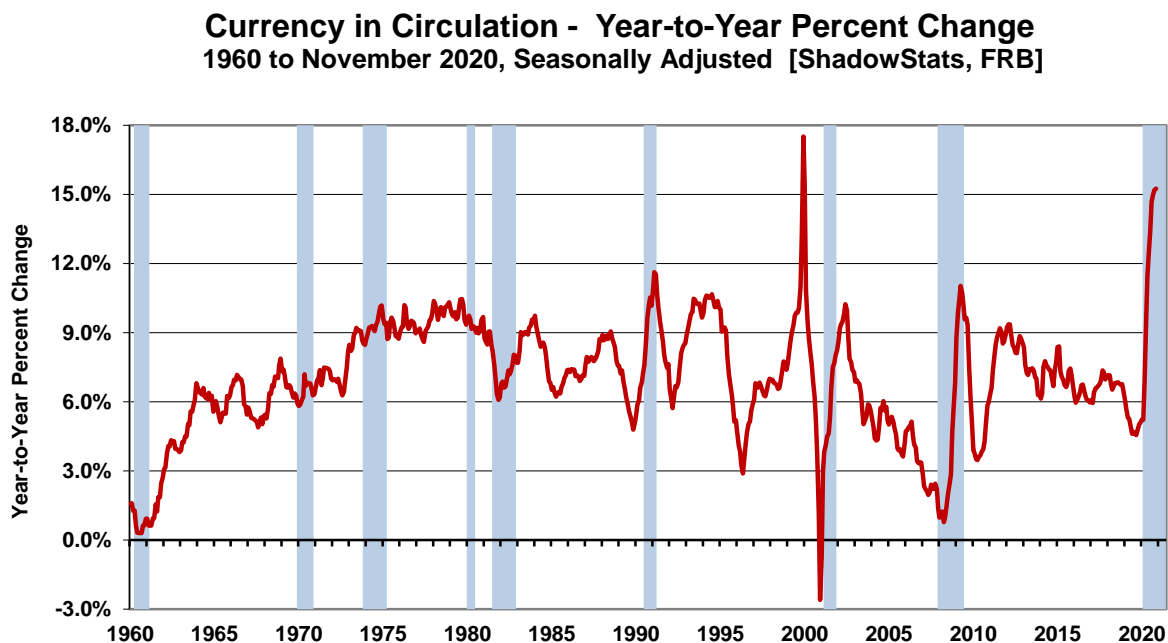
Graph 7: Monetary Base, Year-to-Year Change (1960 to November 2020)



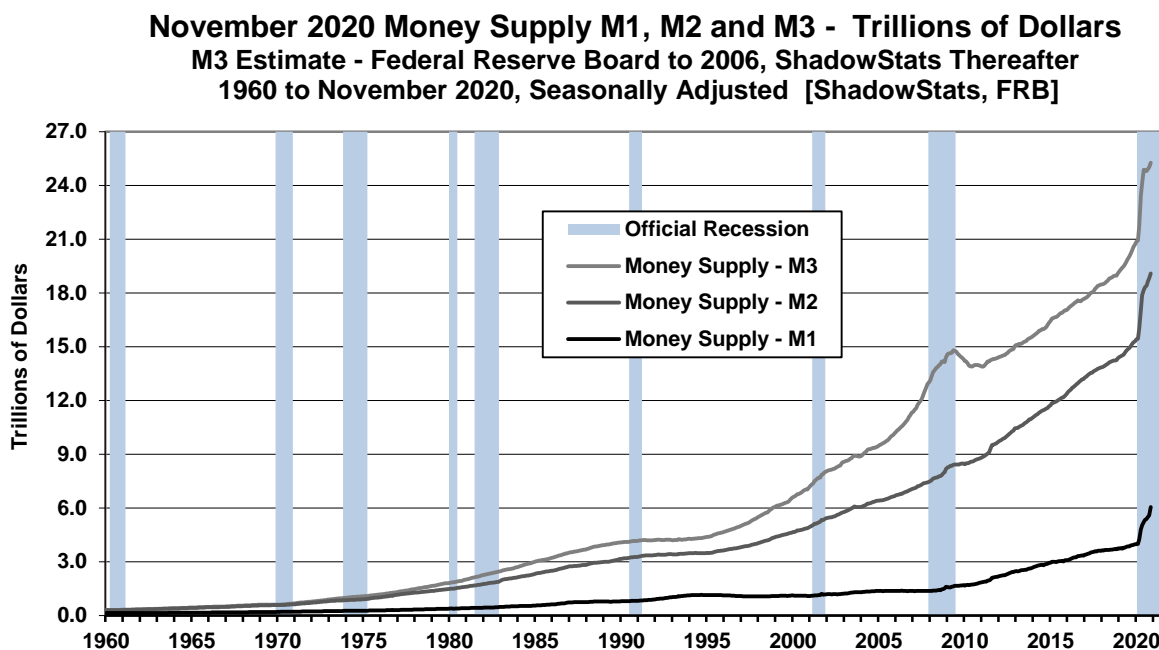
Graph 8: Currency in Circulation, Monthly (1960 to November 2020)



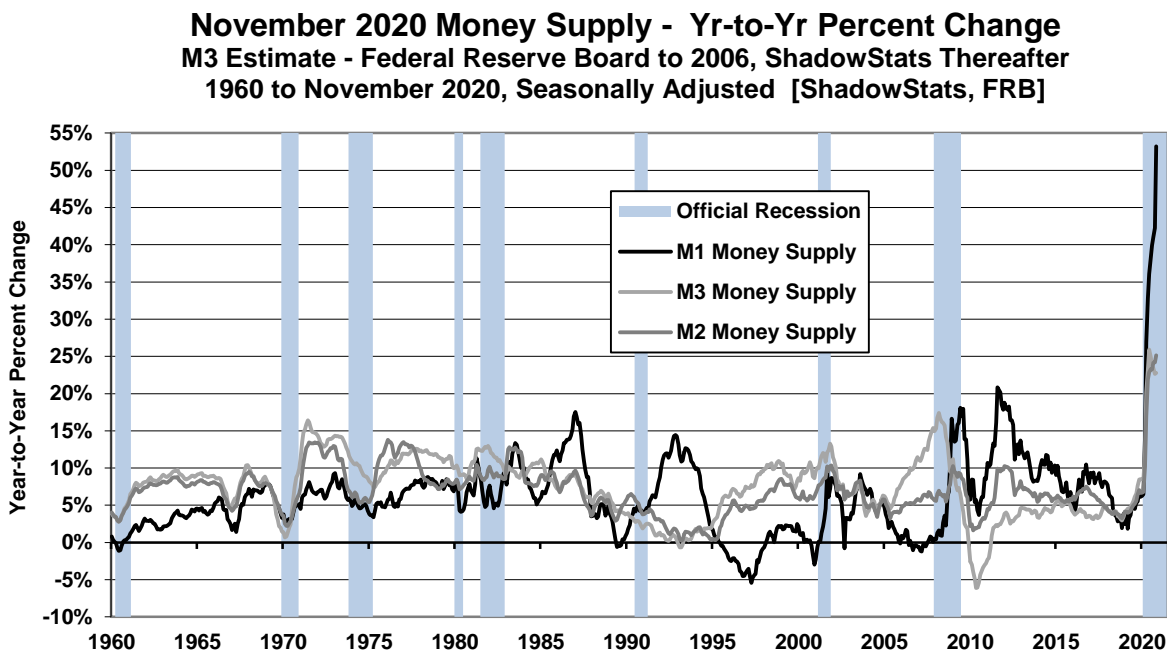
Graph 9: Currency in Circulation, Monthly, Year-to-Year Percent Change (1960 to November 2020)



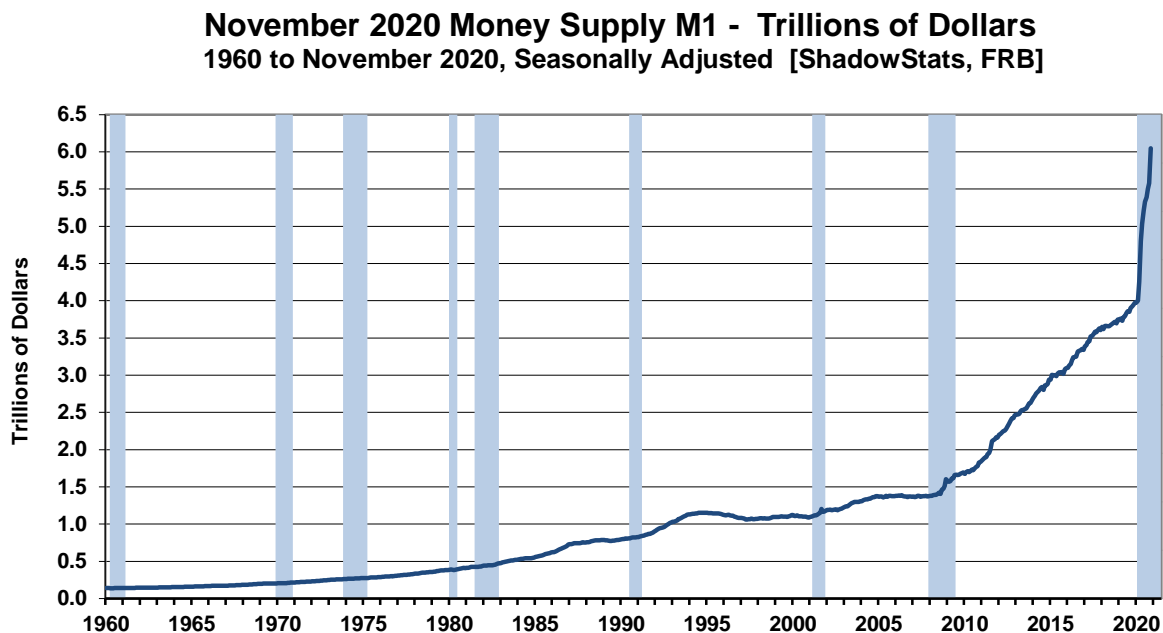
Graph 10: Money Supply M1, M2 and ShadowStats Continuing M3, Trillions of Dollars (1960 to November 2020)



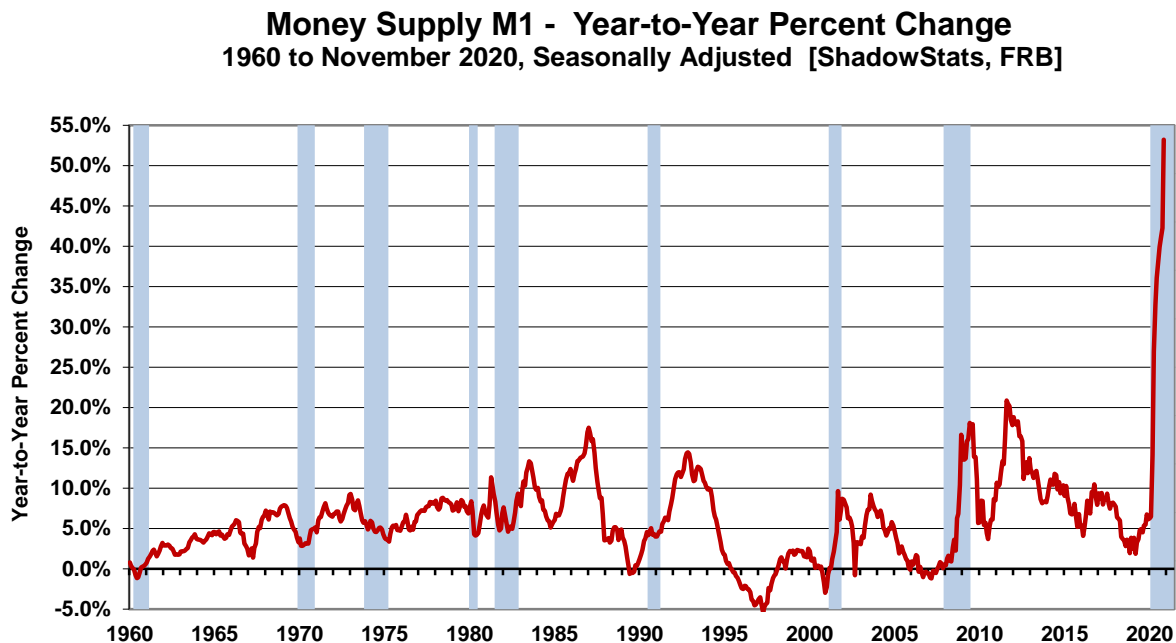
Graph 11: Money Supply M1, M2 and ShadowStats Continuing M3, Monthly Yr-to-Yr Growth (1960 to Nov 2020)



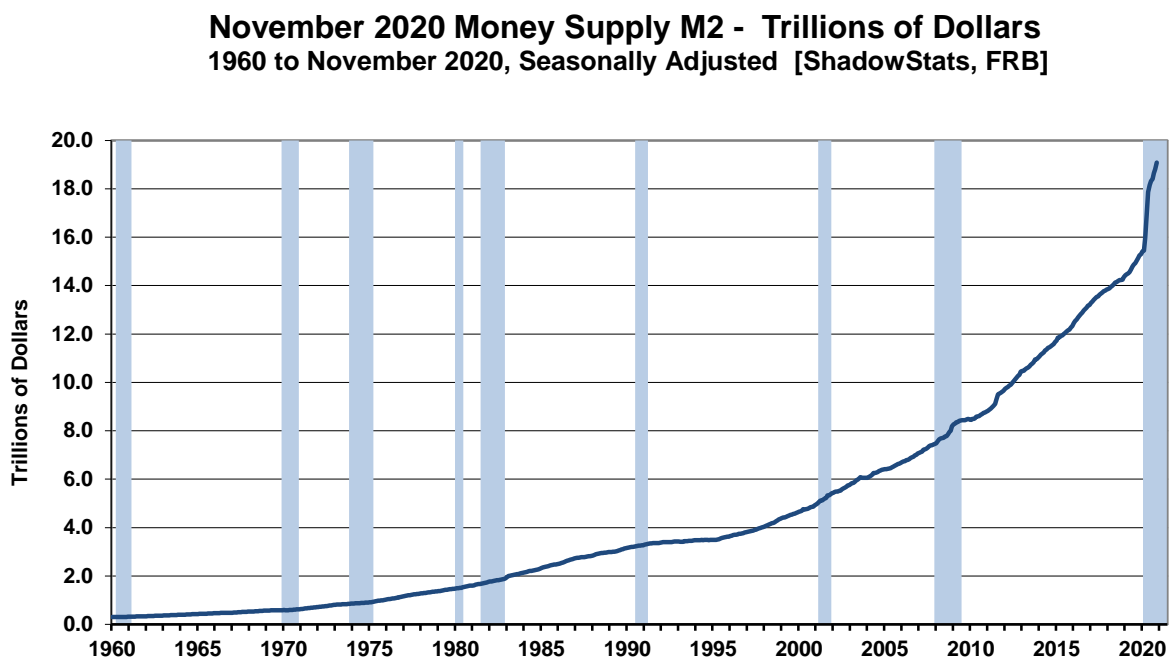
Graph 12: Money Supply M1 (1960 to November 2020)



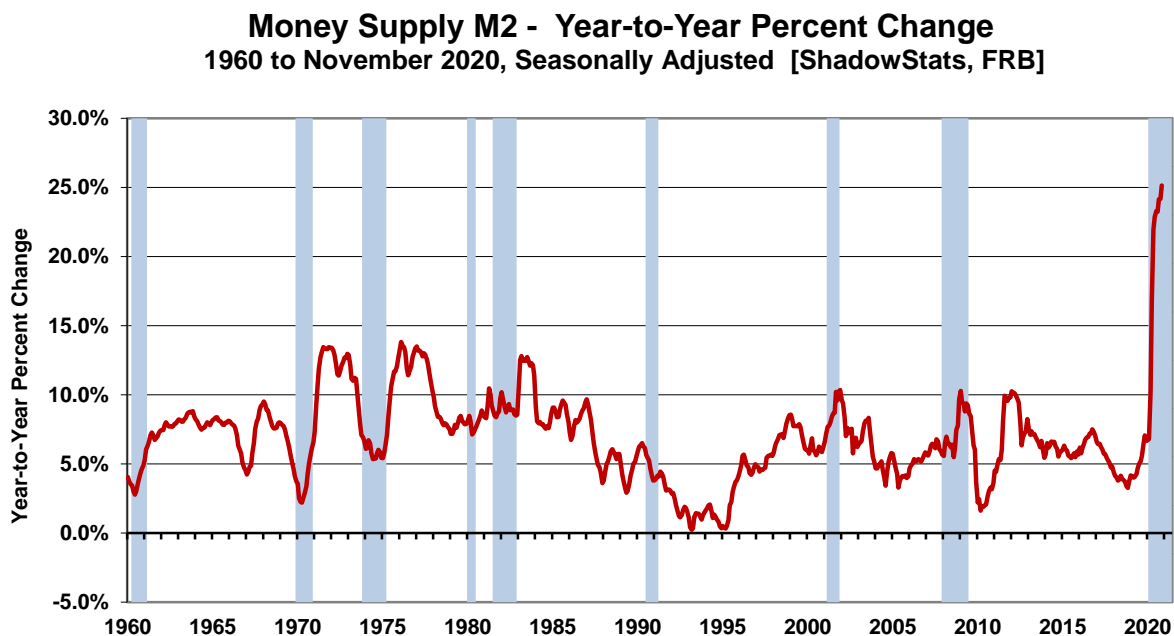
Graph 13: Money Supply M1, Year-to-Year Change (1960 to November 2020)



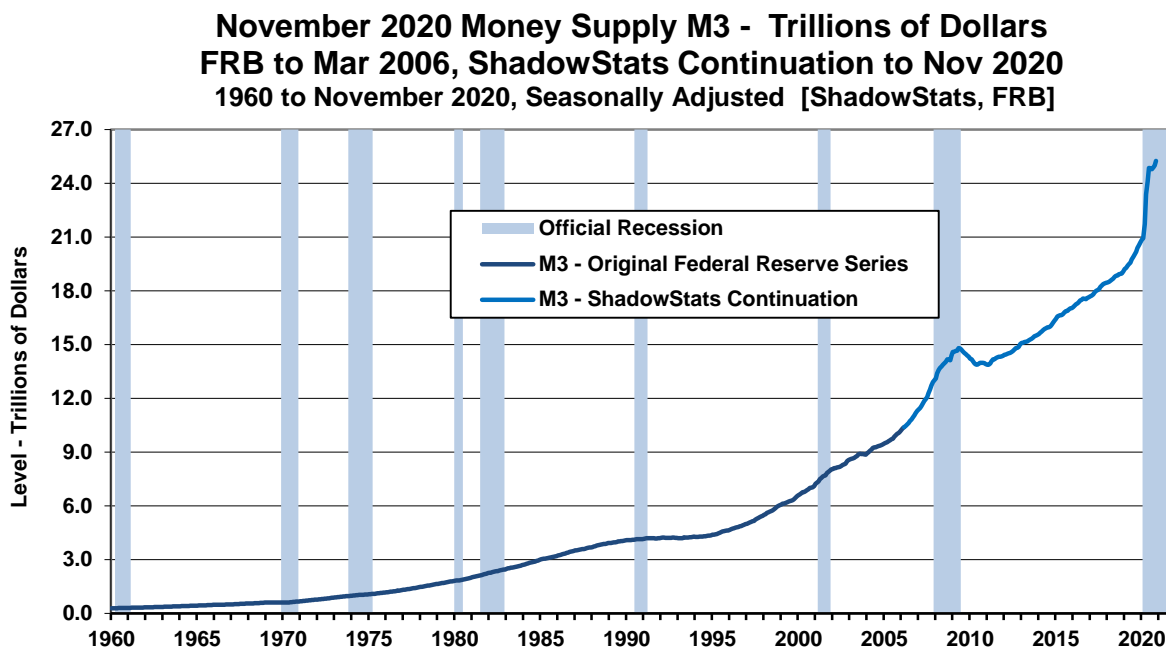
Graph 14: Money Supply M2 (1960 to November 2020)



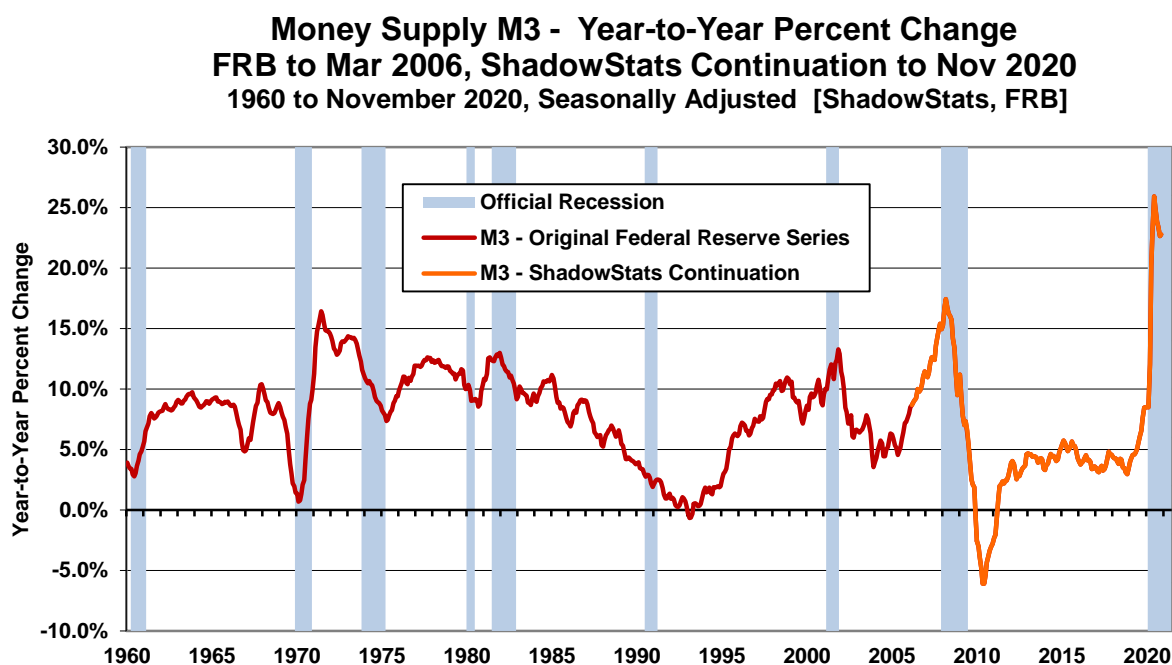
Graph 15: Money Supply M2, Year-to-Year Change (1960 to November 2020)



Graph 16: Money Supply M3 (1960 to November 2020)



Graph 17: Money Supply M3, Year-to-Year Change (1960 to November 2020)



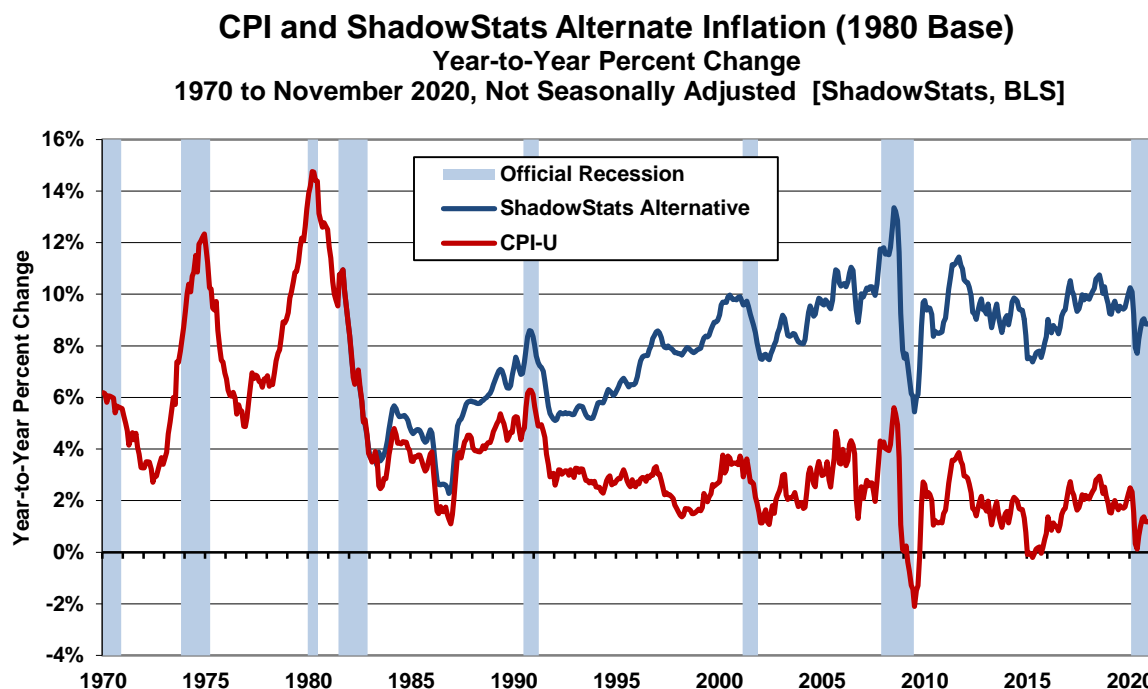
Section 2 – November CPI, ShadowStats-Alternate and PPI Inflation

Oil Price Collapse Has Constrained Headline CPI and PPI Inflation

Yet Oil Prices Suddenly Are on the Rebound

Unadjusted November 2020 Year-to-Year CPI-U Held at 1.17%, versus 1.18% in October, Still Depressed by Gasoline Prices. Reported December 10th by the Bureau of Labor Statistics (BLS), the seasonally adjusted November Consumer Price Index (CPI-U) gained 0.19% in the month, versus a gain of 0.04% in October. At current oil prices, the gasoline price would turn positive year-to-year come March 2021, yet, with a continuing increase in oil and related gasoline prices, there remains a fair bet that the process will accelerate (see accompanying *Graph 18*)

Graph 18: Year-to-Year CPI-U versus ShadowStats Alternate Inflation (1980-Base), 1960 to November 2020



That said, the headline gasoline inflation declined by 0.39% (-0.39%) in the month, down by 19.33% (-19.33%) year-to-year, with the broader Energy Sector up monthly by 0.43% in November, against 0.14% in October, respectively down year-to-year by 9.43% (-9.43%) and 9.19% (-9.19%) in November 2020 and October. Food Sector monthly inflation dropped by 0.9% (-0.9%) in November, having gained

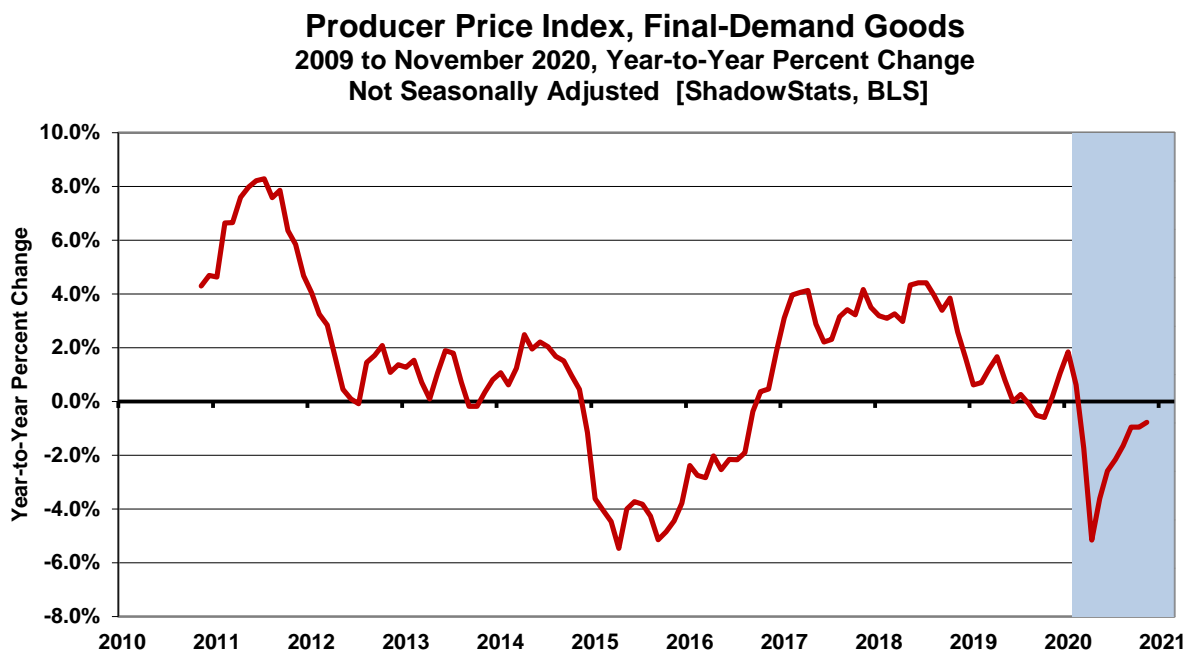
0.19% in October, with respective monthly year-to-year inflation of 3.93% and 3.70% in November and October. Net of Food and Energy, “Core” inflation rose by 0.22% in the month, versus 0.01% in October, with respective annual gains in November and October of 1.65% and 1.63%.

The November 2020 ShadowStats Alternate CPI (1980 Base) eased minimally to 8.8% year-to-year, from 8.9% in October, 9.1% in September and against 9.0% in August. Where the 2021 Social Security Cost of Living Adjustment (COLA) formally was set at 1.3%, based on the headline year-to-year change in the September 2020 CPI-W, a more realistic number would have been 9.0%, using ShadowStats adjustments. The ShadowStats Alternate CPI-U estimate restates current headline inflation so as to reverse the government’s inflation-reducing gimmicks of recent decades, which were designed specifically to reduce/understate COLAs. Aside from accompanying **Graph 18** on page 21, related graphs, methodology, data downloads and an Inflation Calculator are available on the updated **ALTERNATE DATA** on the www.ShadowStats.com Website.

November 2020 Year-to-Year PPI Inflation Rose to 0.8% from 0.5% in October, Gaining 0.1% in the Month versus 0.3% in October. Final-Demand Producer Price Index (PPI-FD) showed its third year-to-year monthly gain since March 2020 and early oil-price war impact, as reported December 11th by the Bureau of Labor Statistics. The better-quality “Goods” PPI sub-index gained 0.4% in the month of November, down from a gain of 0.5% in October, with energy-depressed annual declines of 0.8% (-0.8%) and 1.0% (-1.0%) respectively in November and October (see **Graph 19**) on the next page. Food prices gained 0.5% in the month, versus 2.4% in October. Energy inflation gained 1.2% in November, up from 0.8% October, with monthly November “Core” inflation (net of Food and Energy) up by 0.2%, having been unchanged at 0.0% in October. The mal-defined “Services” sub-index was unchanged at 0.0%, depressed as usual by the convoluted handling of rising energy inflation, having gained 0.2% monthly in October, with annual increases of 1.5% in November and 1.2% in October. The November 2020 PPI index for Construction showed annual inflation at a four-year low of 1.2% for a second month, despite continued soaring material prices and building costs headlined in construction industry publications.

[Graph 19 follows on the next page.]

Graph 19: Year-to-Year PPI-FD Goods, 1990 to November 2020



[Section 3 –Employment and Unemployment – November 2020 begins on the next page.]

Section 3 - Employment and Unemployment – November 2020

Payroll Employment and Economic Recovery Ground to a Halt in November 2020

Second, Consecutive Monthly Annual Decline in Payrolls of 6.0% (-6.0%) Showed an Unfolding “L”-Shaped Stalled Recovery

Bureau of Labor Statistics Still Cannot Count All the Unemployed

4.1 Million “Unemployed” Have Disappeared from the Pandemic–Driven Labor Force

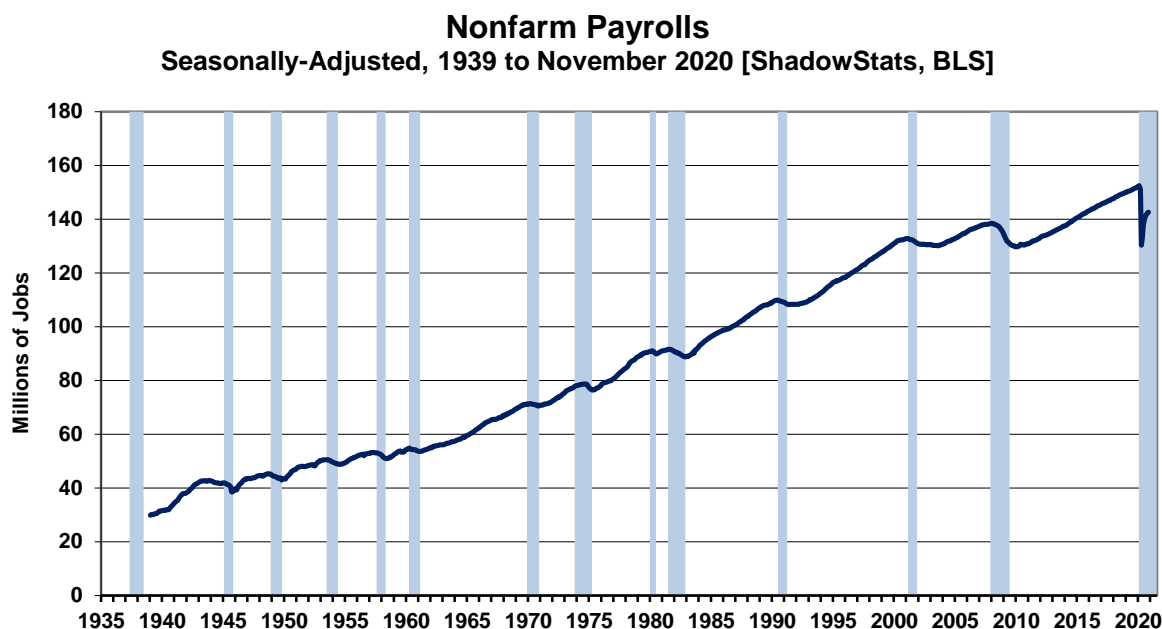
From Pre-Pandemic U.3 Unemployment of 3.6% in January 2020, Headline U.3 Peaked at 14.7% in May, Dropping to 6.7% in November

From Pre-Pandemic U.3 Unemployment of 3.6% in January 2020, Pandemic-Distorted U.3-PD Peaked at 24.2% in May, Easing to 9.0% in November

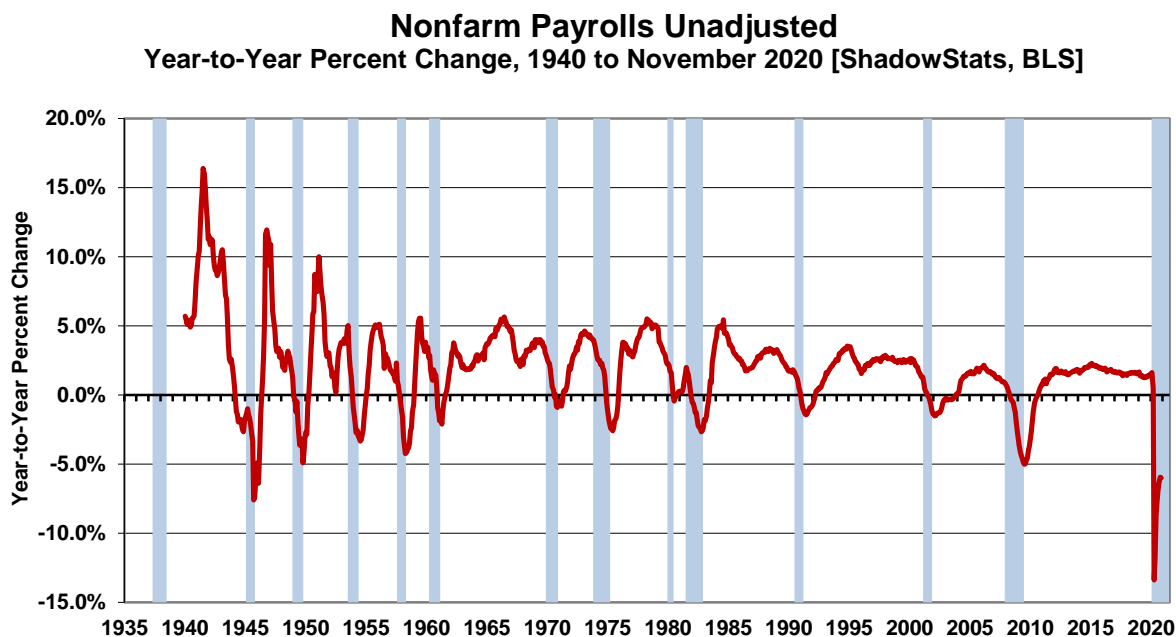
November 2020 Payroll Employment conditions continued to deteriorate—Jobs “Recovery” has stalled in “Non-Recovery,” with monthly year-to-year declines in Payrolls holding at 6% (-6%). As reported December 4th by the Bureau of Labor Statistics (BLS), and suggested here last month, “... Payroll Employment improvement continued in sharp deceleration, with the pace of annual decline leveling off around 6% (-6%) in an “L”-Shaped economic recovery.” Meaningful quality and credibility issues continue to plague the “improving” headline labor numbers. November 2020 payroll jobs gained for the seventh month, up by 245,000 [256,000 net of revisions] month-to-month, well shy of expectations, and well below slowing monthly paces of 711,000 in September and 610,000 in October, with the rate of annual decline leveling off at 6.0% (-6.0%) in both October and November 2020, having declined by 6.4% (-6.4%) in September (see *Graphs 20 to 25* on beginning on page 25). Industry payrolls in the key sectors such as Retail Sales (Retail Trade and Leisure & Hospitality) and Manufacturing showed deepening annual contractions, with no economic recovery to pre-pandemic levels in sight (see *Graphs 44 to 49* beginning on page 41) in the *Decelerating Monthly Recoveries Foreshadow Weakened Fourth-Quarter 2020 GDP* section beginning on page 39, as well as for Construction payrolls in the *Construction Spending* section, *Graphs 56 and 57* on page 48. The weakening pattern of November payrolls, with deepening or flattened annual declines in key series such as Manufacturing and Retail Sales, do not bode well for November Industrial Production and Retail Sales reporting, due for release on December 15th and 16th.

[Graphs 20 to 27 begin on the next page.]

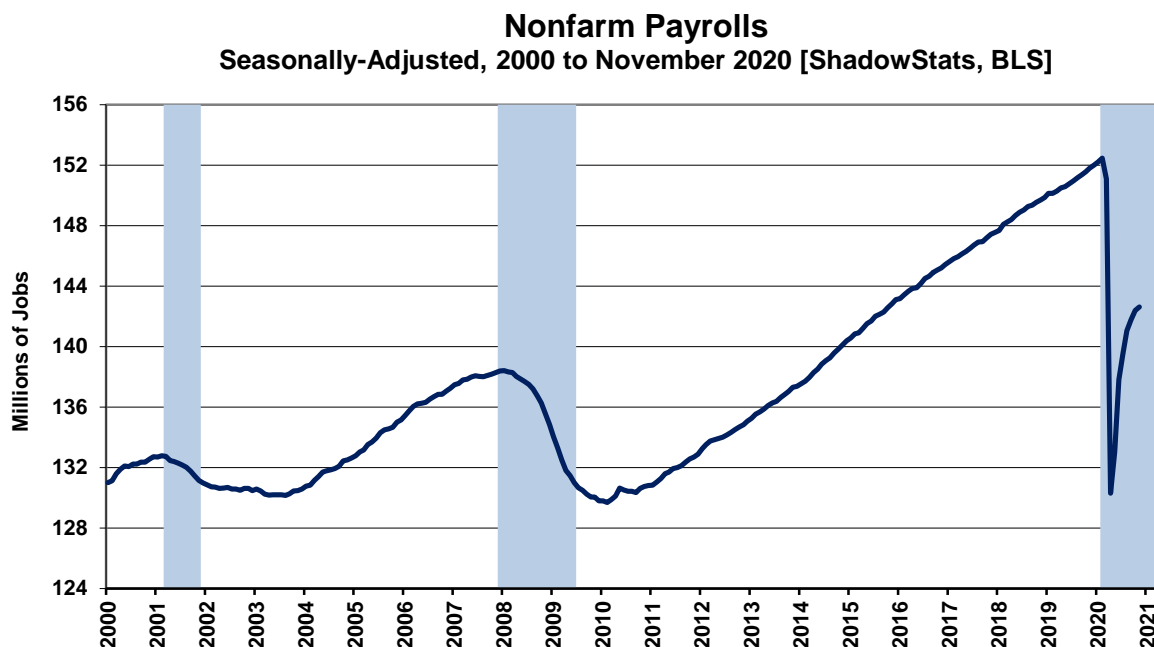
Graph 20: Total Nonfarm Payroll Employment (1939 to November 2020)



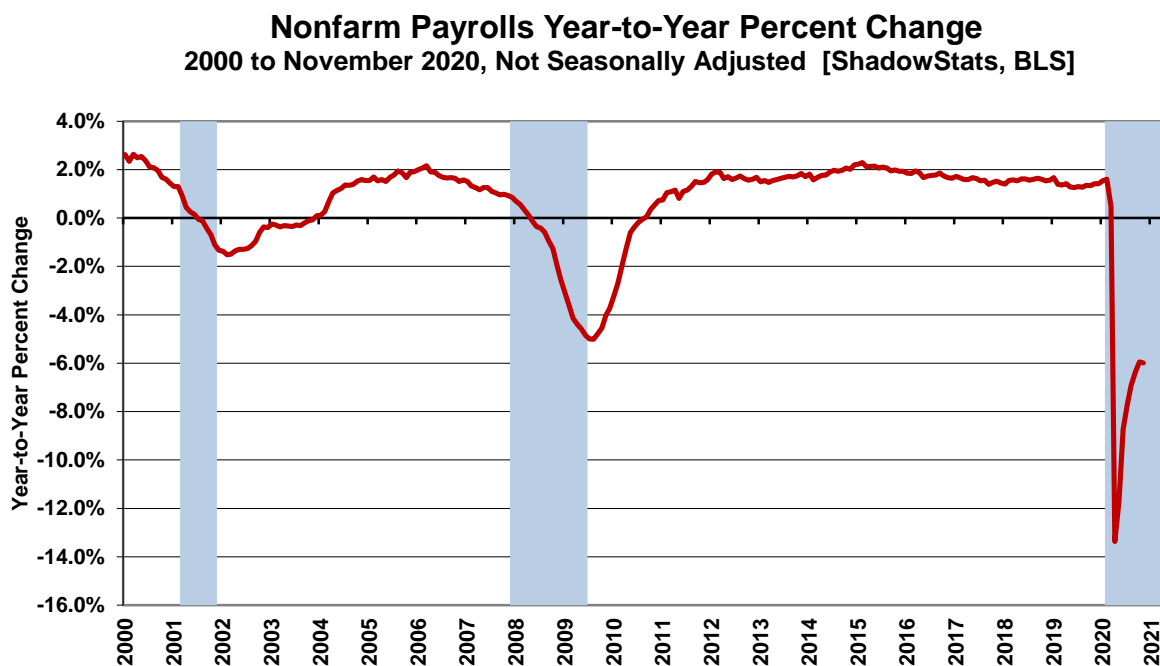
Graph 21: Total Nonfarm Payroll Employment, Year-to-Year Change (1940 to November 2020)



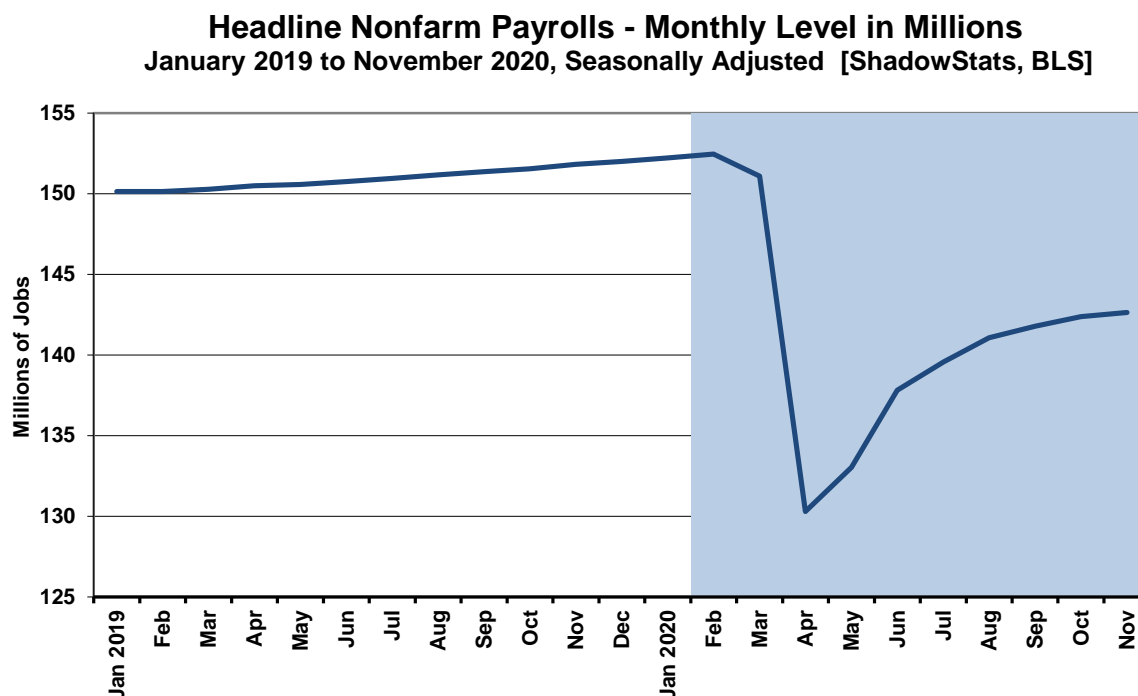
Graph 22: Total Nonfarm Payroll Employment (2000 to November 2020)



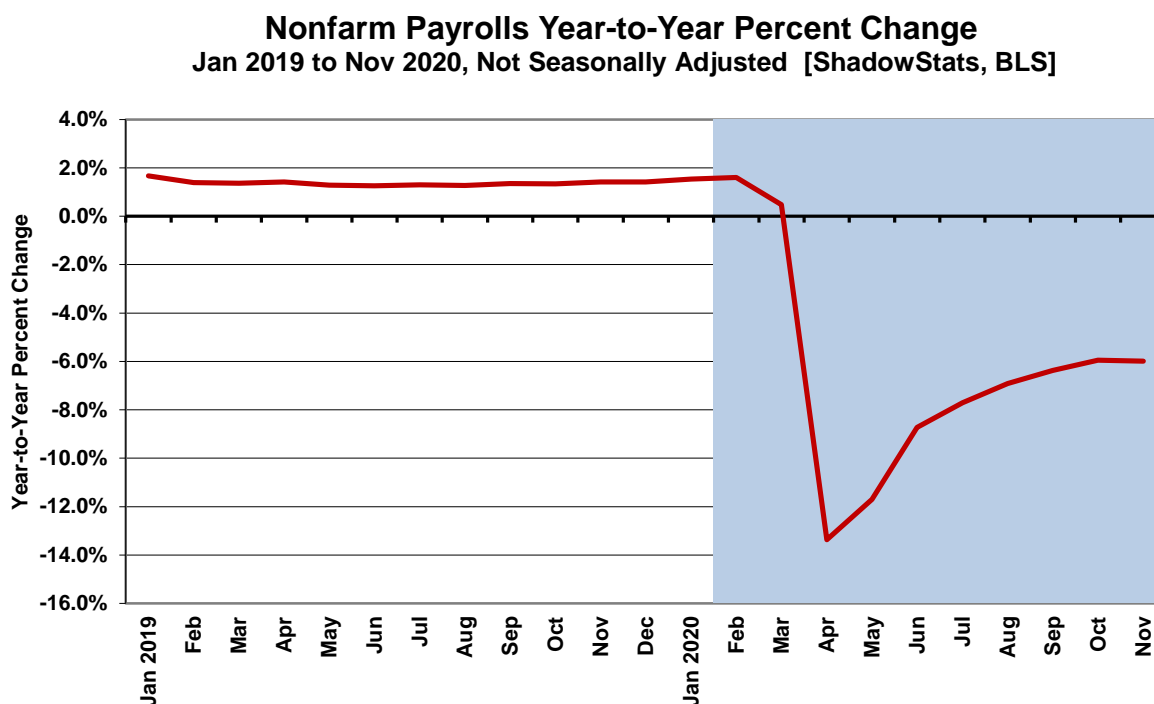
Graph 23: Total Nonfarm Payroll Employment, Year-to-Year Change (2000 to November 2020)



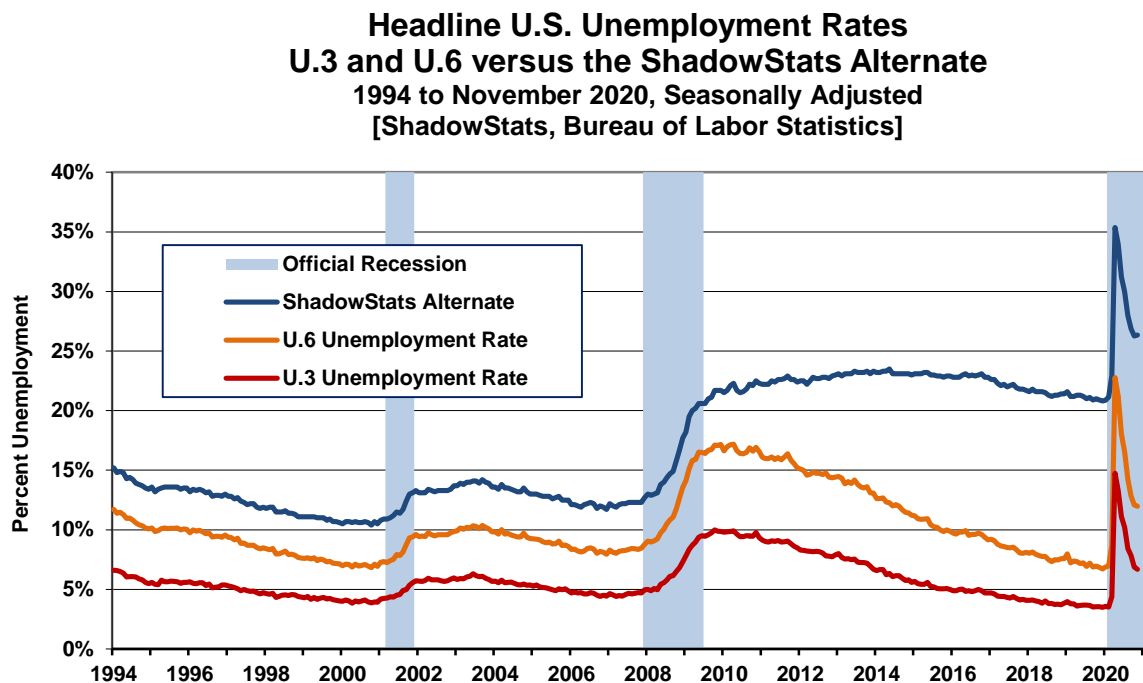
Graph 24: Payroll Employment (January 2019 to November 2020)



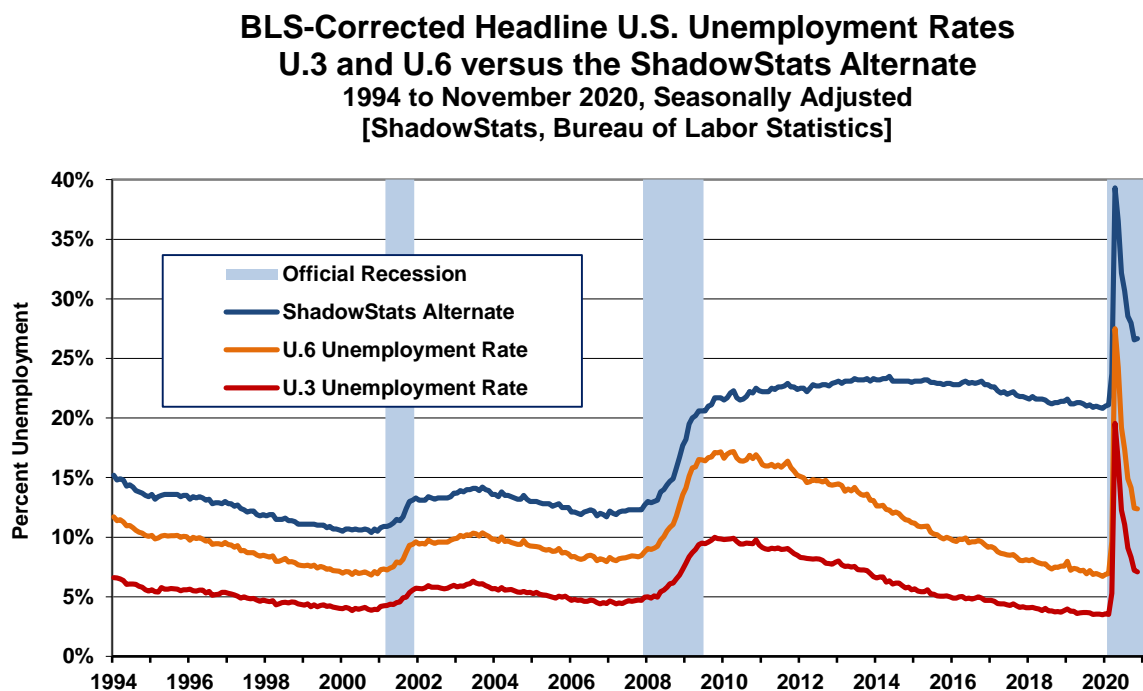
Graph 25: Payroll Employment, Year-to-Year Change (January 2019 to November 2020)



Graph 26: Headline Unemployment Rates, Full History Current Series (1994 to November 2020)



Graph 27: Unemployment (1994 to Nov 2020) – Corrected for Unemployed Misclassified as "Employed"



Also flattening out at “Non-Recovery” levels, headline Unemployment U.3 was understated for the ninth straight month. The BLS acknowledged continuing misclassification of some “unemployed” persons as “employed,” in the Household Survey. An estimated “upside limit” of 629,000 persons in November, up from 562,000 in October, was indicated as the potential number of “employed,” who more properly should have been counted as “unemployed.” That reduced a potential November 2020 U.3 headline unemployment rate of 7.1% to the published headline 6.7% (6.69%). Such was down from a headline 6.88% (6.9%) [potentially as high as 7.2% with misclassifications] in October. Broader November 2020 headline U.6 unemployment [including short-term discouraged workers and those employed part-time for economic reasons] eased to 11.98%, from 12.10% in October. Including long-term discouraged/displaced workers, the broader November ShadowStats Alternate Measure—moving on top of U.6—held at 26.3%, same as in October, down from 26.9% in September (see *Graphs 26 to 31* beginning page 28) and as graphed and detailed on the [ALTERNATE DATA](#) at www.ShadowStats.com.

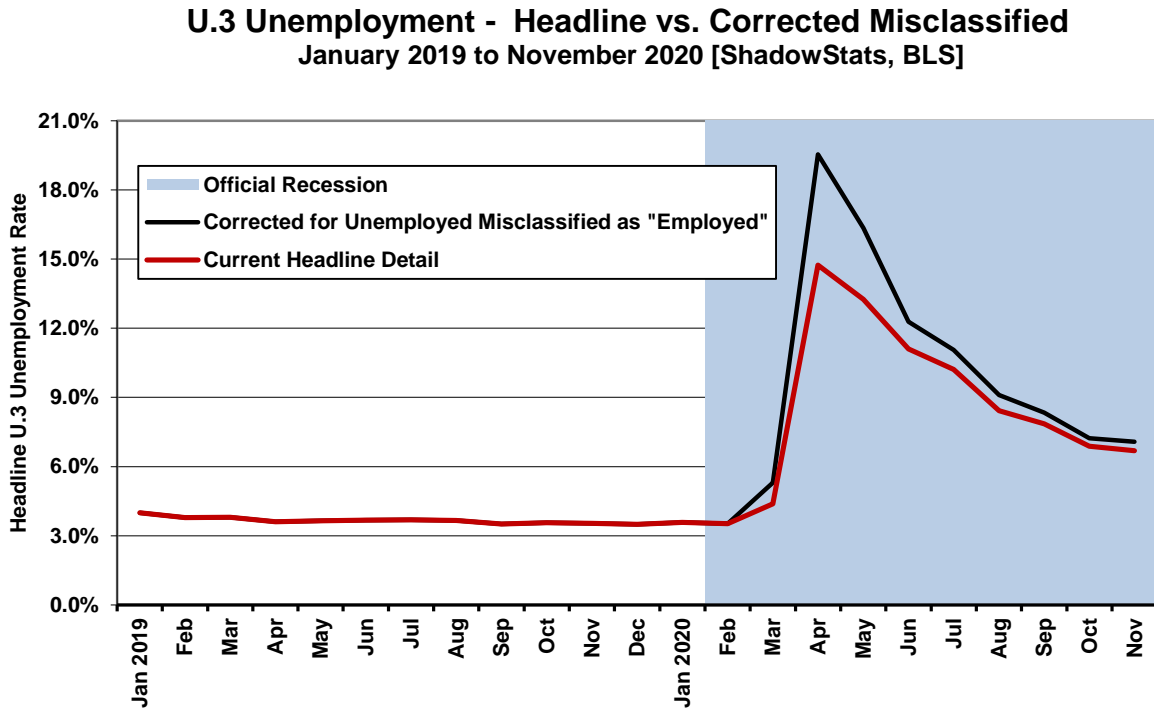
Graphs 26 and 27 plot the headline U.3, U.6 (U.3 plus marginally attached workers) and the ShadowStats Alternate Unemployed (U.3 plus the long-term discouraged and displaced workers), and those same series corrected for the respective March to November 2020 Household Survey “misclassifications” of unemployed persons as “employed” (in millions per BLS): 1.5, 7.7, 4.9, 1.9, 1.3, 1.1, 0.8, 0.6 and 0.6 million. Consider as well *Graphs 28 and 29* of the headline U.3 and U.3 plus “misclassified.” *Graph 29* is *Graph 28* with an inverted scale, showing the unfolding “L”-shaped non-recovery.

ShadowStats New Pandemic-Disrupted U.3 (U.3-PD) Unemployment Rate Introduced. Introduced in today’s Opening Comments (page 28) is the concept of separately accounting for systemic disruptions to headline unemployment reporting from non-business cycle, one-off disruptions such as seen with the Pandemic shutdown. Discussed there, the headline November 2020 U.3 unemployment rate of 6.7% would be 9.0%, adjusted for Pandemic-induced increases in near-term “Discouraged Workers,” people “Working Part-Time for Economic Reasons,” and the ongoing inability of the BLS to classify all unemployed people as “unemployed.” Full headline detail, methodology and graphs will follow in the coverage of the headline reporting of December 2020 employment and unemployment detail, due for release on January 8, 2021. Other than as suggested in *Graphs 30 and 31* (page 31), where somewhere between 4.1 and 4.8 million “unemployed persons” have disappeared from the pre-Pandemic U.3 Unemployment Rate Labor Force, discussed in the *Opening Comments*, there are no other graphs in today’s missive related to the new concept.

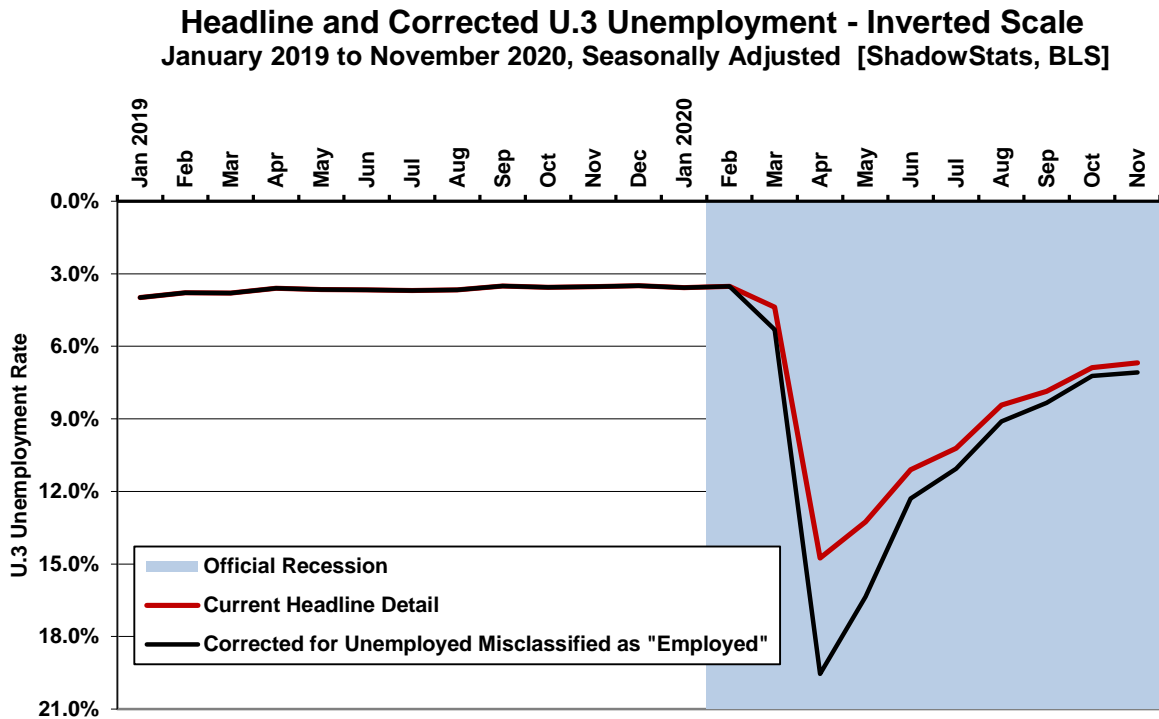
Inconsistent and not comparable, either week-to-week or year-to-year New Claims for Unemployment Insurance increased sharply in the Week-Ended December 5th. Reported December 10th, by the Department of Labor, seasonally adjusted, weekly New Claims for Unemployment Insurance jumped sharply to 853.000 in the December 5th, which the markets took as a sign of a softening economy. While the economy is softening, the New Claims series is not particularly meaningful, at present other than showing generally an “L”-shaped non-recovery. As previously discussed, on both a seasonally-adjusted and unadjusted basis, the numbers at present are not consistent year-to-year, due to recent, unconscionable revision policies by the DOL. They also are not consistent week-to-week, due to major states, such as California, having trouble keeping claims processing consistently up to date.

[Graphs 28 to 31 begin on the next page.]

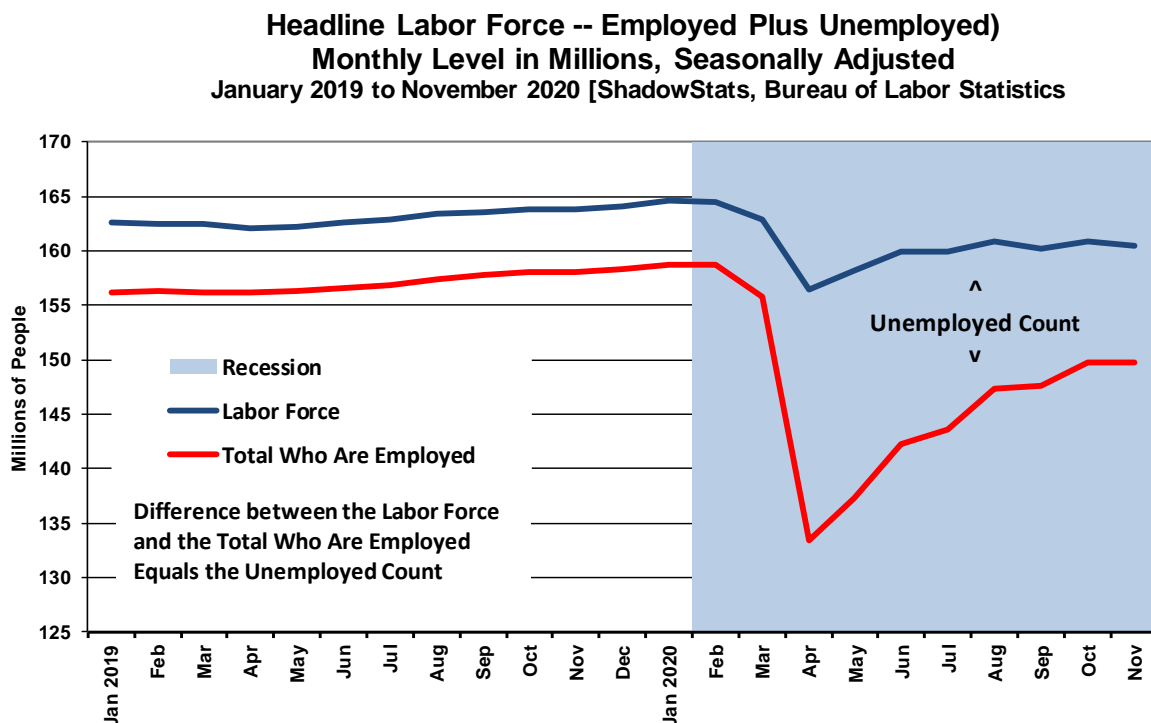
Graph 28: Unemployment Rates (January 2019 to November 2020) – Headline vs. Corrected U.3



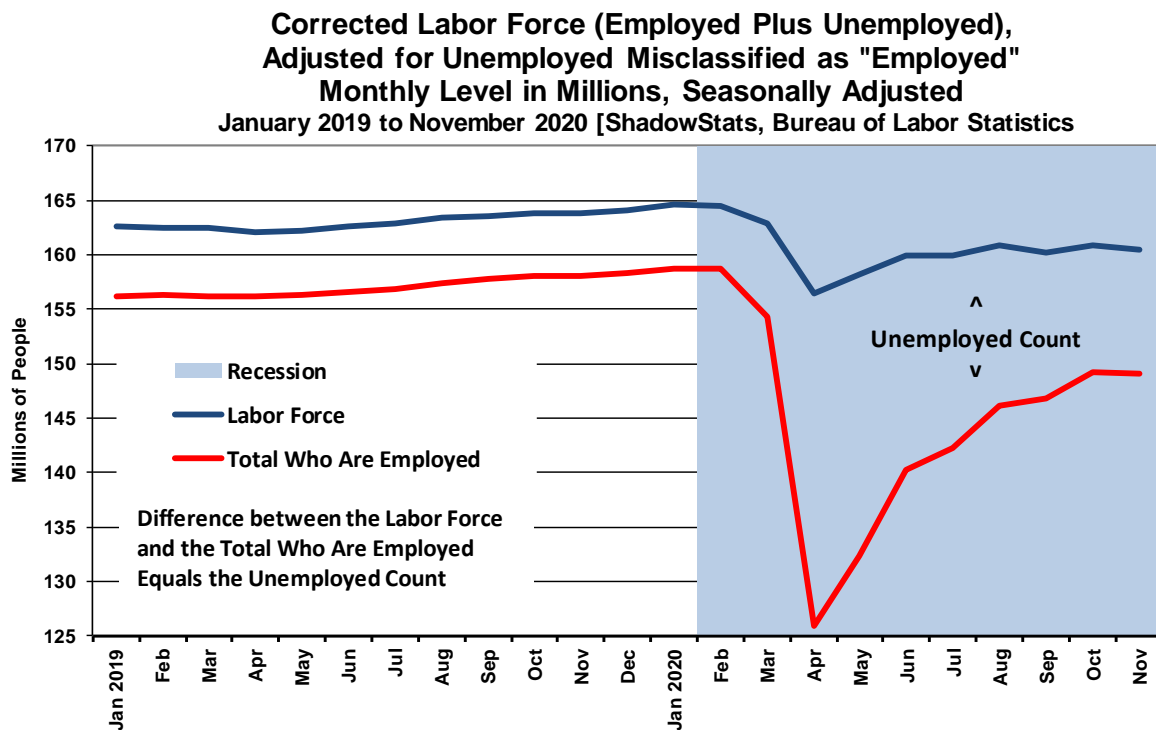
Graph 29: Unemployment Rate (Jan 2019 to Nov 2020) – Headline vs. Corrected U.3, Inverted Scale



Graph 30: Headline Labor Force, and Missing Unemployed, January 2019 to November 2020



Graph 31: Headline Labor Force, and "Misclassified" Missing Unemployed, January 2019 to November 2020



Section 4 – Third-Quarter GDP (Revised), GDI and GNP

Pandemic-Driven U.S. Economic Collapse Continues in a Stagnant “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 33.1%, Well Shy of Full Recovery**

**Against an Unprecedented 32.6% (-32.6%) Annualized Second-Quarter Collapse,
Third-Quarter GDI Rebounded by a More Limited 25.5%**

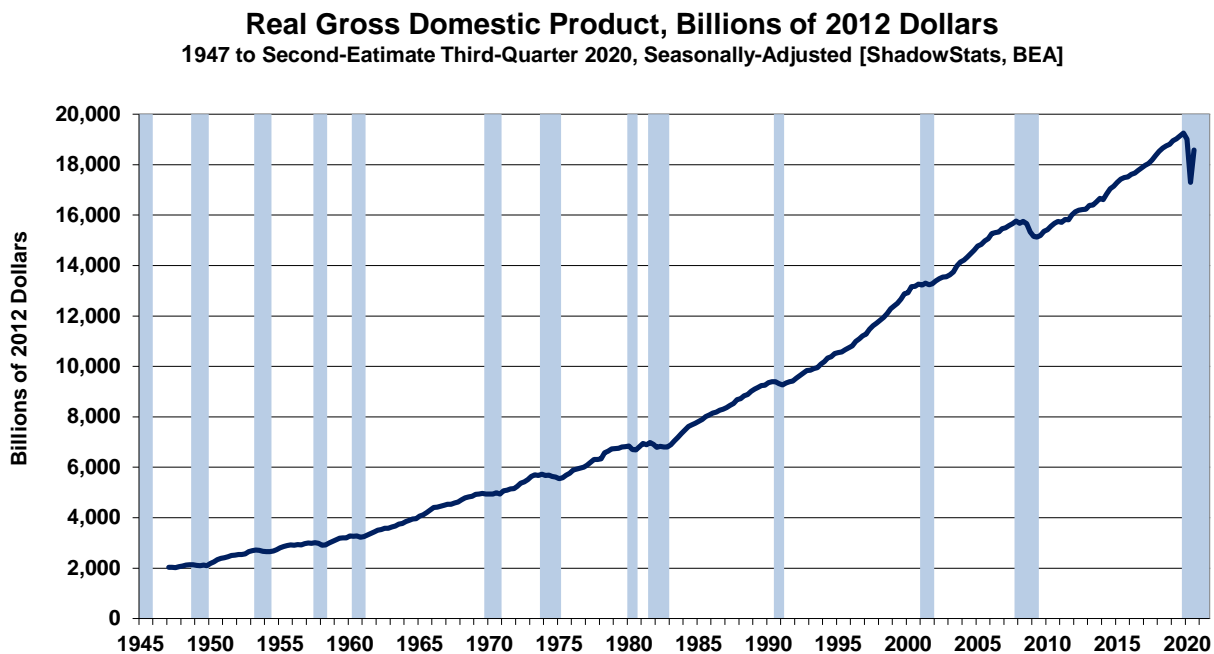
**Against an Unprecedented 32.3% (-32.6%) Annualized Second-Quarter Collapse,
Third-Quarter Gross National Product (GNP) Rebounded by 33.7%**

**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**

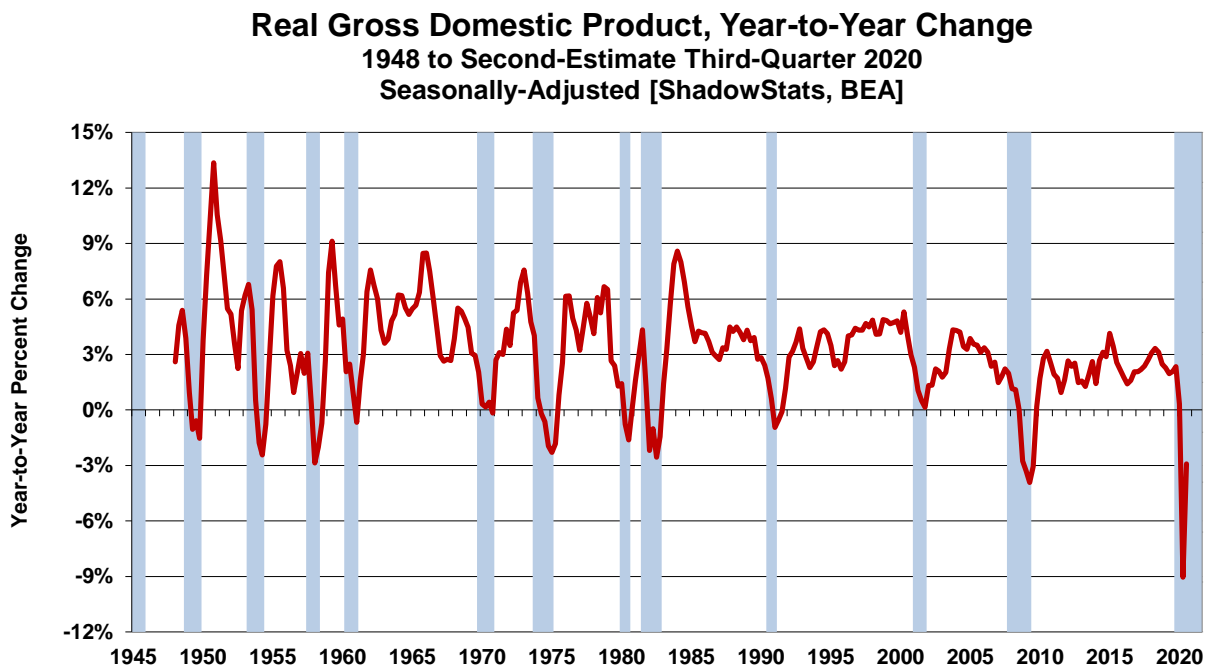
**Third-Quarter 2020 Record Trade Deficit Widened in Revision;
October 2020 Trade Deficit Showed No Relief**

Minimally Revised Second Estimate of Third-Quarter 2020 Gross Domestic Product (GDP) held at 33.1% Annualized Real Quarterly Growth, with the Initial Estimate of Third-Quarter Gross National Product (GNP) at 33.7%, but with Gross Domestic Income (GDI)—Theoretical GDP Equivalent—Bouncing Back by Only 25.5%. As reported and updated by the Bureau of Economic Analysis (BEA) on November 25th, following annualized quarterly collapses in inflation-adjusted real GDP of 4.96% (-4.96%) in 1q2000, 31.38% (-31.38%) in 2q2020 and annualized rebound of 33.07% in 3q2020, unlikely annualized real Fourth-Quarter 2020 GDP growth of 15.2% would be needed to recover pre-Pandemic activity. The needed growth, however, would be 21.3% for the GDI, which is the theoretical income-side equivalent of the product-side GDP. Where the two series largely are surveyed independently, there clearly are some reporting-quality issues surfacing as to the scope of headline economic collapse and recovery from same. Even so, the headline GDP remains well shy of full recovery, which increasingly has turned “L”-Shaped, flattening out in negative year-to-year growth, as seen in underlying monthly data such as employment and production, through October. In constant dollars—adjusted for inflation—the level of Third-Quarter GDP was the lowest since First-Quarter 2018. September and October 2020 headline payroll growth, however, suggests that Fourth-Quarter 2020 GDP growth will be flattening out (see later *Graphs x* to *x*); the regular GDP, GDI and GNP *Graphs 32* to *41* and *Table I*, follow.

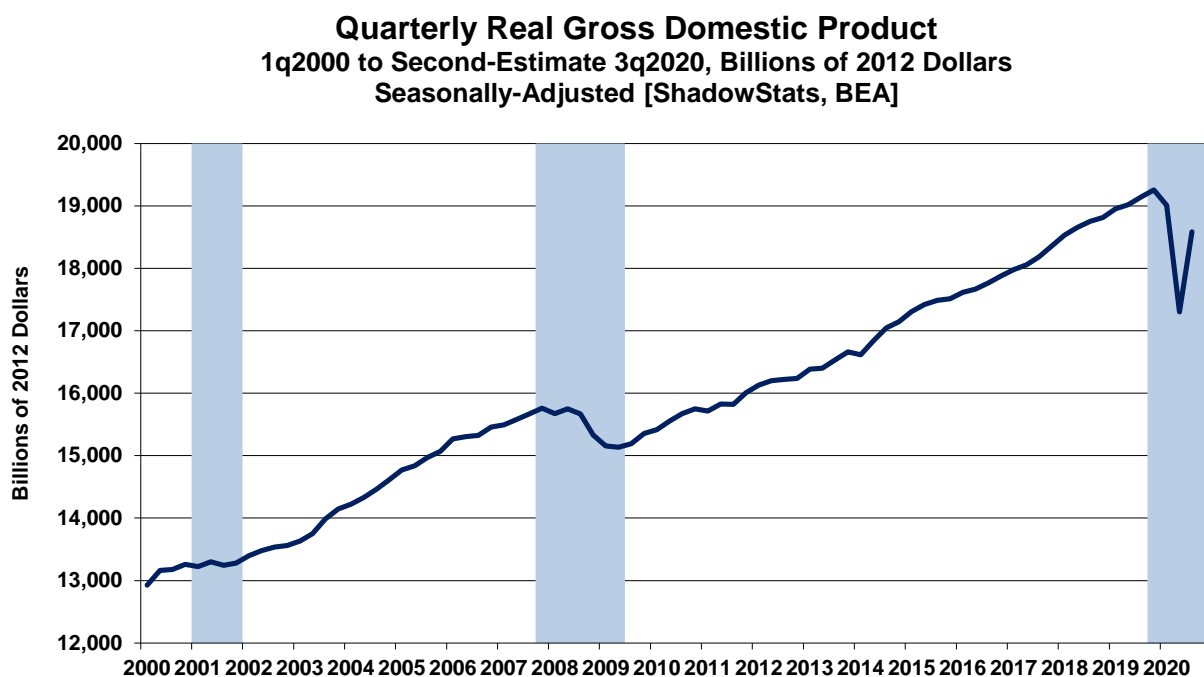
Graph 32: Real Gross Domestic Product – GDP (1947 to Second-Estimate Third-Quarter 2020)



Graph 33: Real Gross Domestic Product, Year-to-Year Change (1948 to Second-Estimate Third-Quarter 2020)



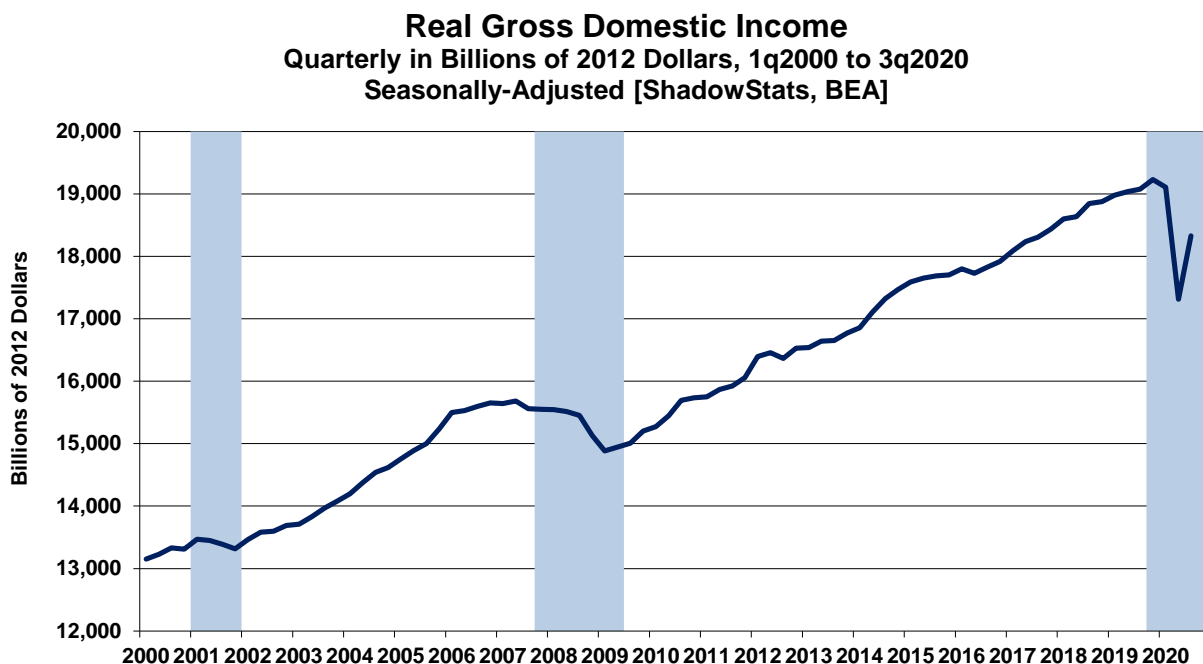
Graph 34: Real Gross Domestic Product – GDP (2000 to Second-Estimate Third-Quarter 2020)



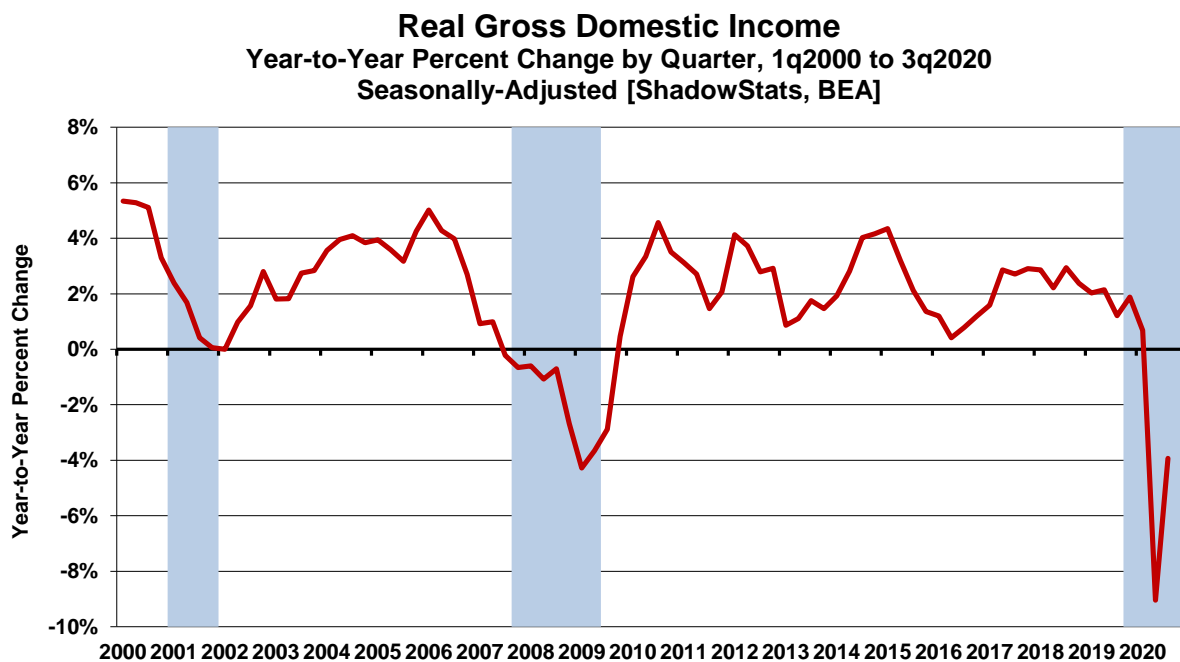
Graph 35: Real Gross Domestic Product, Year-to-Year Change (2000 to Second-Estimate Third-Quarter 2020)



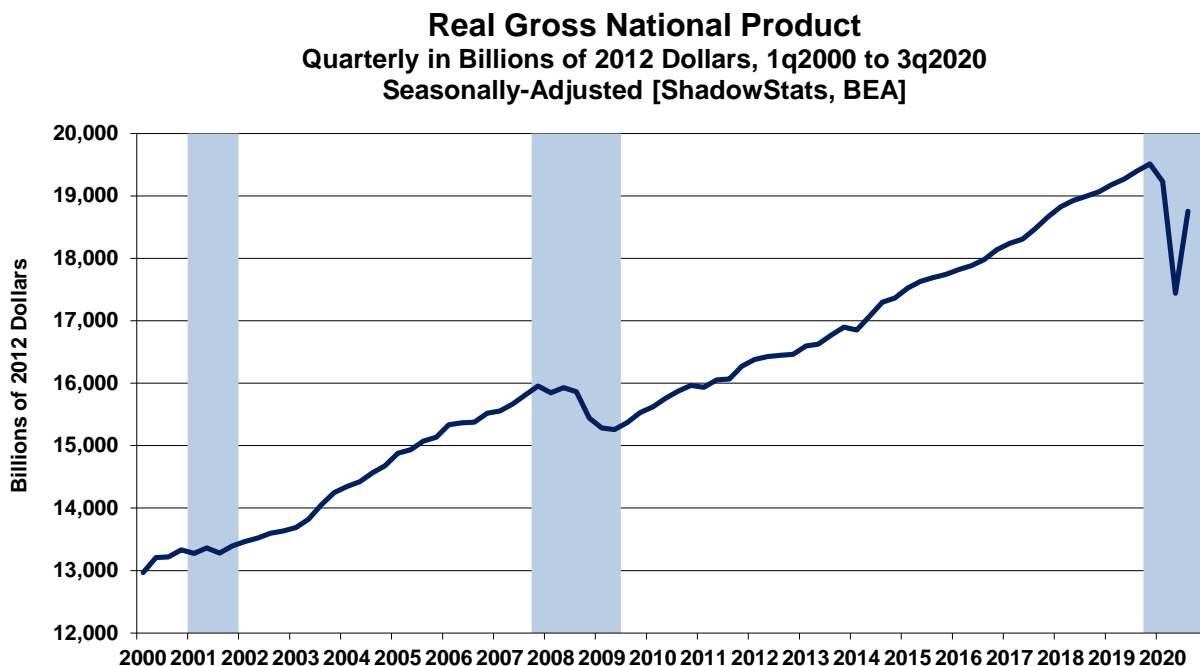
Graph 36: Real Gross Domestic Income - GDI (2000 to Third-Quarter 2020)



Graph 37: Real Gross Domestic Income - GDI, Year-to-Year Change (2000 to Third-Quarter 2020)



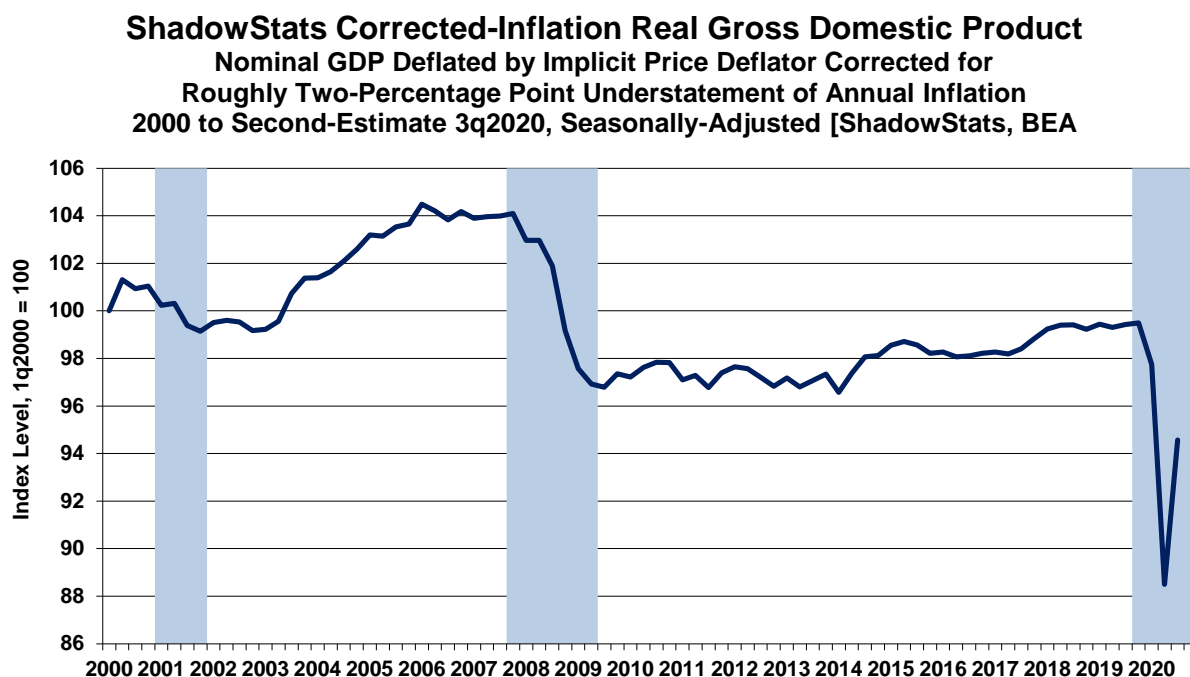
Graph 38: Real Gross National Product - GNP (2000 to Third-Quarter 2020)



Graph 39: Real Gross National Product – GNP, Year-to-Year Change (2000 to Third-Quarter 2020)



Graph 40: ShadowStats Corrected-Inflation Real GDP (2000 to Second-Estimate Third-Quarter 2020)



Graph 41: ShadowStats Corrected-Inflation Real GDP, Yr-to-Yr (2000 to Second-Estimate, Third-Quarter 2020)

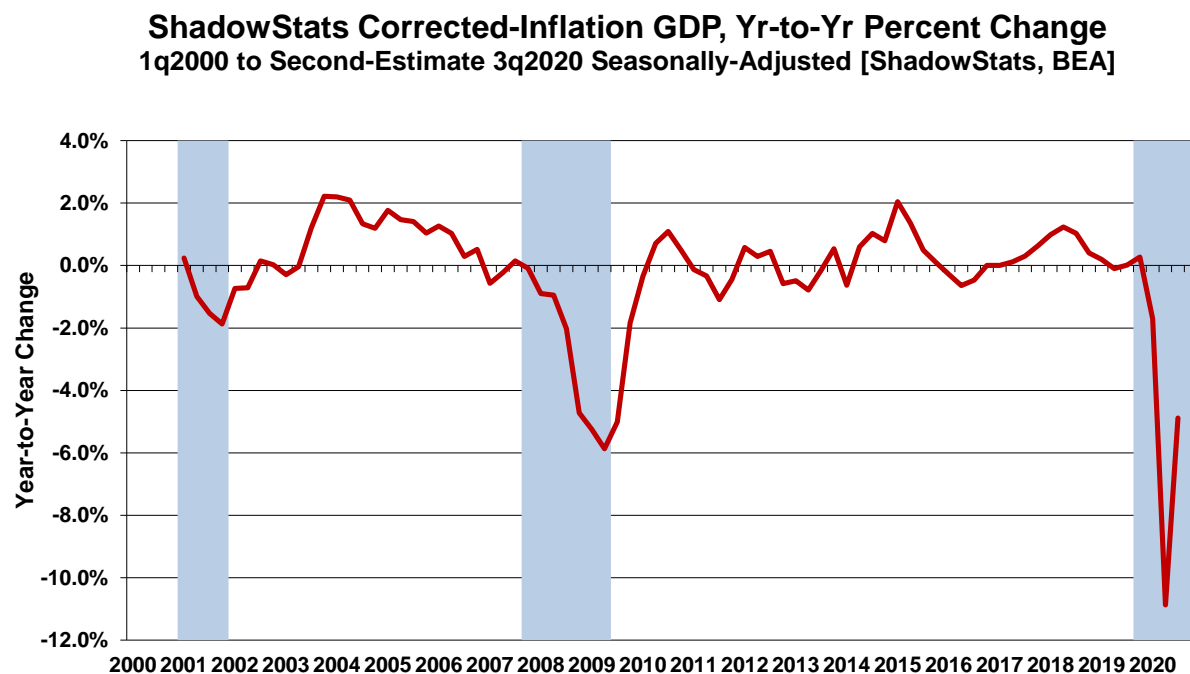


Table I: GDP Growth Components, First-Quarter 2019 to "Second" Estimate Third-Quarter 2020

| Third-Quarter 2020 Real Gross Domestic Product, "Second" 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 |
| | Latest | Latest | Latest | Latest | Latest | Latest | Advance | Second |
| ECONOMIC SECTOR | | | | | | | | |
| Personal Consumption | | | | | | | | |
| - Goods | 0.52% | 1.57% | 0.87% | 0.12% | 0.03% | -2.06% | 9.24% | 9.49% |
| -- Motor Vehicles | -0.31% | 0.26% | 0.01% | 0.08% | -0.78% | 0.05% | 1.80% | 1.64% |
| - Services | 0.73% | 0.90% | 0.96% | 0.96% | -4.78% | -21.95% | 16.04% | 15.73% |
| Gross Private Domestic Investment | | | | | | | | |
| - Fixed Investment | 0.50% | -0.07% | 0.42% | 0.17% | -0.23% | -5.27% | 4.96% | 5.23% |
| -- Residential | -0.06% | -0.08% | 0.17% | 0.22% | 0.68% | -1.60% | -2.09% | 2.17% |
| - Change in Private Inventories | 0.21% | -0.97% | -0.09% | -0.82% | -1.34% | -3.50% | 6.62% | 6.55% |
| Net Exports of Goods and Services | 0.55% | -0.79% | 0.04% | 1.52% | 1.13% | 0.62% | -3.09% | -3.18% |
| Government Consumption | 0.43% | 0.86% | 0.37% | 0.42% | 0.22% | 0.77% | -0.68% | -0.76% |
| REAL GDP GROWTH (Qtr/Qtr) | 2.93% | 1.49% | 2.57% | 2.37% | -4.96% | -31.38% | 33.08% | 33.07% |
| Final Sales, GDP Less Inventories | 2.72% | 2.46% | 2.66% | 3.19% | -3.62% | -27.88% | 26.46% | 26.52% |
| PRODUCT SECTOR | | | | | | | | |
| Goods | 1.72% | -0.13% | 1.23% | 0.94% | -0.98% | -7.40% | 16.75% | 17.09% |
| Services | 0.77% | 1.45% | 1.12% | 1.29% | -4.82% | -21.32% | 14.81% | 14.54% |
| Structures | 0.44% | 0.18% | 0.22% | 0.13% | 0.85% | -2.66% | 1.52% | 1.44% |
| REAL GDP GROWTH | 2.93% | 1.49% | 2.57% | 2.37% | -4.96% | -31.38% | 33.08% | 33.07% |
| 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% |
| Gross Domestic Income (GDI) | 2.21% | 1.20% | 0.82% | 3.30% | -2.53% | -32.54% | -- | 25.50% |
| Gross National Product (GNP) | 2.38% | 1.91% | 2.68% | 2.34% | -5.57% | -32.33% | -- | 33.66% |
| ShadowStats Corrected GDP* | 0.85% | 0.56% | 0.50% | 0.29% | -6.88% | -32.77% | 30.39% | 32.33% |
| Implicit Price Deflator (IPD) Inflation | 1.03% | 2.60% | 1.40% | 1.50% | 1.66% | -2.09% | 3.71% | 3.71% |
| 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% |
| Gross Domestic Income (GDI) | 2.03% | 2.14% | 1.21% | 1.88% | 0.68% | -9.04% | -- | -3.93% |
| Gross National Product (GNP) | 1.88% | 1.82% | 2.13% | 2.33% | 0.28% | -9.48% | -- | -3.31% |
| ShadowStats Corrected GDP* | 0.20% | -0.10% | 0.01% | 0.27% | -1.71% | -10.87% | -4.88% | -4.88% |
| Implicit Price Deflator (IPD) Inflation | 2.00% | 1.78% | 1.73% | 1.63% | 1.79% | 0.60% | 1.17% | 1.17% |
| Sources: Bureau of Economic Analysis, ShadowStats.com. (r) Prior 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 Monthly Recoveries Foreshadow Weakened Fourth-Quarter GDP

Key Measures of Underlying October and November 2020 Economic Activity Show Slowing, Flattening or Declining Activity. *Graphs 42 and 43* plot the quarterly level of, and year-to-year percent change in real GDP from First-Quarter 2019 to the just published Second Estimate of Third-Quarter 2020 GDP. *Graphs 44 to 49*, however, show the same period and early- Fourth-Quarter trends in monthly terms (through September and October 2020) as to level and year-to-year change in payrolls for two key economic series, Manufacturing and Retail Sales (Retail Trade and Leisure & Hospitality). This holds as well for Construction payrolls in the *Construction Spending* section, *Graphs 56 and 57* on page 48. In theory, those patterns should be mirrored in headline Fourth-Quarter 2020 GDP, come its initial release at the end of January 2021.

Looking at these 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 well in these graphs.

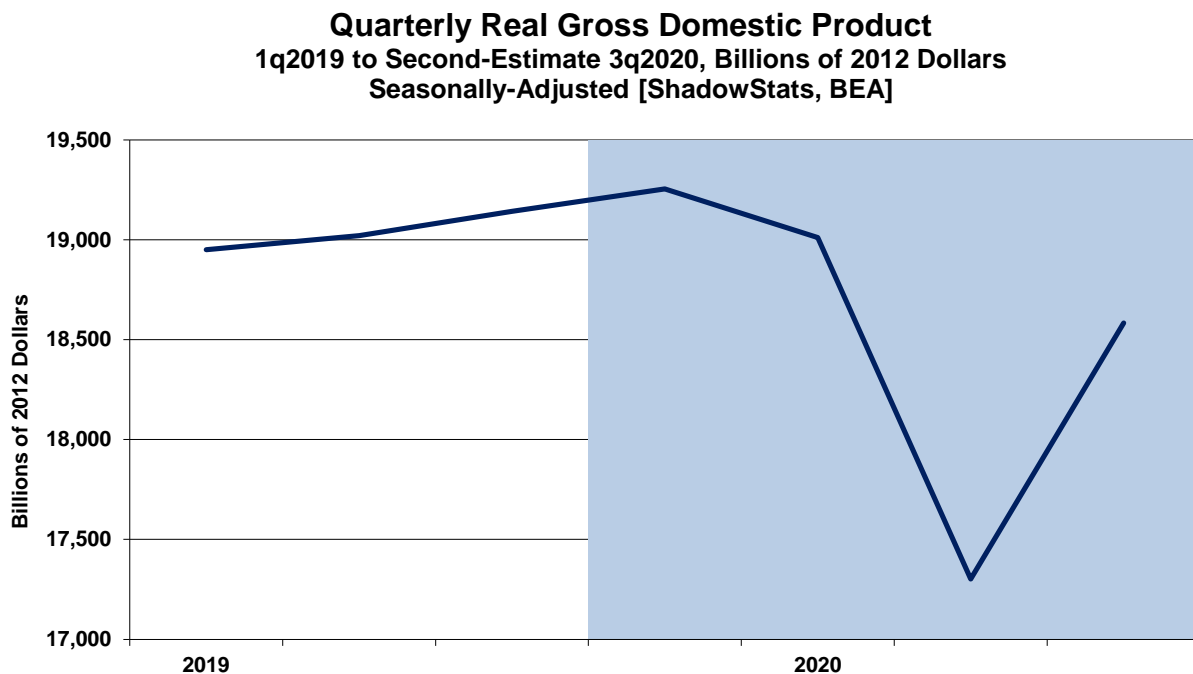
Third-Quarter 2020 Real Merchandise Trade Deficit Was Worst Ever

October Trade Deficit Puts Fourth-Quarter on Track to Rival the Third-Quarter

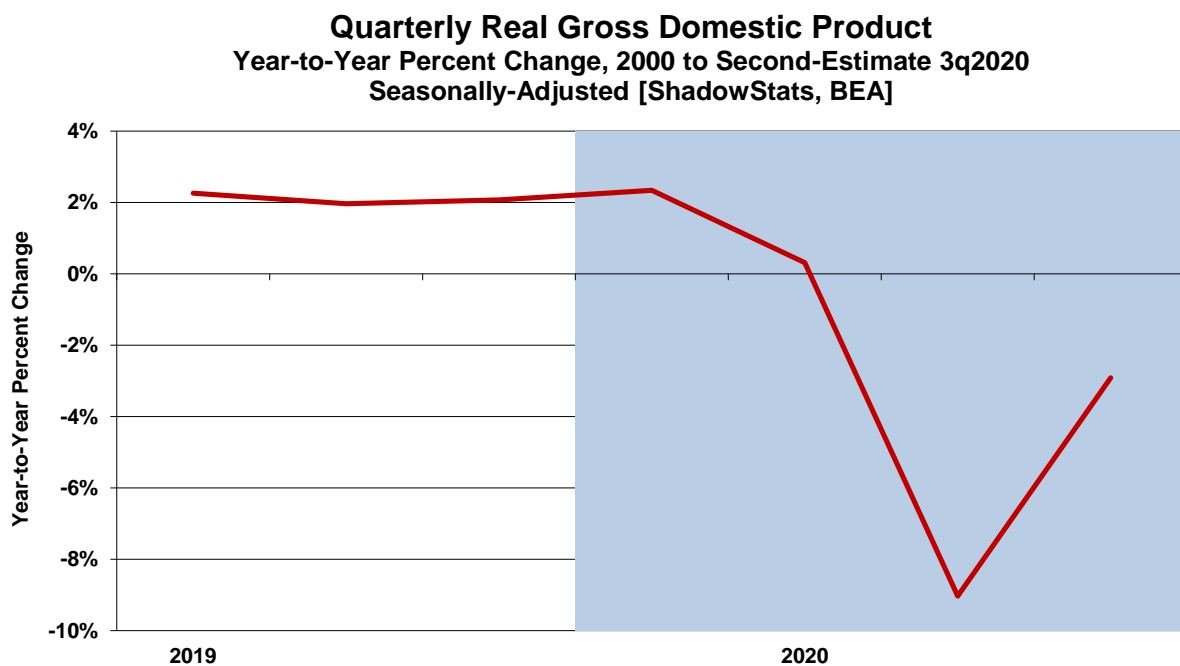
At an annualized pace, the October 2020 Real U.S. Merchandise Trade Deficit narrowed slightly to \$1,079.3 trillion, versus the record \$1,085.3 trillion pace of Third-Quarter 2020. Reported December 4th by the Census Bureau, Bureau of Economic Analysis (BEA). Where a widening or narrowing of the U.S. Trade Deficit [Deficit in Net Exports] respectively will subtract from or add to quarterly GDP growth, early Fourth-Quarter 2020 trade activity is off to a neutral start. Separately, in nominal terms, before inflation adjustment, the surplus in the Services Trade Balance, which only minimally offsets the exploding, record Merchandise Trade Shortfall, improved in revision over the last six months. The Services-side, mal-defined reporting gimmicks, such as revisions and redefinitions to imaginary “imputed financial services fees,” have little relationship to real-world trade and economic activity, other than providing minimally positive political offsets to the exploding U.S. trade shortfall disaster, which was plotted. *Graphs 50 and 51* respectively plot the quarterly (or early-quarterly trend) for the Real Merchandise Trade deficit through Fourth-Quarter 2020 and the headline second-estimate of real Net Exports from Third-Quarter 2020 GDP

[Graphs 42 to 51 begin on the next page.]

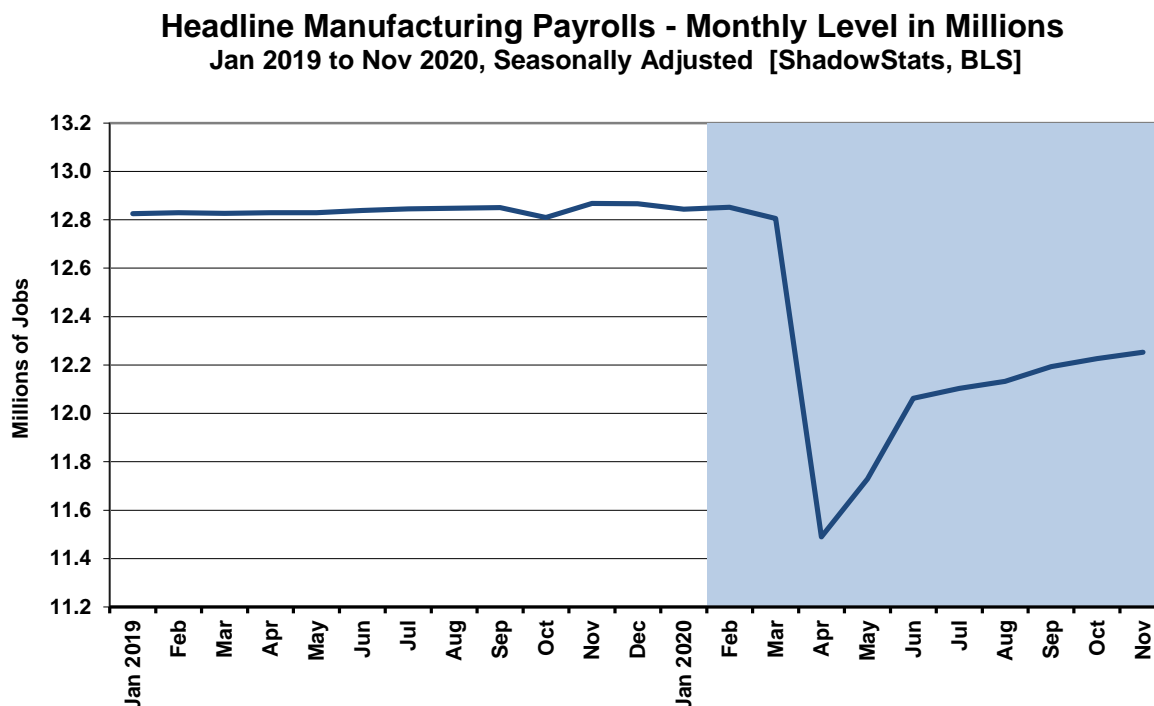
Graph 42: Real GDP (1q2019 to 3q2020)



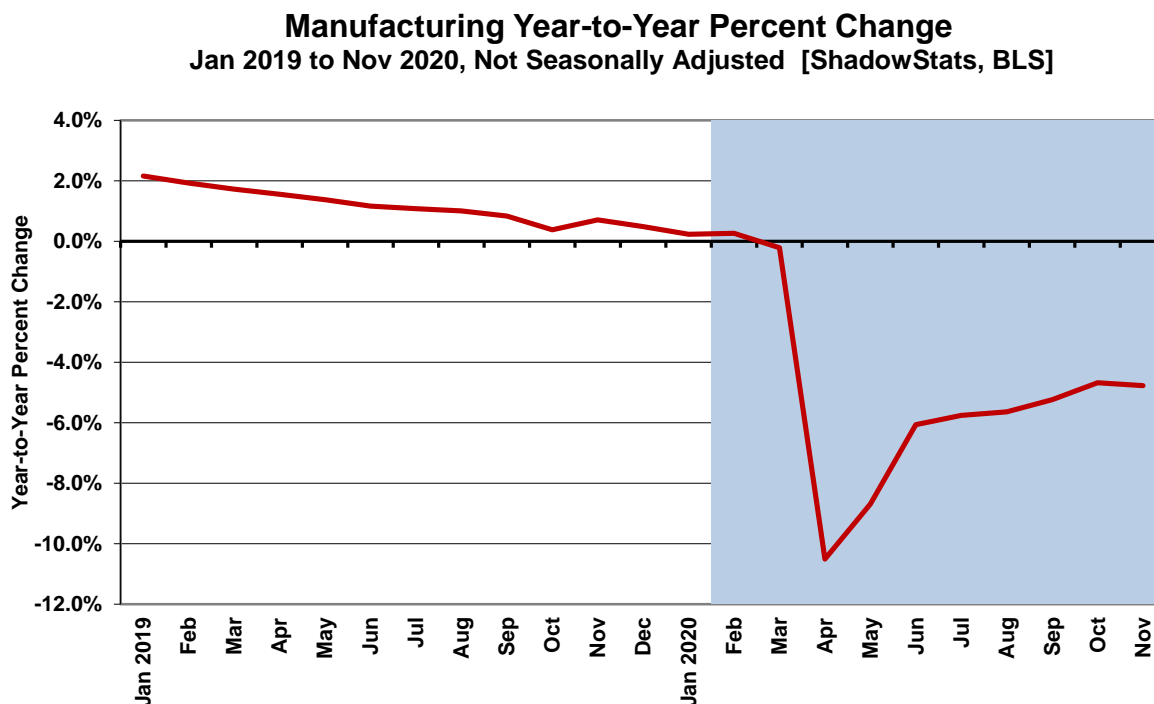
Graph 43: Real GDP, Year-to-Year Change (1q2019 to 3q2020)



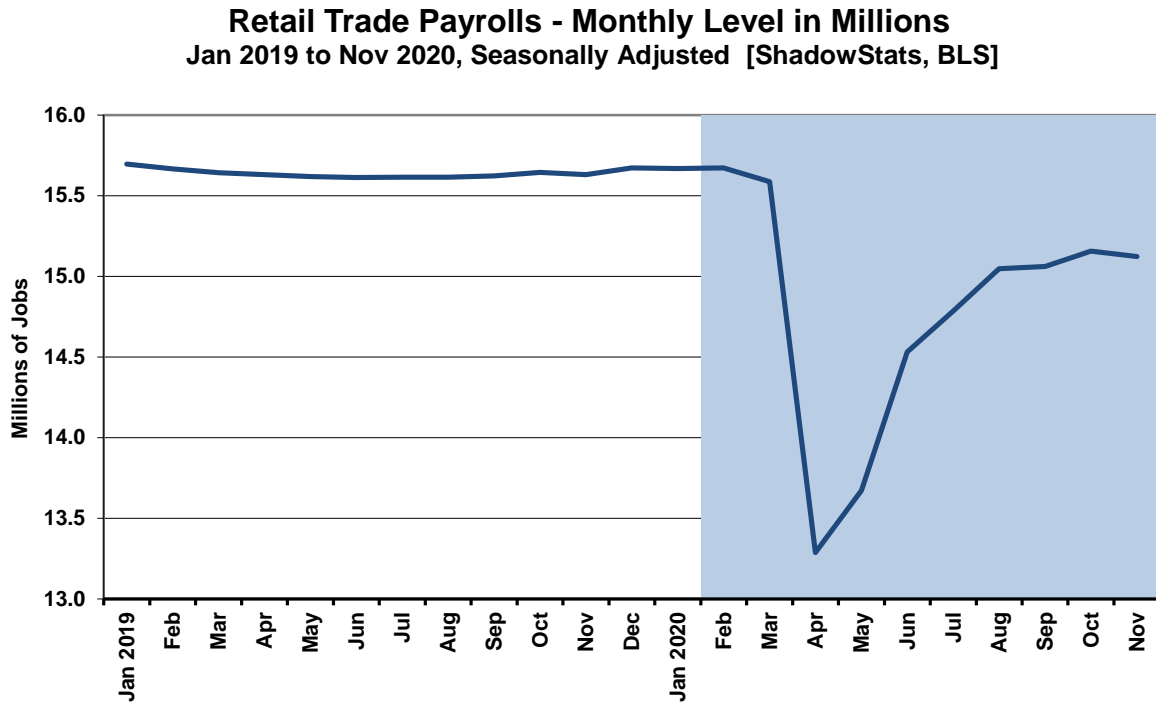
Graph 44: Manufacturing - Payroll Employment (January 2019 to November 2020)



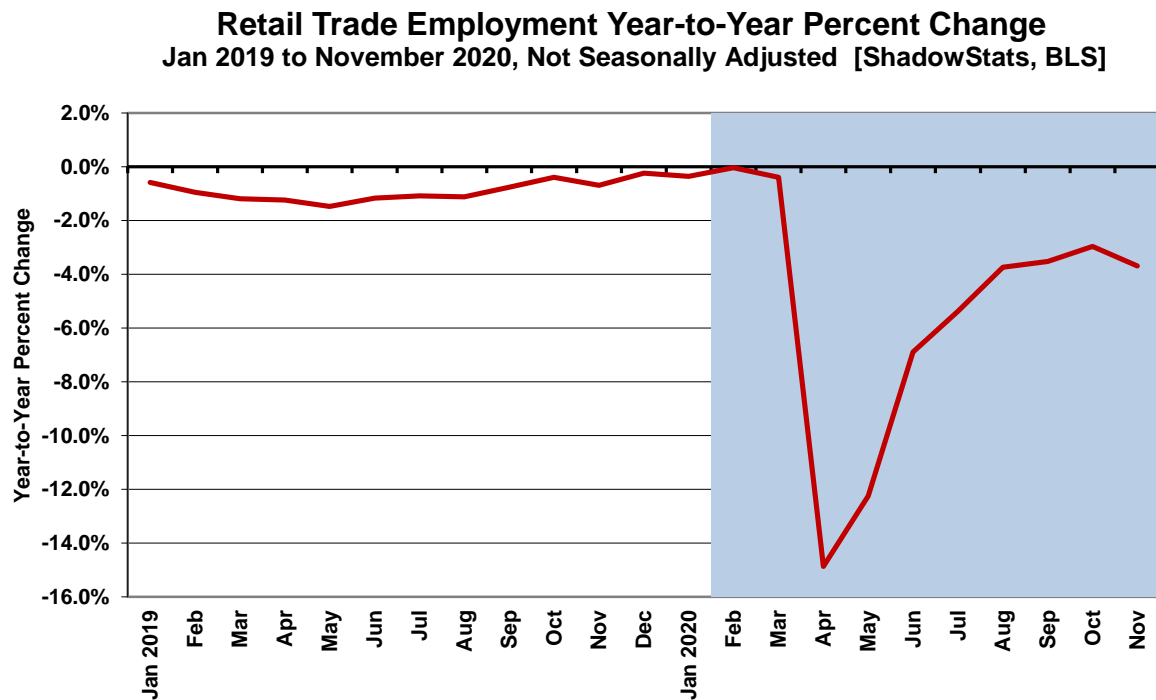
Graph 45: Manufacturing - Payroll Employment, Year-to-Year Change (January 2019 to November 2020)



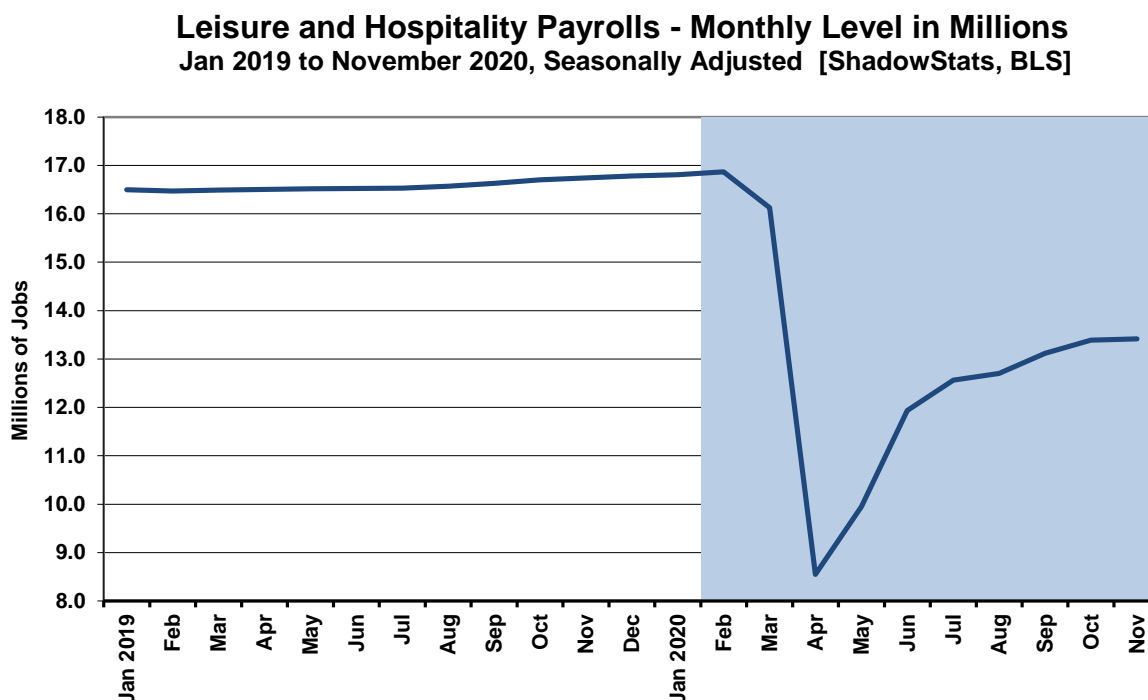
Graph 46: Retail Sales - Payroll Employment (January 2019 to November 2020)



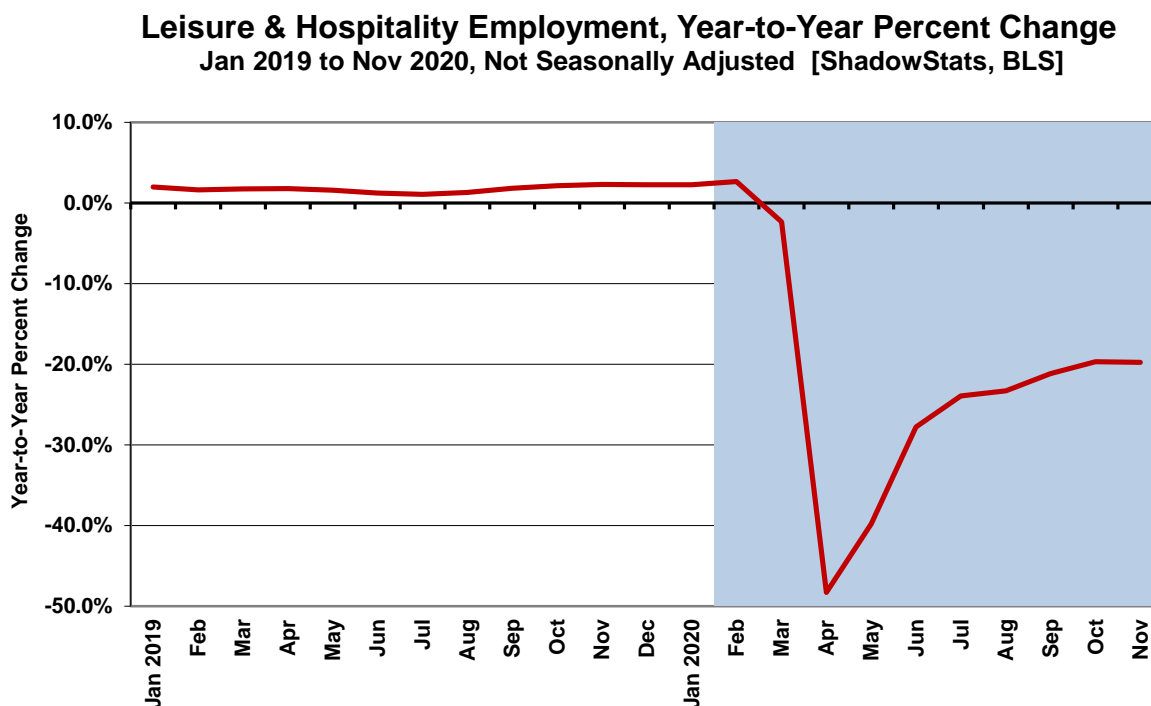
Graph 47: Retail Sales - Payroll Employment, Year-to-Year Change (January 2019 to November 2020)



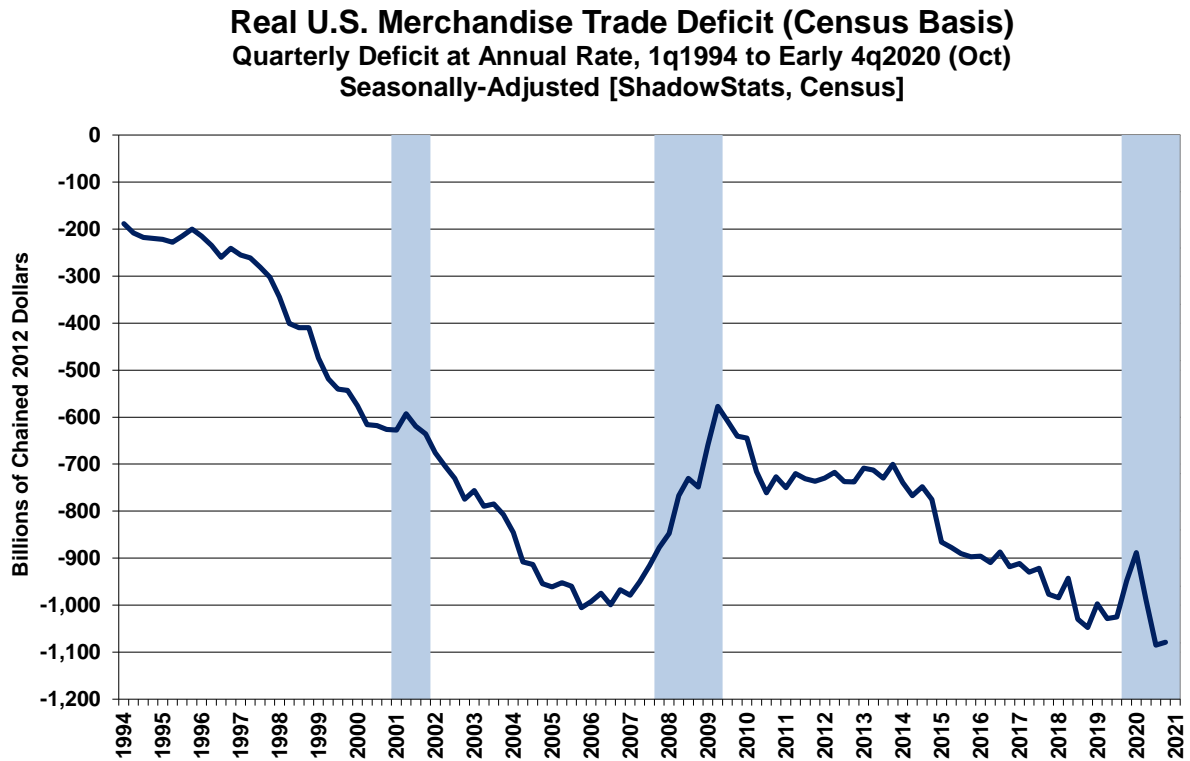
Graph 48: Leisure & Hospitality - Payroll Employment (January 2019 to November 2020)



Graph 49: Leisure & Hospitality - Payroll Employment, Year-to-Year Change (January 2019 to November 2020)



Graph 50: Real Merchandise Trade Deficit to Early Fourth-Quarter (October) 2020



Graph 51: Net Exports (GDP Accounting) Second Estimate Third-Quarter 2020



Section 5 - Construction Spending – October 2020

Real Construction Spending Gained Sharply on Top of Booming Private Residential Construction

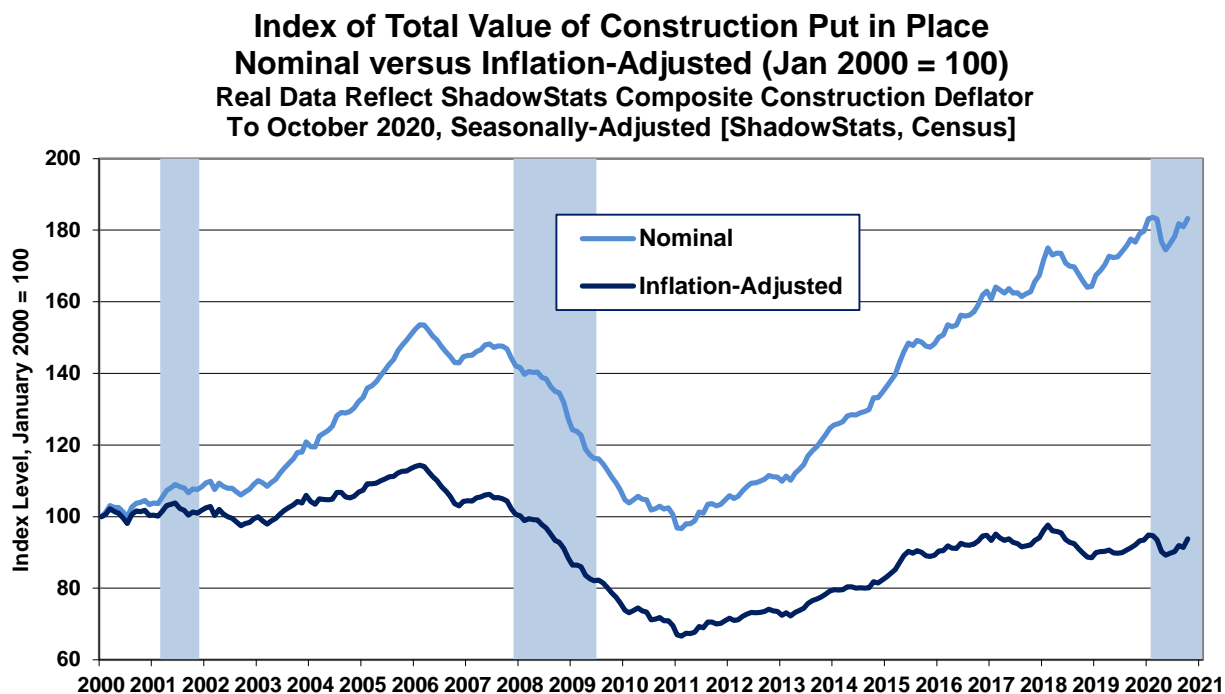
Aggregate Nominal October 2020 Construction Spending gained 3.7% in the year, 1.3% in the month, on top of upside revisions to the booming Private Residential Construction sector in August and September. As reported December 1st by the Census Bureau, in a repeating monthly pattern, aggregate October Construction Spending jumped in the month, on top of major upside revisions to Private Residential Construction and minimal revisions to relatively flat month-to-month Private Nonresidential and Public Construction Spending.

In real terms, net of growth in inflation, the dominant Private Residential Construction sector gained 12.3% year-to-year in October 2020, versus a revised 9.4% [previously 7.9%] gain in September, and a revised 9.0% [previously 5.3%] gain in August, with month-to-month real gains of 4.3% in October, 0.5% [previously 2.7%] in September and 6.7% (previously 3.1%) in August. Details are reflected in following **Graphs 42 to 45**, with **Graphs 46 and 47** plotting monthly Construction payroll employment patterns since January 2019.

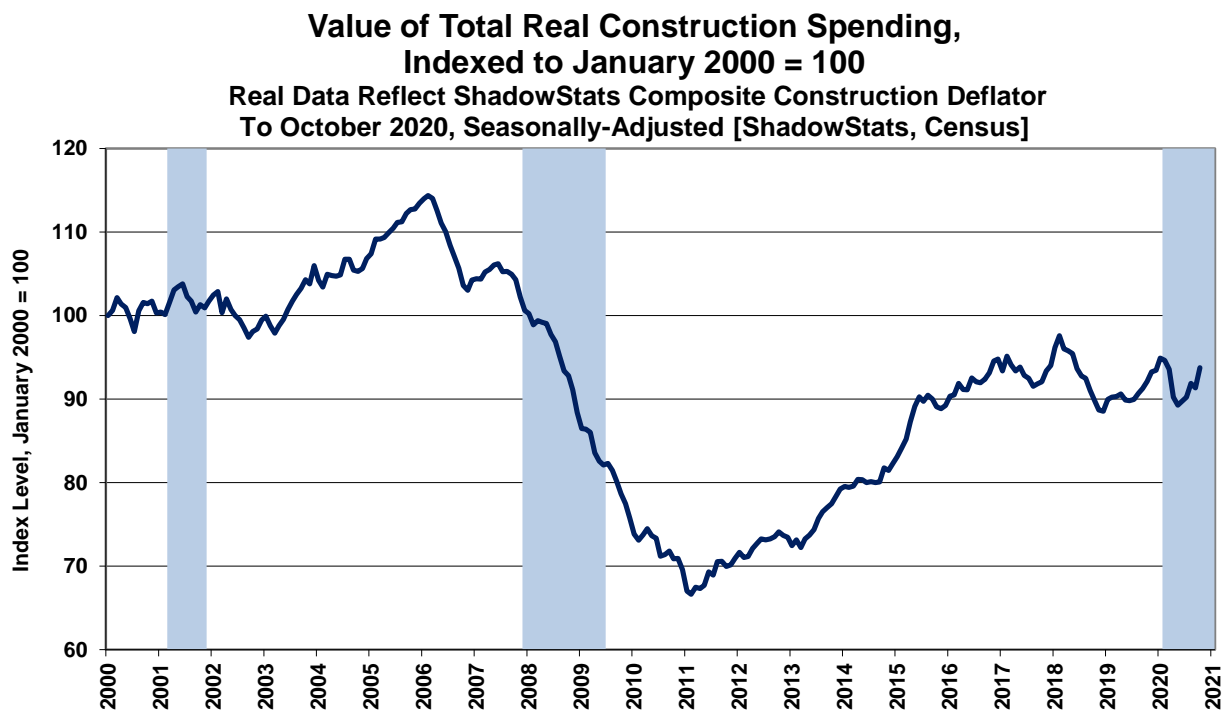
Real growth used in these graphs—adjusted for inflation—reflects growth due to underling activity as opposed to dollar growth due to increases or decreases in inflation.

[Graphs 52 to 57 begin on the next page.]

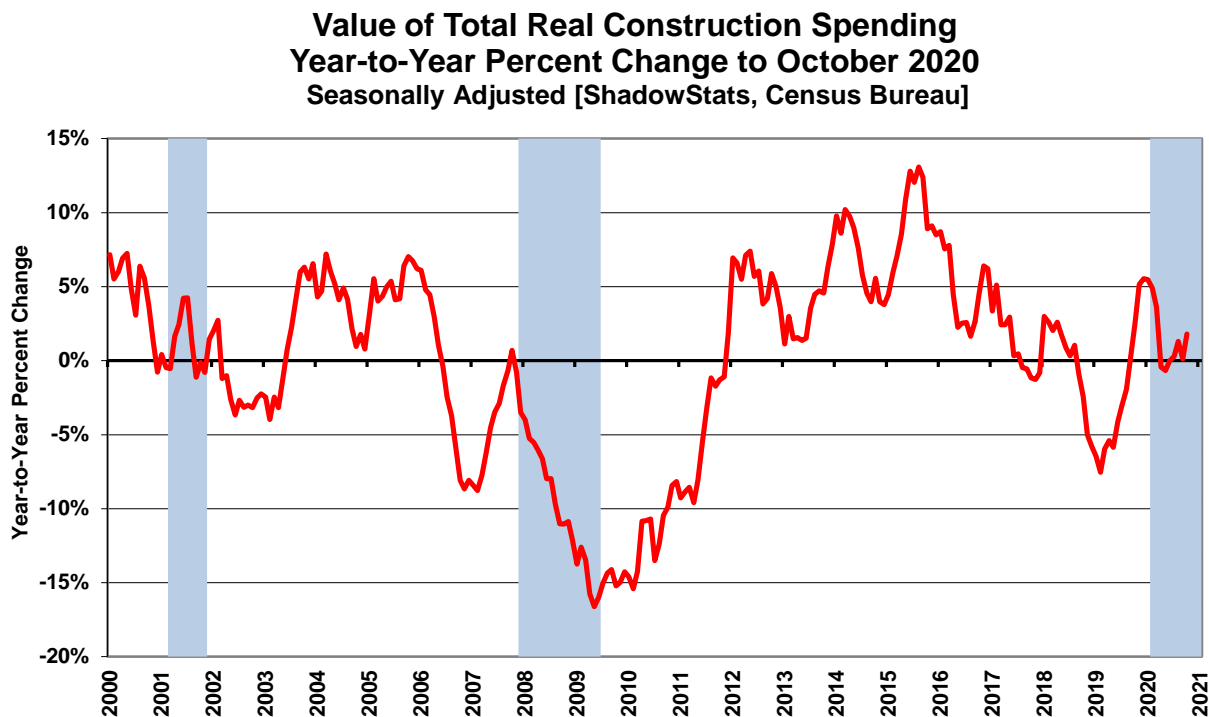
Graph 52: Index of Total Real Construction Spending Put in Place, Real versus Nominal, 2000 to October 2020



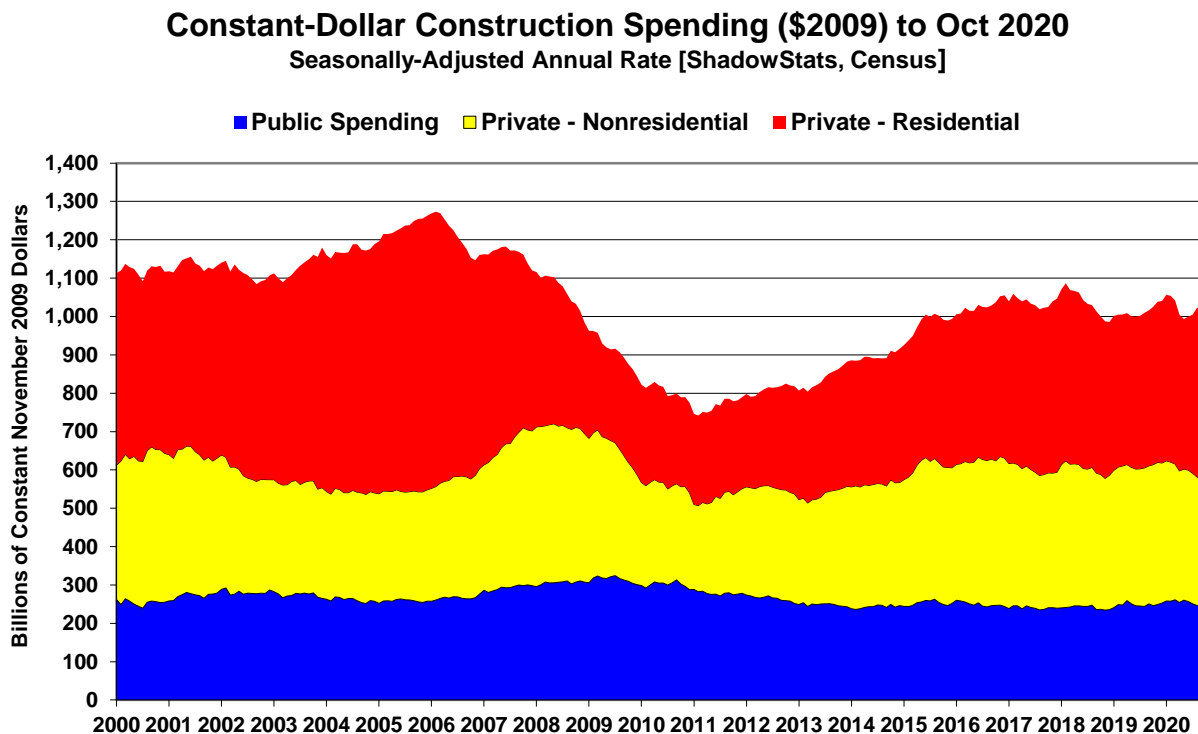
Graph 53: Value of Total Real Construction Spending Put in Place, 2000 to October 2020



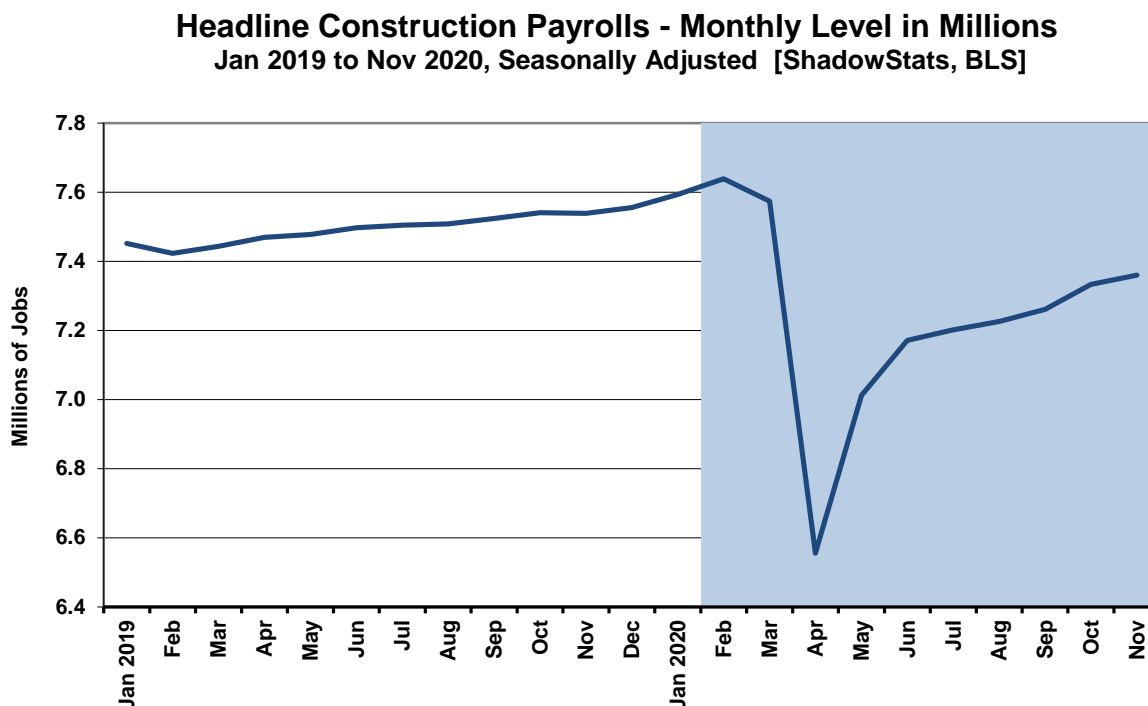
Graph 54: Value of Total Real Construction Spending Put in Place, 2000 to Oct 2020, Yr-to-Yr Percent Change



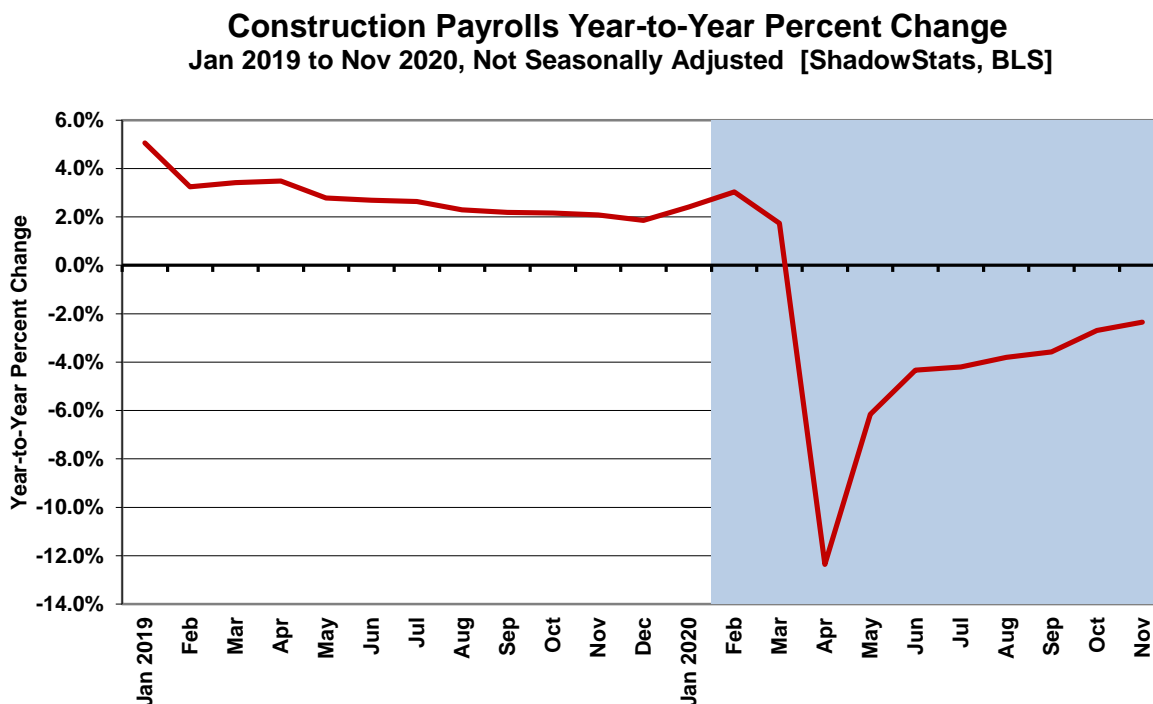
Graph 55: Value of Total Real Construction Spending Put in Place by Major Sector



Graph 56: Construction - Payroll Employment (January 2019 to November 2020)



Graph 57: Construction - Payroll Employment, Year-to-Year Change (January 2019 to November 2020)



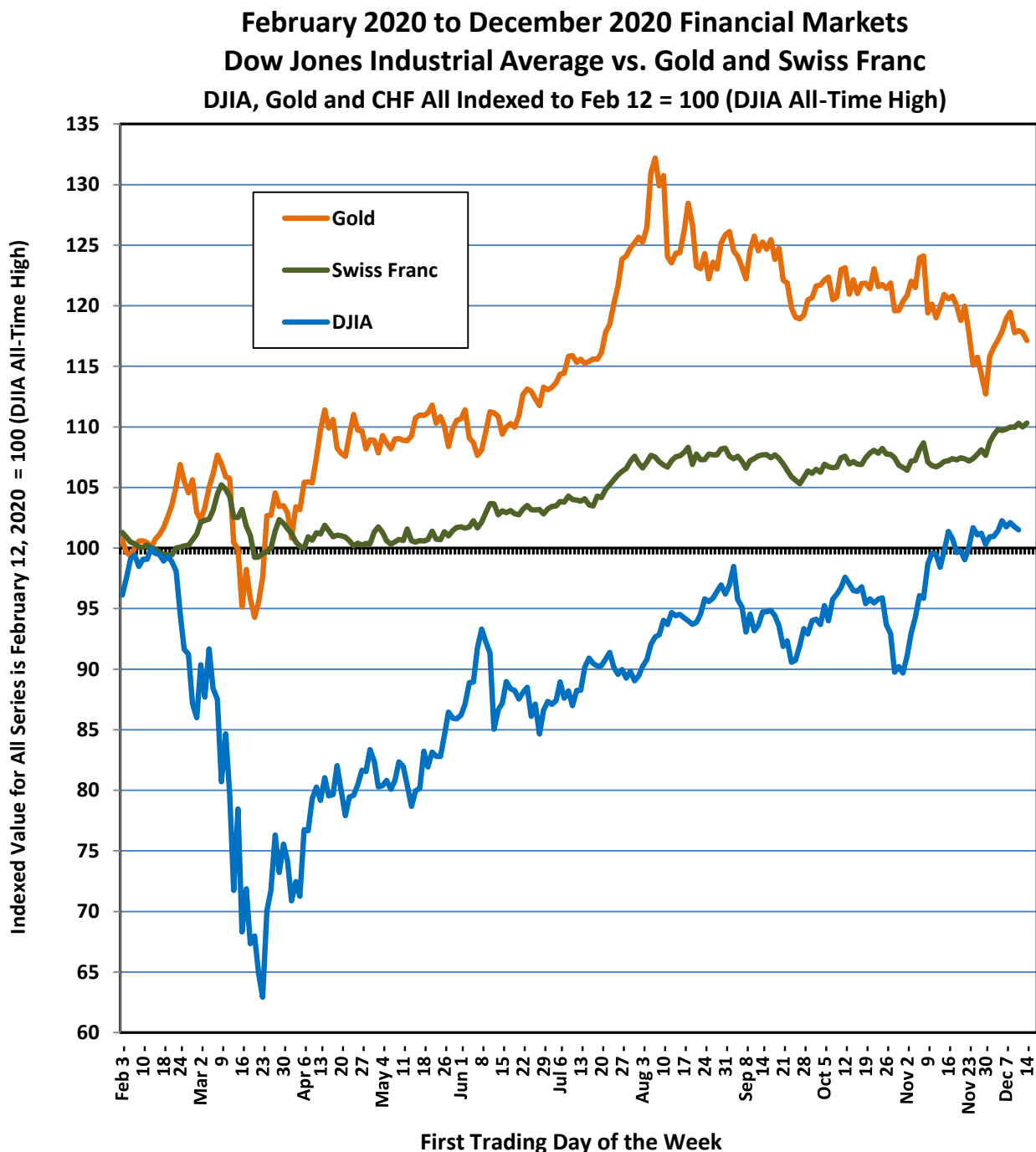
[Financial Market Graphs 58 to 66 begin on the next page.]

Section 6 - Financial Market Graphs Updated to December 14, 2020

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

Holding Physical Gold and the Swiss Francs Protects U.S. Dollar Purchasing Power

Graph 58: February 3 to December 14, 2020 Daily Financial Markets (Dow Jones Industrial Average)



DJIA and S&P 500 Hold Near Recent Peak Levels

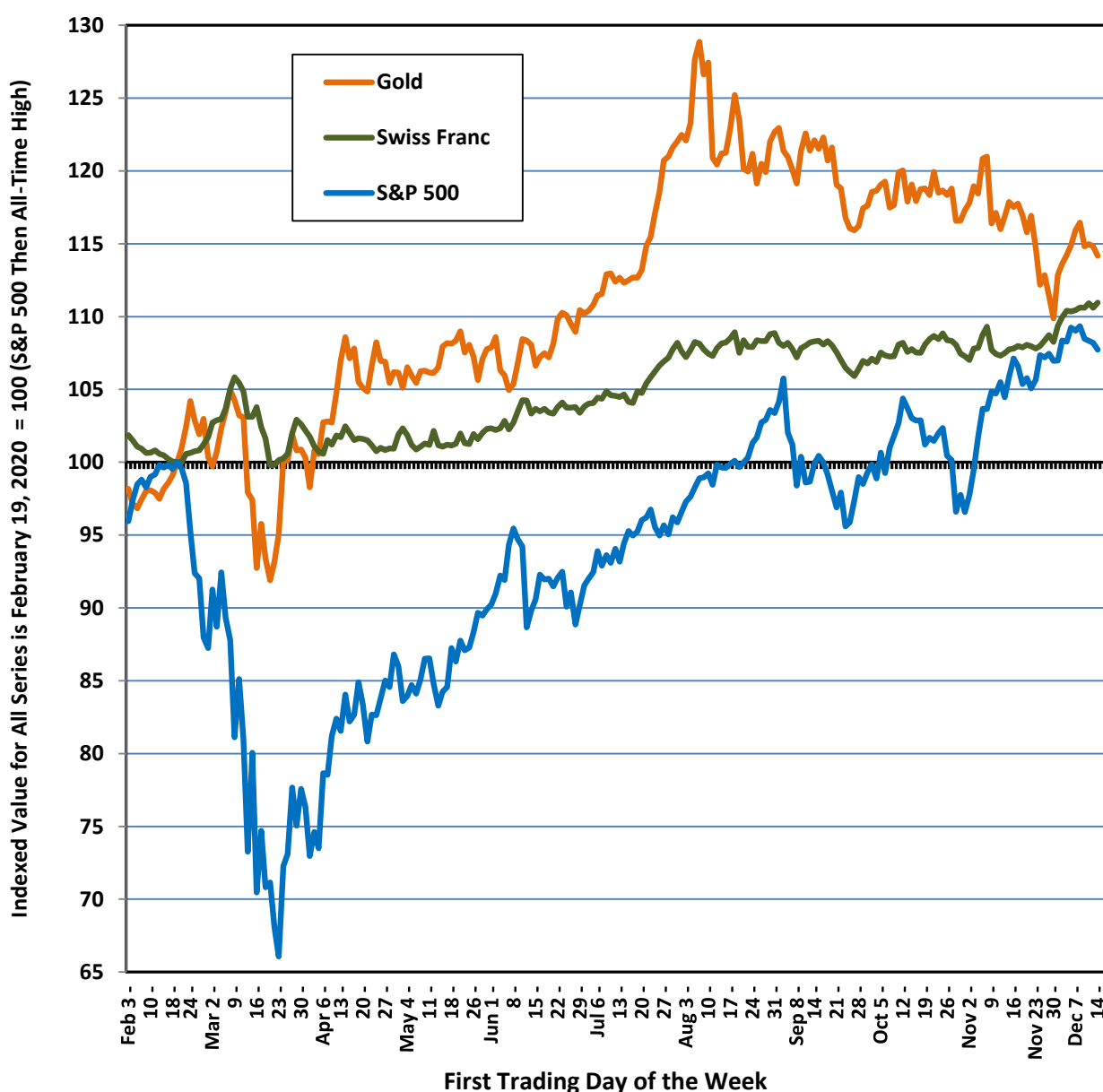
Graphs 58 and 59 plot the Dow Jones Industrial Average and the S&P 500 against Gold (London PM Fix) and the Swiss Franc (CHF, 4 PM New York), with each instrument set equal to 100.0, coincident with the pre-Coronavirus stock-market record closing highs in February 2020. Massive new fiscal and monetary 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.

Graph 59: February 3 to December 14, 2020 Daily Financial Markets (S&P 500)

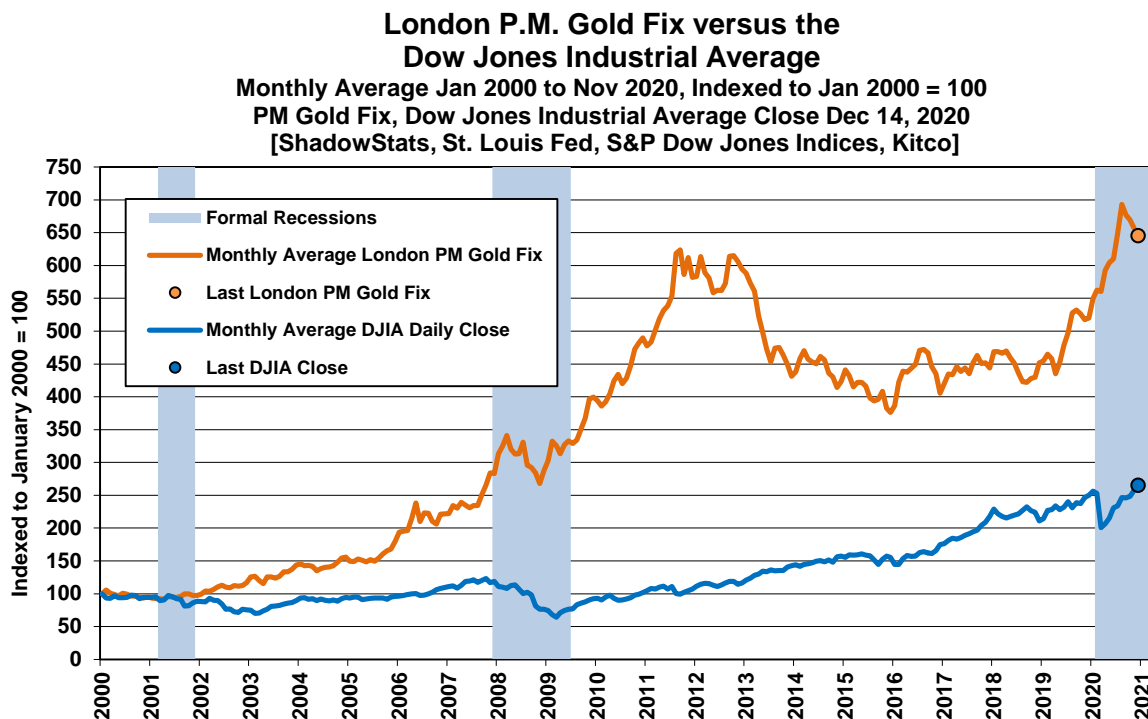
February 2020 to December 2020 Financial Markets

S&P 500 vs. Gold and Swiss Franc

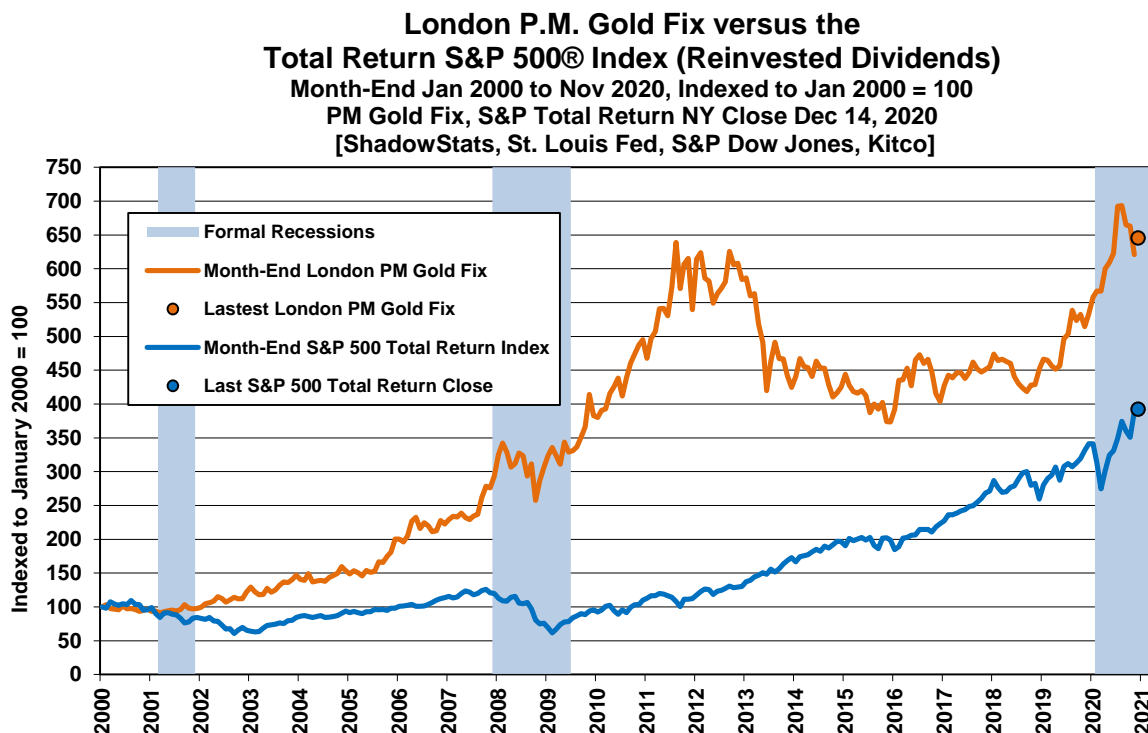
S&P 500, Gold, CHF Indexed to Feb 19 = 100 (S&P 500 Then All-Time High)



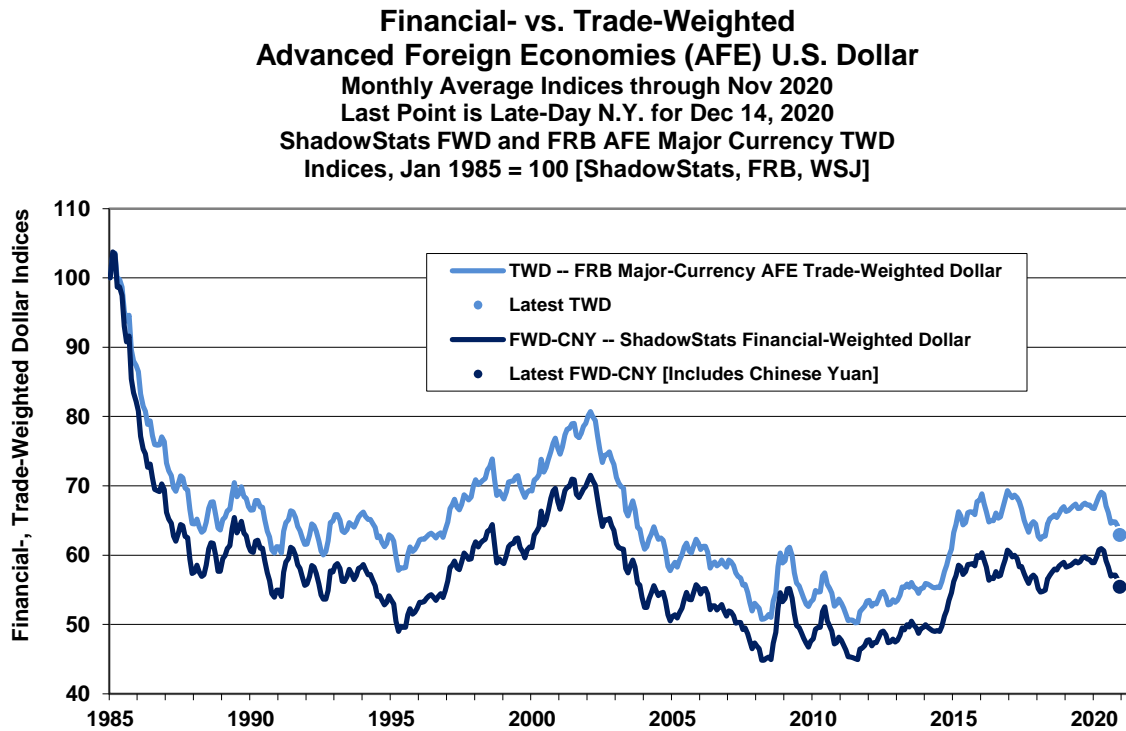
Graph 60: Dow Jones Industrial Average versus Gold (Monthly Average and Latest)



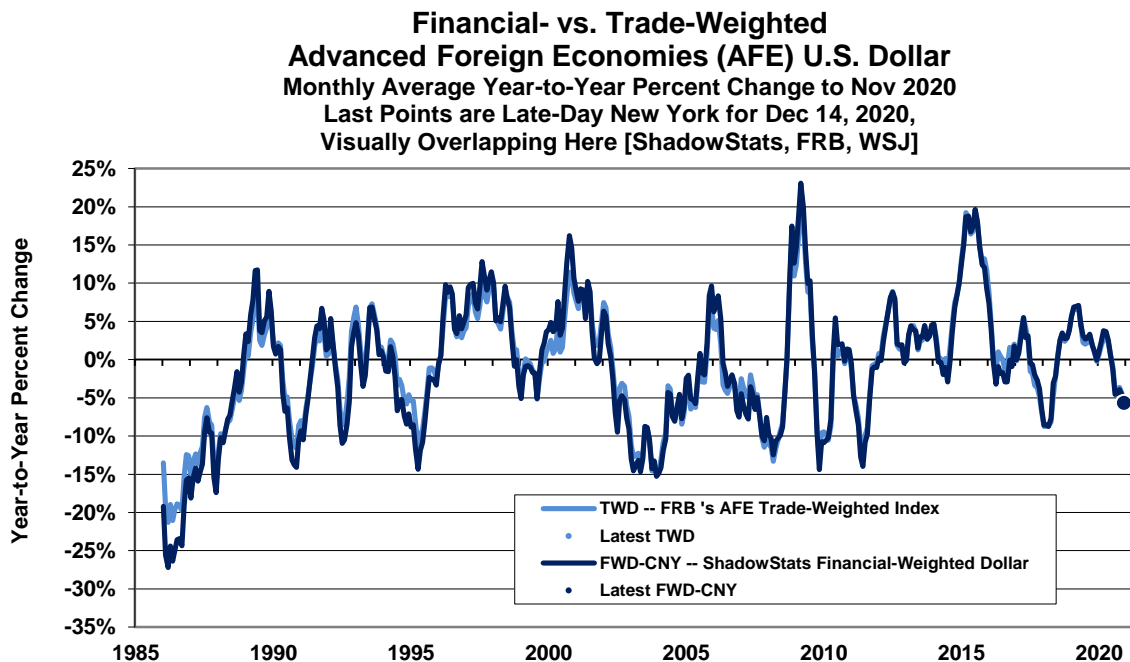
Graph 61: Total Return S&P 500® versus Gold (Month-End and Latest)



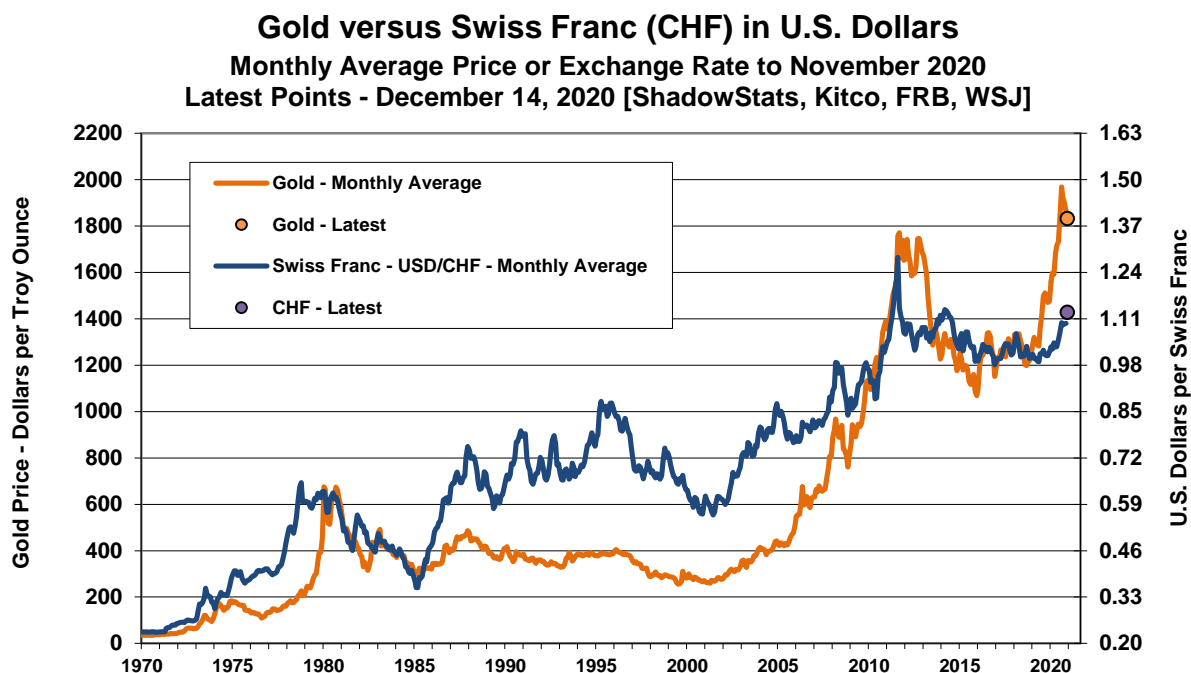
Graph 62: U.S. Financial- vs. Trade-Weighted U.S. Dollar



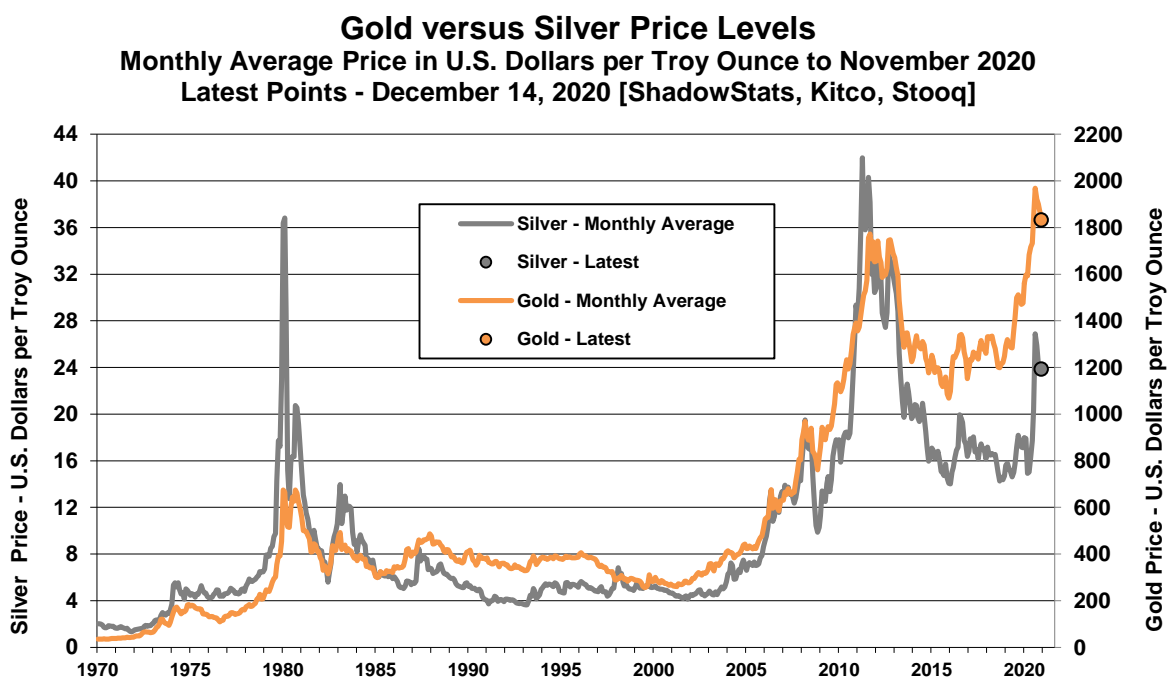
Graph 63: U.S. Financial- vs. Trade-Weighted U.S. Dollar, Year-to-Year Change



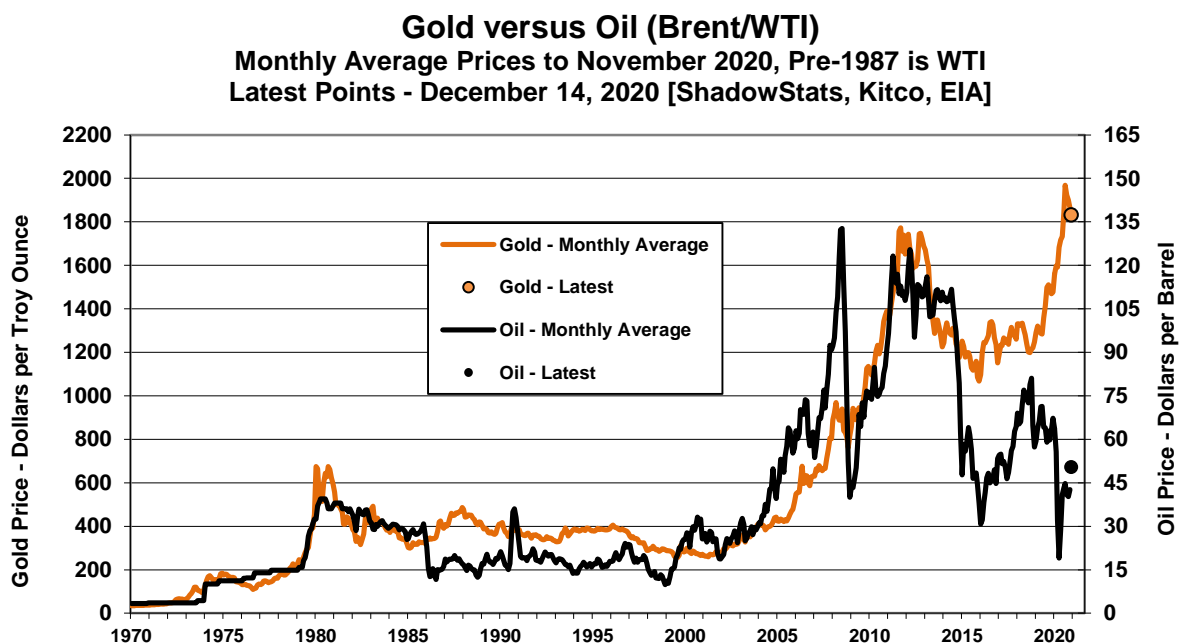
Graph 64: Gold versus Swiss Franc



Graph 65: Gold versus Silver



Graph 66: Gold versus Oil



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