

## **ShadowStats Flash Update No. 22**

**January 2020 Retail Sales, Industrial Production, Consumer Price Index**

**February 17, 2020**

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**A Second Straight, Negative Holiday-Shopping Season, as the Revised Fourth-Quarter Real Retail Sales Contraction Deepened to 0.6% (-0.6%), the First Quarterly Downturn Since the 2014 to 2016 Mini-Recession**

**January 2020 Real Retail Sales gained 0.1% in the Month, but Declined by 0.1% (-0.1%), Net of Revisions, Amidst Slowing Annual Growth**

**Downside Historical Revisions to Retail Sales Should Surface in the Just-Scheduled April 27th Annual Benchmarking (See Flash Update No. 21)**

**Collapsing off Peak Levels, Industrial Production Capacity Utilization Timed the Great Recession Onset of December 2007, the 2014-2016 Mini-Recession Onset of December 2014, and November 2018 Onset of the Currently Unfolding Recession**

**January 2020 Mining Activity Rose, but Weaker Manufacturing and Irregularly, Weather-Depressed Utilities, Knocked Aggregate Production Lower by 0.3% (-0.3%) in the Month**

**Downside Historical Revisions to Manufacturing (Industrial Production) Loom in Annual Benchmarkings Scheduled for This Summer**

**On the Upswing for Four Straight Months, January 2020 Unadjusted Year-to-Year Consumer Price Inflation (CPI-U) Jumped to a 15-Month High of 2.5%, from 2.3% in December 2019**

**Subject to Revised Seasonally Adjusted CPI and Payroll Revisions, Related January 2020 Year-to-Year Real Earnings Held Flat for All Non-Farm Employees**

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## Overview

### Continued Signals of a Faltering, Not Booming, Economy

**Discussed in Prior [Flash Update No. 21](#), Missing Reporting of the 2018/2019 Recession Started to Surface in the 2019 Payroll Employment Benchmarking.** Reviewed here is the headline reporting of January 2020 Retail Sales, which is subject to major downside revisions in the just-scheduled April 27, 2020 Annual Benchmark Revision, and reporting of January 2020 Industrial Production, which also is subject to major downside revisions in its “Summer” 2020 Annual Benchmark Revision. Prospects for both series remained consistent with an unfolding economic downturn, not with Wall Street’s heavily hyped and touted “Economic Boom,” and not with the FOMC’s overly touted “Sustainable Moderate Economic Growth.” Full coverage of the increasingly visible economic downturn follows in *Special Bullet Edition Commentary No. 19-B*.

Some of the graphs of related Retail Sales Employment from *No. 21* are repeated here, along with parallel graphs of current, pre-benchmarking Real Retail Sales (see *Graphs 4 to 17*, beginning on page 9). As to Industrial Production, the current Capacity Utilization reading clearly shows the pattern that traditionally marks the onset and deepening of a major economic downturn, often defining the onset of a formal recession (see *Graph 18* on page 18). Also covered in today’s *Flash Update No. 22* is headline reporting of January 2020 Consumer Inflation, the Consumer Price Index (CPI-U), which just went through its annual seasonal-adjustment revisions for the prior five years of data. The not-seasonally-adjusted CPI-U numbers, which never are revised, once reported, increased year-to-year for the fourth straight month to a fifteen-month high of 2.5%.

Detailed in what should be this weekend’s *Special Bullet Edition Commentary No. 19-B*, recent economic and monetary data, and unfolding Federal Reserve and Administration actions, policies and proposals will be put into broad economic context with the current economic reporting and trends.

Separately, when released in the next couple of days, the January 2020 CASS<sup>TM</sup> Freight Index will be covered in the headline details of the *Daily Update* section on the [www.ShadowStats.com](http://www.ShadowStats.com) home page, followed shortly thereafter by an extremely brief and limited *Flash Update No. 23*.

**Indeed, important new data and developments are reviewed regularly in the *Daily Update* section of [www.ShadowStats.com](http://www.ShadowStats.com). Please call any time with a question, or if you just would like to talk,**

**Best Wishes -- John Williams (707) 763-5786, [johnwilliams@shadowstats.com](mailto:johnwilliams@shadowstats.com)**

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## Contents – Flash Update No. 22

|  |           |
|--|-----------|
| <b>Overview</b>  | <b>2</b>  |
| <b>Continued Signals of a Faltering, Not Booming, Economy</b>  | <b>2</b>  |
| <b>January 2020 CPI and Real Earnings</b>  | <b>5</b>  |
| <i>Graph 1: Real Average Weekly Earnings, Production and Supervisory, Deflated by CPI-W vs. ShadowStats</i>          | <i>6</i>  |
| <i>Graph 2: Official CPI vs. ShadowStats Alternate (1990-Based)</i>  | <i>7</i>  |
| <i>Graph 3: Official CPI vs. ShadowStats Alternate (1980-Based)</i>  | <i>7</i>  |
| <b>January 2020 Retail Sales</b>   | <b>8</b>  |
| <b>FOMC Rate Hikes in 2017/2018 Weakened Consumer Liquidity and the Economy</b>                                      | <b>8</b>  |
| <b>Fed Malfeasance Set the November 2018 Onset of a New Recession</b>  | <b>8</b>  |
| <b>Consumers Cut Real Spending in Both the 2018 and 2019 Holiday Shopping Seasons</b>                                | <b>8</b>  |
| <i>Graph 4: Real Retail Sales, 1947-to-Date</i>  | <i>9</i>  |
| <i>Graph 5: Real Retail Sales, Year-to-Year Change, 1948-to-Date</i>   | <i>9</i>  |
| <i>Graph 6: Real Retail Sales, 2000-to-Date</i>  | <i>10</i> |
| <i>Graph 7: Real Retail Sales, 2000-to-Date, Year-to-Year Percent Change</i>   | <i>10</i> |
| <i>Graph 8: Retail Trade Payrolls Benchmarking (2000 to 2020)</i>  | <i>11</i> |
| <i>Graph 9: Retail Trade Payrolls Benchmarking, Year-to-Year Change (2000 to 2019)</i>                               | <i>11</i> |
| <i>Graph 10: Real Retail Sales, 2016-to-Date</i>   | <i>12</i> |
| <i>Graph 11: Real Retail Sales, 2016-to-Date, Year-to-Year Percent Change</i>  | <i>12</i> |
| <i>Graph 12: Retail Trade Payrolls Benchmarking (2016 to 2020)</i>   | <i>13</i> |
| <i>Graph 13: Retail Trade Payrolls Benchmarking, Year-to-Year Change (2016 to 2020)</i>                              | <i>13</i> |
| <i>Graph 14: Leisure and Hospitality Payrolls Benchmarking (2016 to 2020)</i>  | <i>14</i> |
| <i>Graph 15: Leisure and Hospitality Payrolls Benchmarking, Year-to-Year Change (2016 to 2020)</i>                   | <i>14</i> |
| <i>Graph 16: Retail Sales Employment (Combined Retail and Leisure &amp; Hospitality) Benchmarking (2016 to 2020)</i> | <i>15</i> |
| <i>Graph 17: Retail Sales Employment (Combined Retail and Leisure) Yr-to-Yr Benchmarking (2016 to 2020)</i>          | <i>15</i> |

|   |           |
|---|-----------|
| <b>January 2020 Industrial Production – Manufacturing, Mining and Utilities</b>                   | <b>16</b> |
| <b>Capacity Utilization Plunges as Though Production Is in Recession</b>                          | <b>16</b> |
| <b>Pending Benchmark Revisions Should Be Negative</b>   | <b>16</b> |
| <b>Capacity Utilization and Benchmarking</b>  | <b>17</b> |
| <i>Graph 18: Total Industrial Capacity Utilization, Versus Recessions (2000-to-Date)</i> .....    | 17        |
| <i>Graph 19: Manufacturing, Annual Benchmarkings (2014 to 2019)</i> .....                         | 17        |
| <b>Monthly Production Sectors</b>   | <b>18</b> |
| <i>Graph 20: Index of Industrial Production (1919 to 2020)</i> .....                              | 18        |
| <i>Graph 21: Index of Industrial Production, Year-to-Year Percent Change (1920 to 2020)</i> ..... | 18        |
| <i>Graph 22: Index of Industrial Production (2000 to 2020)</i> .....                              | 19        |
| <i>Graph 23: Index of Industrial Production, Year-to-Year Percent Change (2000 to 2020)</i> ..... | 19        |
| <b>U.S. Manufacturing Never Has Recovered from the Great Recession</b>                            | <b>20</b> |
| <b>A Record 12-Plus Years (49 Quarters or 147 Months) of Economic Non-Expansion</b>               | <b>20</b> |
| <i>Graph 24: Manufacturing (1919 to 2020)</i> .....   | 20        |
| <i>Graph 25: Manufacturing, Year-to-Year Percent Change (1920 to 2020)</i> .....                  | 20        |
| <i>Graph 26: Manufacturing (2000 to 2020)</i> .....   | 21        |
| <i>Graph 27: Manufacturing, Year-to-Year Percent Change (2000 to 2020)</i> .....                  | 21        |
| <i>Graph 28: Mining (2000 to 2020)</i> .....  | 22        |
| <i>Graph 29: Mining, Year-to-Year Percent Change (2000 to 2020)</i> .....                         | 22        |
| <i>Graph 30: Utilities (2000 to 2020)</i> .....   | 23        |
| <i>Graph 31: Utilities, Year-to-Year Percent Change (2000 to 2020)</i> .....                      | 23        |



## January 2020 CPI and Real Earnings

**The January 2020 Consumer Price Index (CPI-U) Showed Annual Inflation on the Upswing for the Fourth Straight Month.** Irrespective of the traditional five years' worth of seasonal-adjustment revisions each January, the unrevised and unadjusted CPI-U continued its year-to-year uptrend for the fourth consecutive month, driven as usual by gasoline prices, not by any meaningful FOMC policies. Unadjusted year-to-year CPI-U inflation rose to 2.49% in January 2020, its highest level since October 2018, up from 2.29% in December 2019, 2.05% in November, 1.76% in October and 1.71% in September. The seasonally adjusted monthly January 2020 CPI-U rose by 0.15%, having gained a revised 0.24% [previously 0.22%] in December 2019, 0.23% [previously 0.26%] in November and 0.25% [previously 0.36%] in October, as reported February 13th, by the Bureau of Labor Statistics.

By major category, seasonally adjusted January 2020 Food inflation rose by 0.21% in the month, versus 0.15% [previously 0.16%] in December. January Energy inflation declined by 0.71% (-0.71%), having gained a revised 1.60% [1.42%] in December, with January “Core” inflation up by 0.24% in January, versus a revised 0.12% [0.11%] in December.

***The January 2020 ShadowStats Alternate CPI (1980 Base) jumped to 10.3% year-to-year, versus 10.0% in December, versus 9.8% in November and 9.5% in October.*** Graphs of that detail are found in **Graph 2** and on the Alternate Data tab of the [www.ShadowStats.com](http://www.ShadowStats.com) home page, with the latest numbers and an inflation calculator available there.

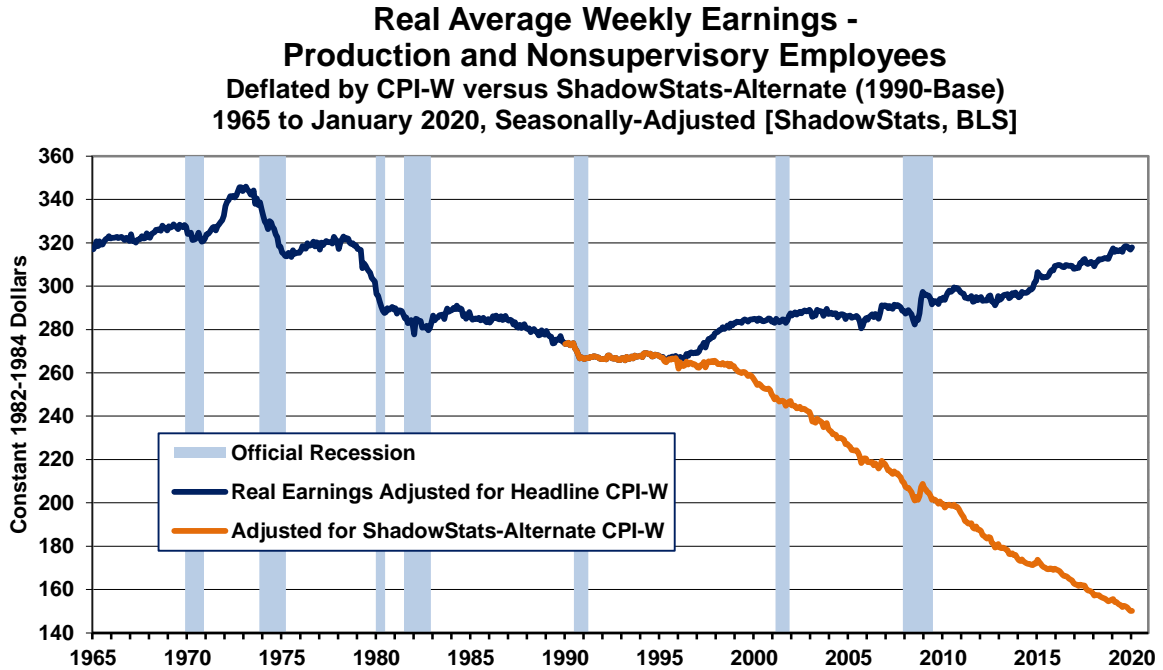
***Special Bullet Edition Commentary No. 19-B*** will include an annual review and full update of the various inflation measures, Bureau of Labor Statistics headline measures, as well as the ShadowStats Alternate Inflation measures and otherwise (see **Graphs 2** and **3**), as well as related measures of Consumer Liquidity.

**January 2020 Average Hourly and Weekly Real Earnings Were Revamped for Both the “All Employees” and “Production and Nonsupervisory Employees.”** Restated for revisions to seasonally-adjusted CPI inflation, as well as Series seasonal adjustments and the recent Payroll Benchmark Revisions, headline Average Weekly and Hourly Real Earnings changed little, other than for some revised monthly swings. Consider, though, that the new All Employees Real Earnings in January 2020 were unchanged from January 2019. Not only are Real Earnings broadly flat-to-down, so is Real Median Household Income, while growth in Real Consumer Credit Outstanding remains tepid, still holding 12%

(-12%) below its pre-Great Recession High. The average U.S. consumer remains in an FOMC-induced liquidity coma, which continues to constrict underlying broad U.S. consumer activity.

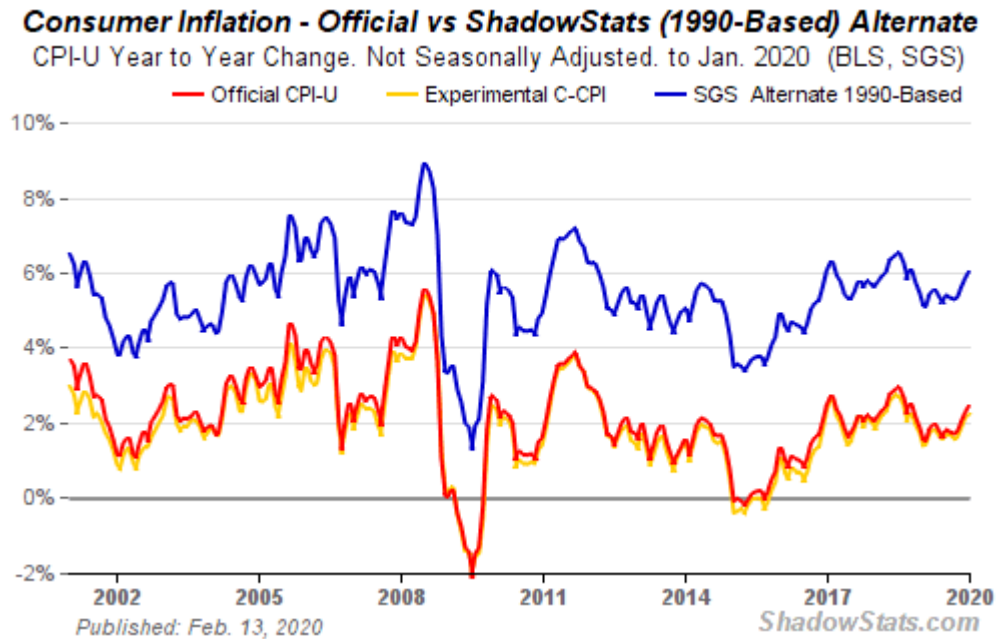
The fully revised Real Earnings numbers plotted in *Graph 3*, are for “Production and Nonsupervisory Employees” series, which has a much longer history than the “All Employees” measure. Headline Real Average Weekly Earnings for Production and Nonsupervisory Employees remains at levels seen in the late 1970s.

**Graph 1: Real Average Weekly Earnings, Production and Supervisory, Deflated by CPI-W vs. ShadowStats**

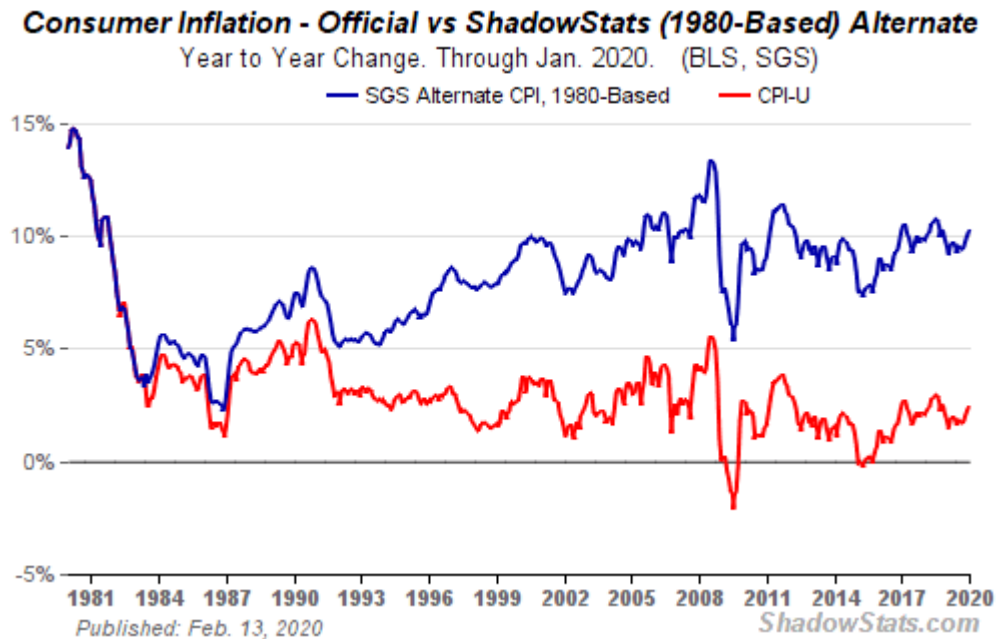


[Graphs 2 and 3 are found on the next page.]

**Graph 2: Official CPI vs. ShadowStats Alternate (1990-Based)**



**Graph 3: Official CPI vs. ShadowStats Alternate (1980-Based)**



See the *Alternate Data Tab* on the [www.shadowstats.com](http://www.shadowstats.com) Home Page, for further CPI detail and for access to the ShadowStats [Public Comment on Inflation](#).

## January 2020 Retail Sales

**FOMC Rate Hikes in 2017/2018 Weakened Consumer Liquidity and the Economy**

**Fed Malfeasance Set the November 2018 Onset of a New Recession**

**Consumers Cut Real Spending in Both the 2018 and 2019 Holiday Shopping Seasons**

**Weakness in Real Retail Sales and Consumer Spending Intensified in January 2020, with Fourth-Quarter 2019 Activity Revising Into a Deeper Quarterly Contraction.** As reported by the Census Bureau on February 14th, in the context of downside revisions to December and November 2019 Retail Sales activity, the January 2020 headline monthly gain of 0.27% in nominal Retail Sales effectively was flat, at 0.03%, net of prior month's sales revisions. In combination with the just-benchmarked CPI-U inflation, January's inflation-adjusted real gain of 0.12% was a monthly decline of 0.09% (-0.09%) net of revisions.

The annualized quarterly real contraction in Fourth-Quarter 2019 Retail Sales deepened from initial reporting of 0.40% (-0.40%) to 0.60% (-0.60%), the first quarterly decline since the 2014 to 2016 Mini-Recession. It also confirmed a second consecutive failed Holiday Shopping Season.

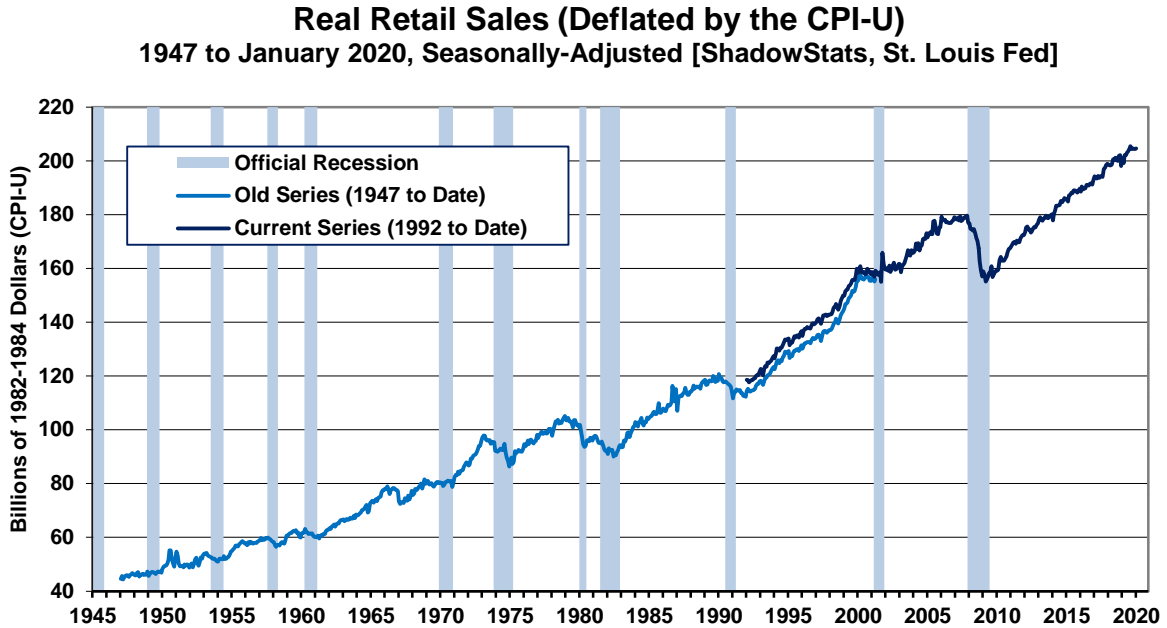
The headline January numbers were in advance of what should be major downside benchmark revisions to historical Retail Sales activity, come the April 27th Annual Benchmark Revisions as just announced February 14th, for the series, with Retail Sales payroll-revision related details fully discussed in prior [Flash Update No. 21](#).

Following **Graphs 4 to 7** show the headline Retail Sales Series as just reported, more than a month before annual revisions. **Graphs 8 and 9** plot the benchmark payroll revisions for Retail Trade, consistent with **Graphs 6 and 7**. **Graphs 10 and 11**, plot the headline Retail Sales Series for the same period as **Graphs 12 to 16** of the major downside payroll revisions to the related Retail Sales Series, again, discussed in prior [Flash Update No. 21](#). With the Retail Sales benchmarking due next month, one could expect the real sales activity (and related GDP) to revise lower, given what had been over-estimated by the Bureau of Labor Statistics and otherwise built into Retail Sales expectations.

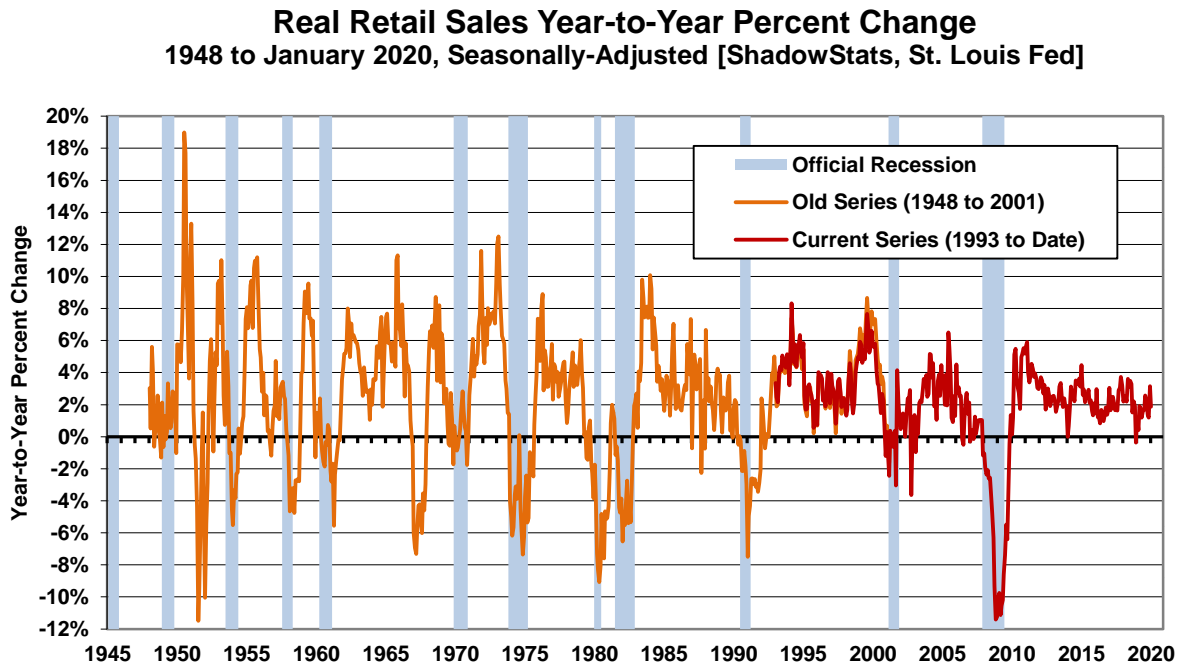
**[Graphs 4 to 17 begin on the next page.]**



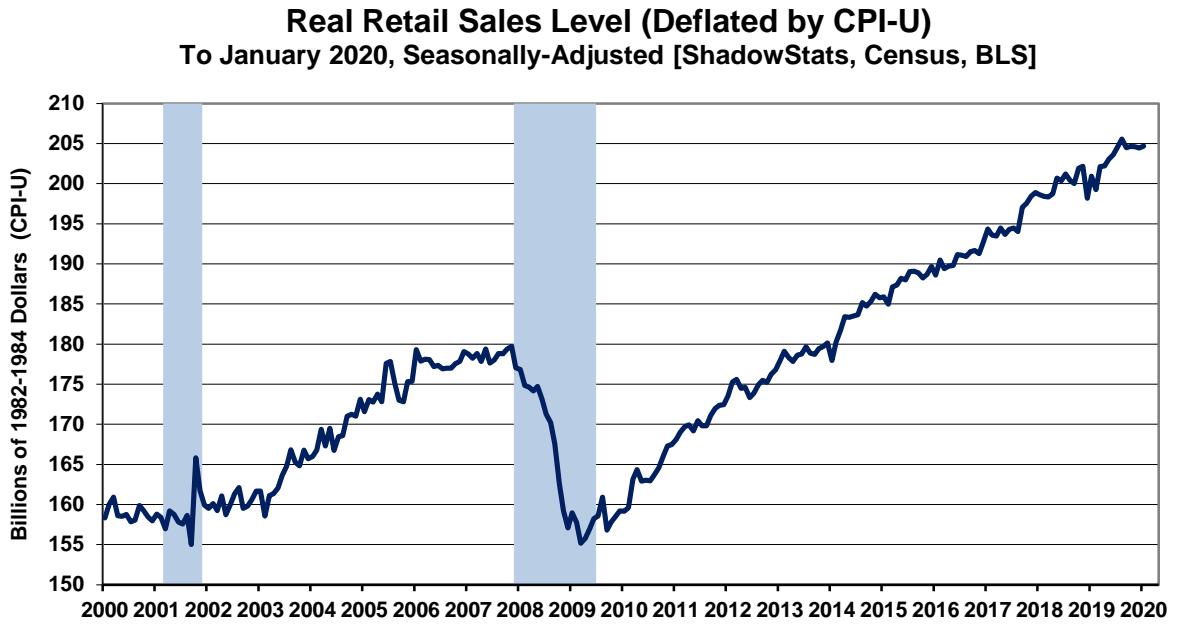
**Graph 4: Real Retail Sales, 1947-to-Date**



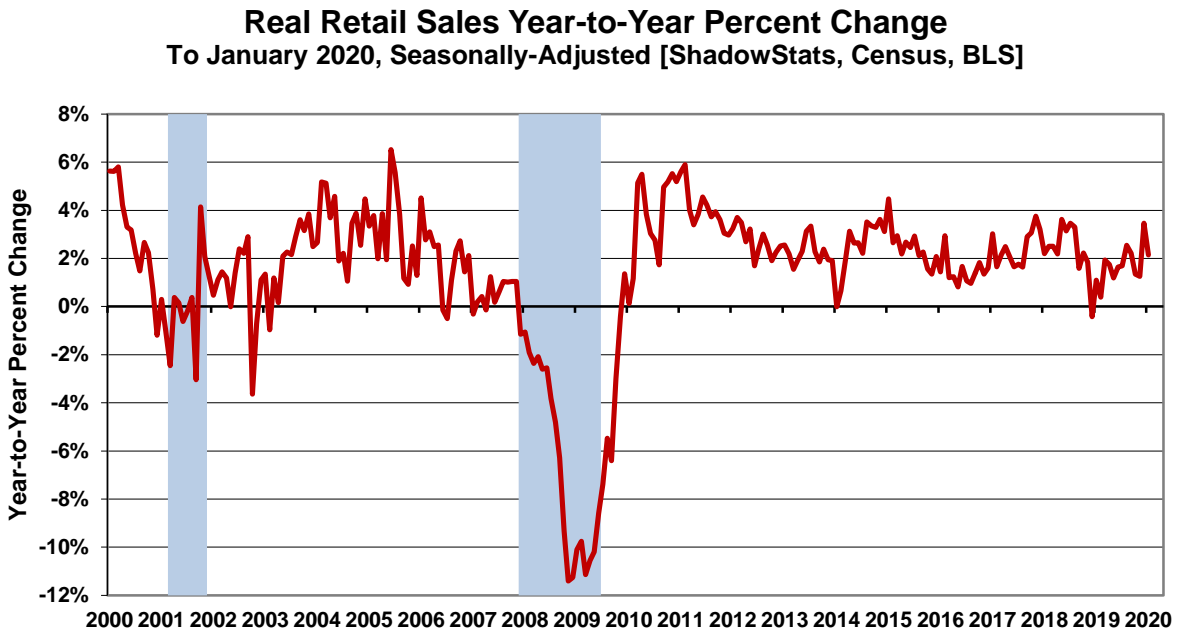
**Graph 5: Real Retail Sales, Year-to-Year Change, 1948-to-Date**



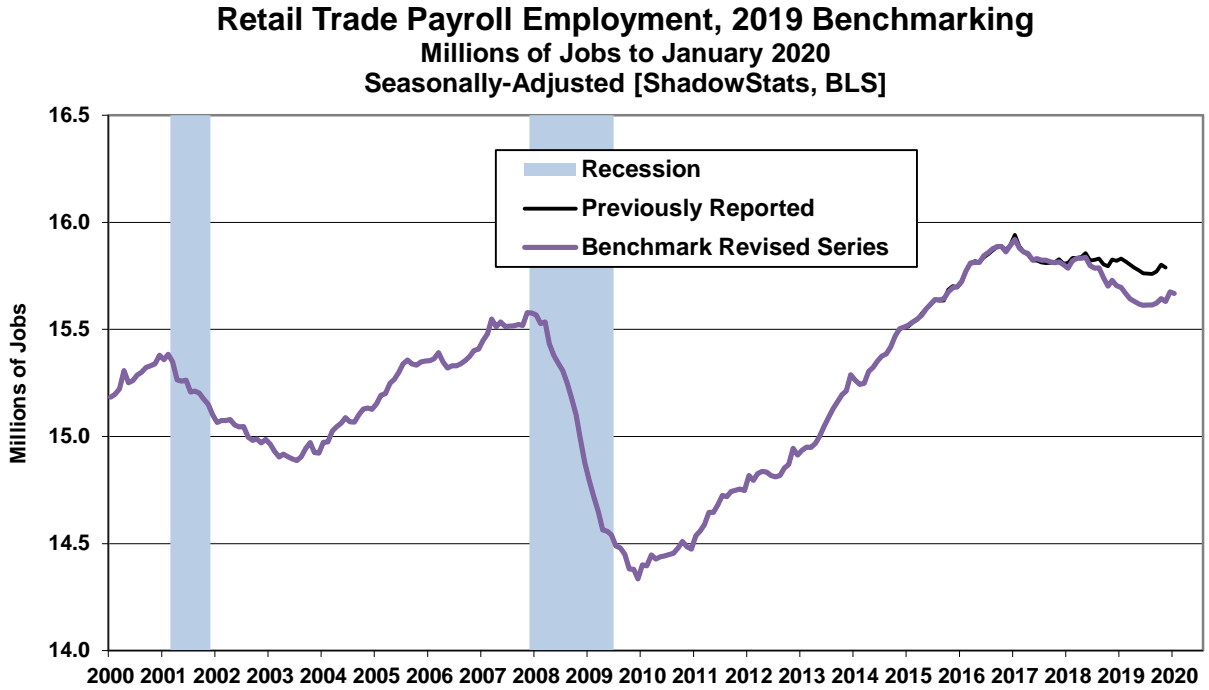
**Graph 6: Real Retail Sales, 2000-to-Date**



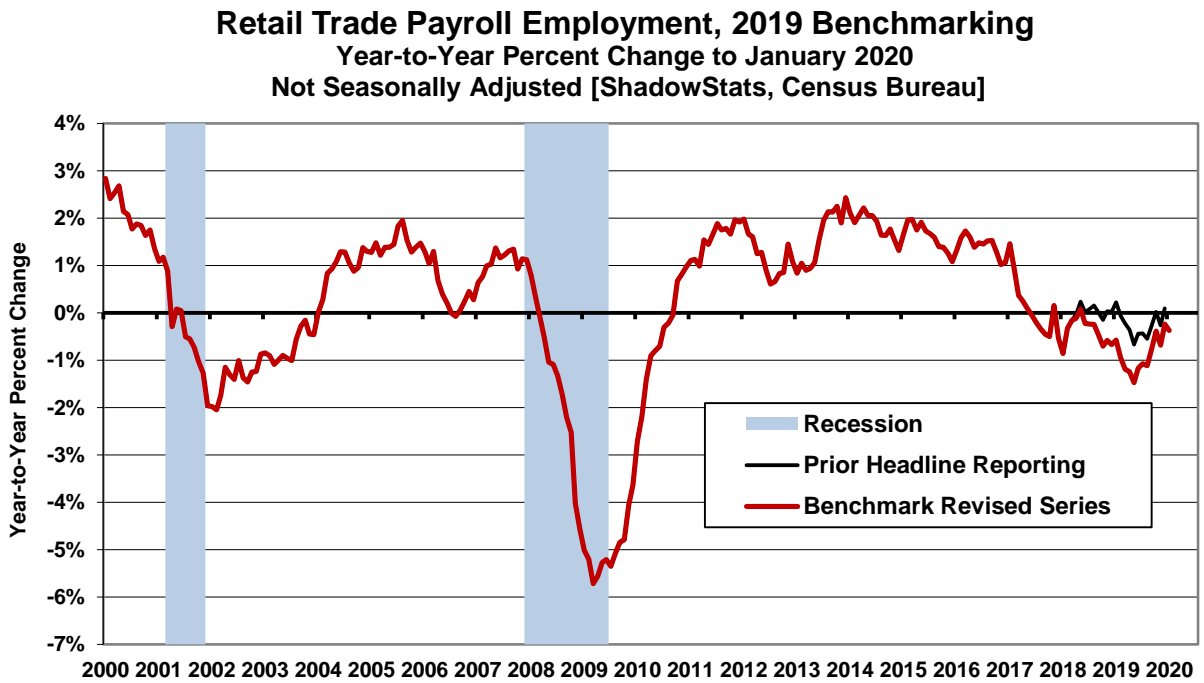
**Graph 7: Real Retail Sales, 2000-to-Date, Year-to-Year Percent Change**



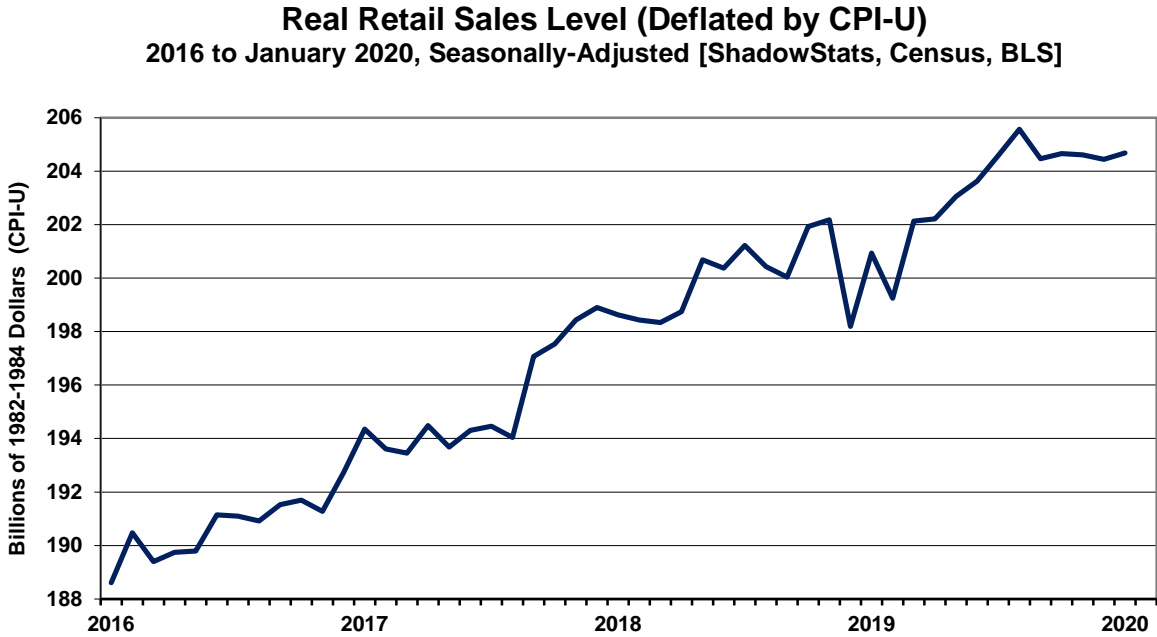
**Graph 8: Retail Trade Payrolls Benchmarking (2000 to 2020)**



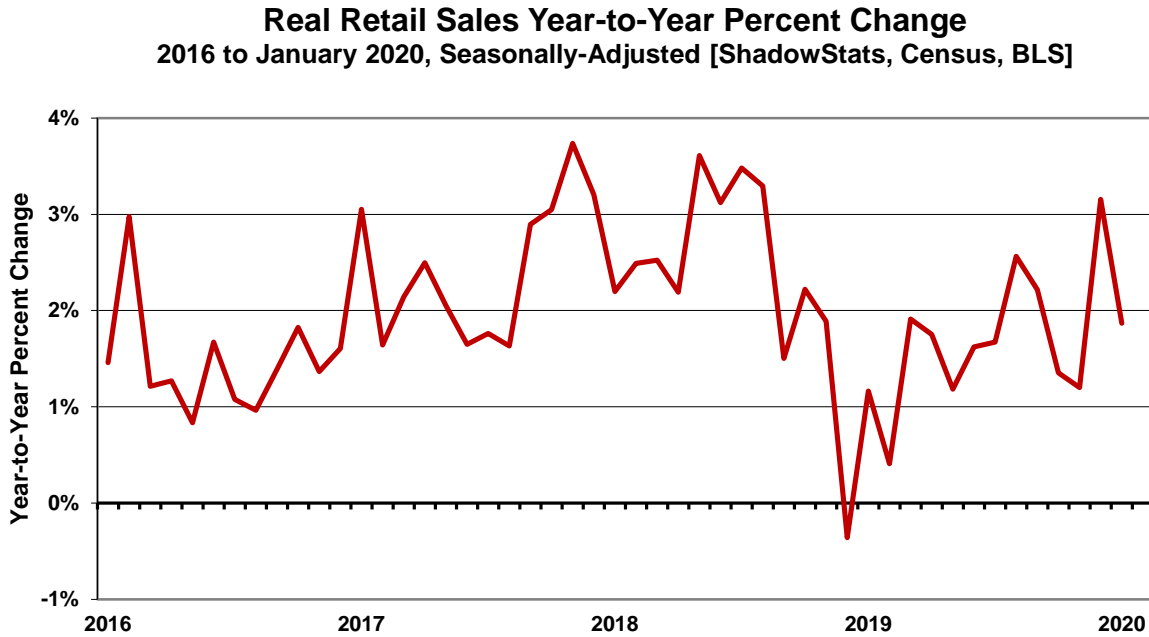
**Graph 9: Retail Trade Payrolls Benchmarking, Year-to-Year Change (2000 to 2019)**



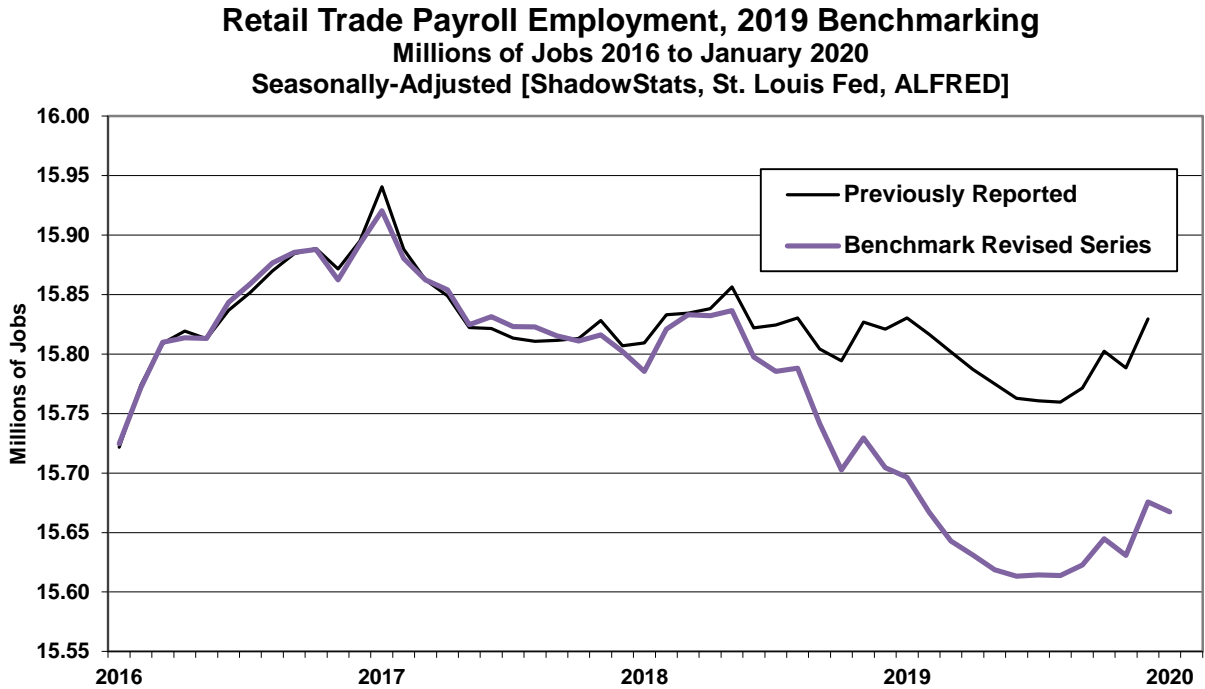
**Graph 10: Real Retail Sales, 2016-to-Date**



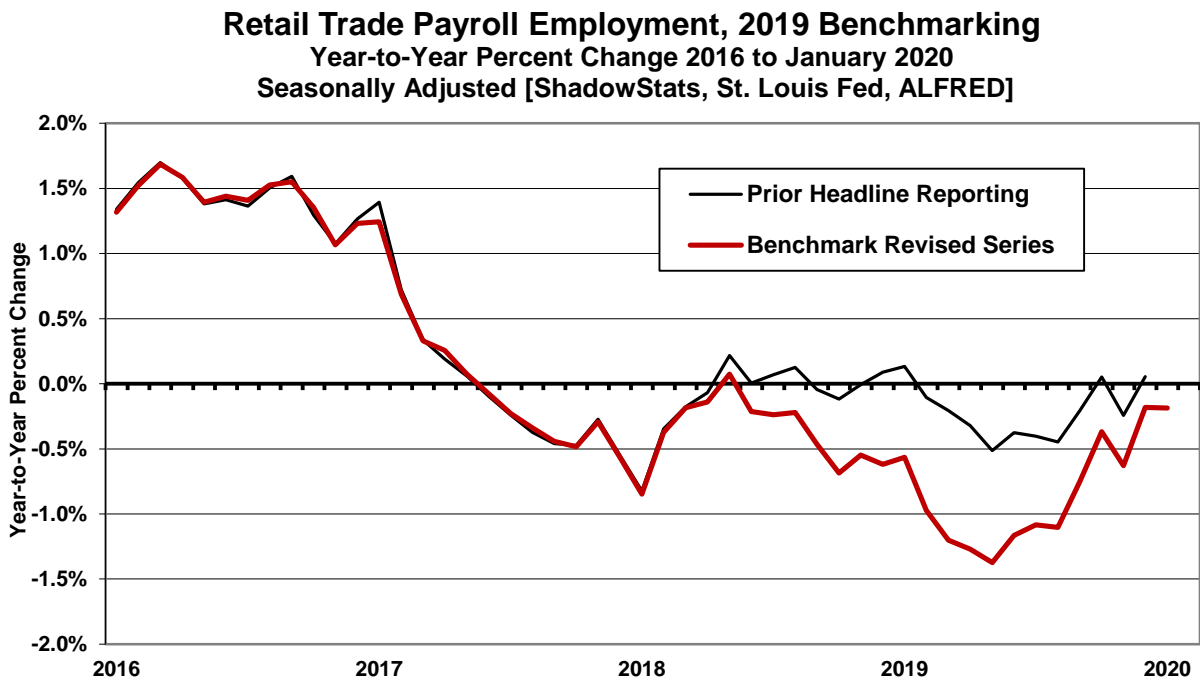
**Graph 11: Real Retail Sales, 2016-to-Date, Year-to-Year Percent Change**



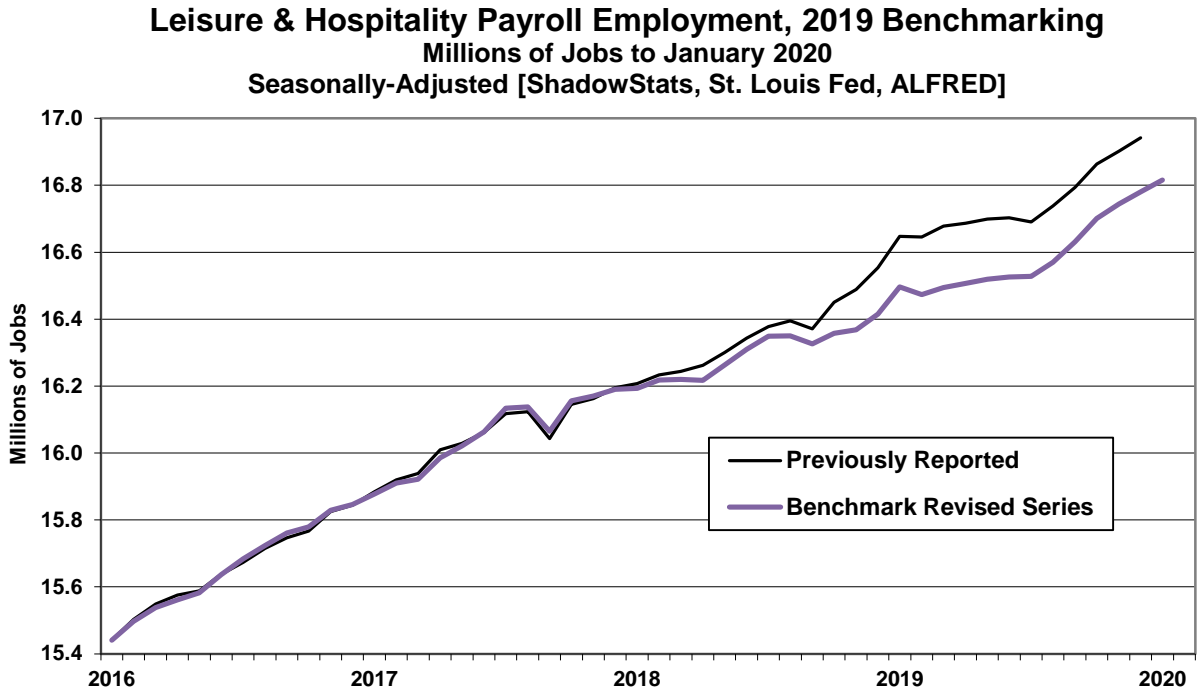
**Graph 12: Retail Trade Payrolls Benchmarking (2016 to 2020)**



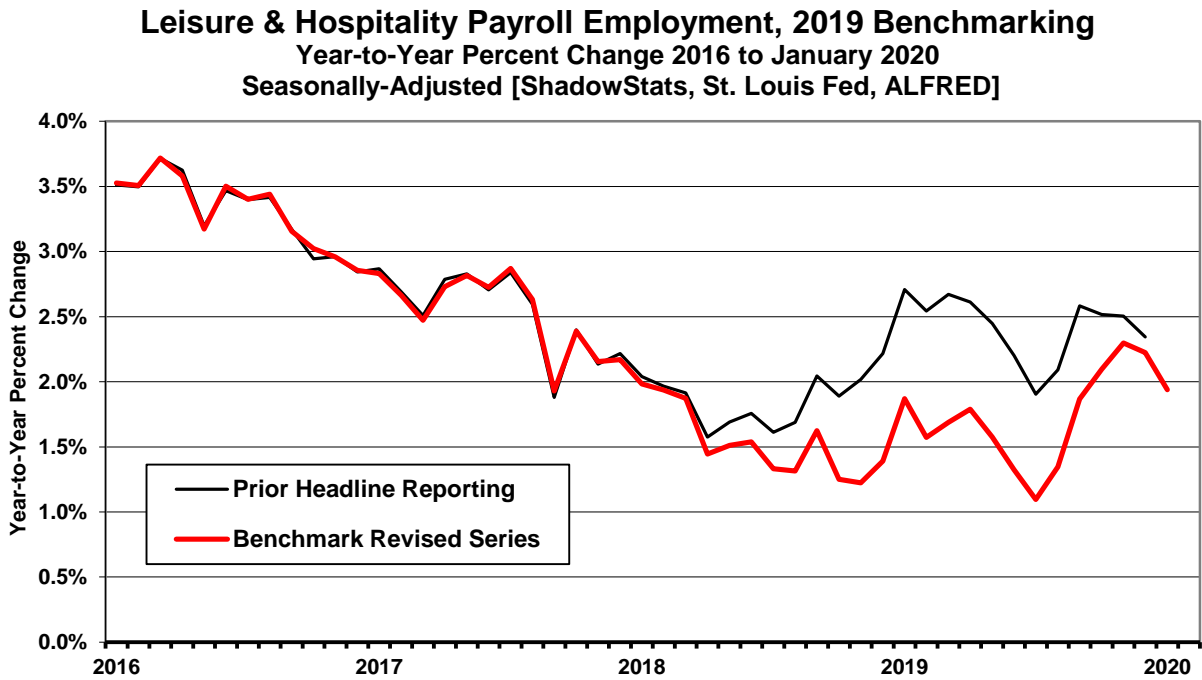
**Graph 13: Retail Trade Payrolls Benchmarking, Year-to-Year Change (2016 to 2020)**



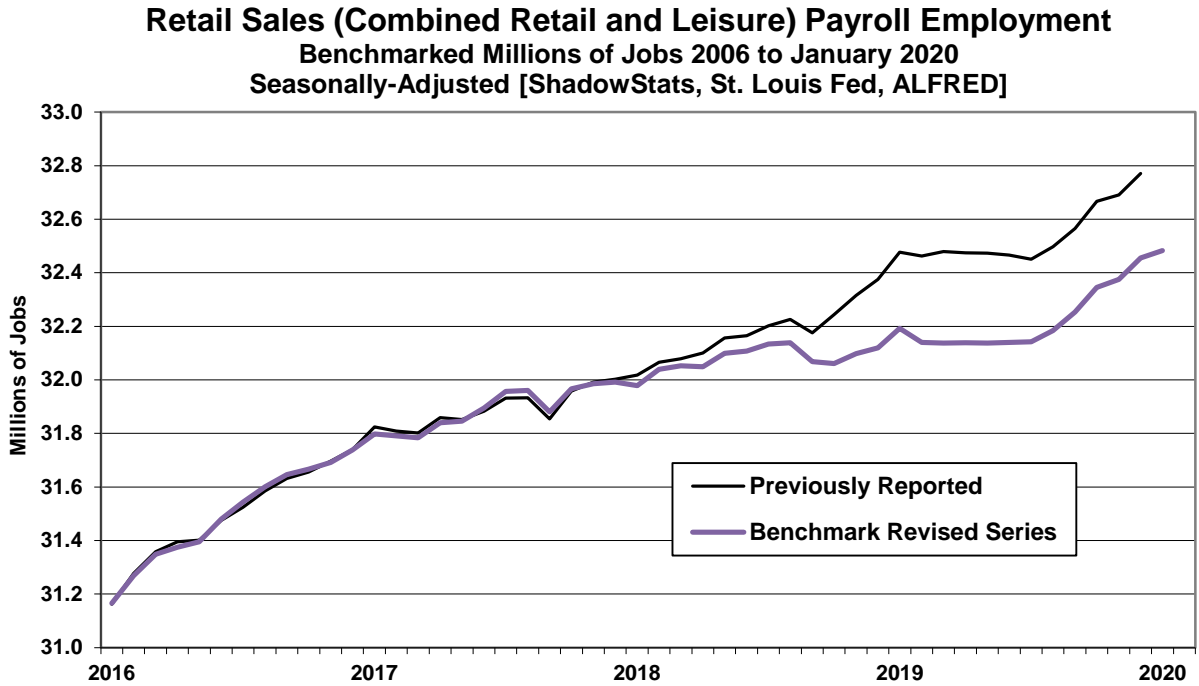
**Graph 14: Leisure and Hospitality Payrolls Benchmarking (2016 to 2020)**



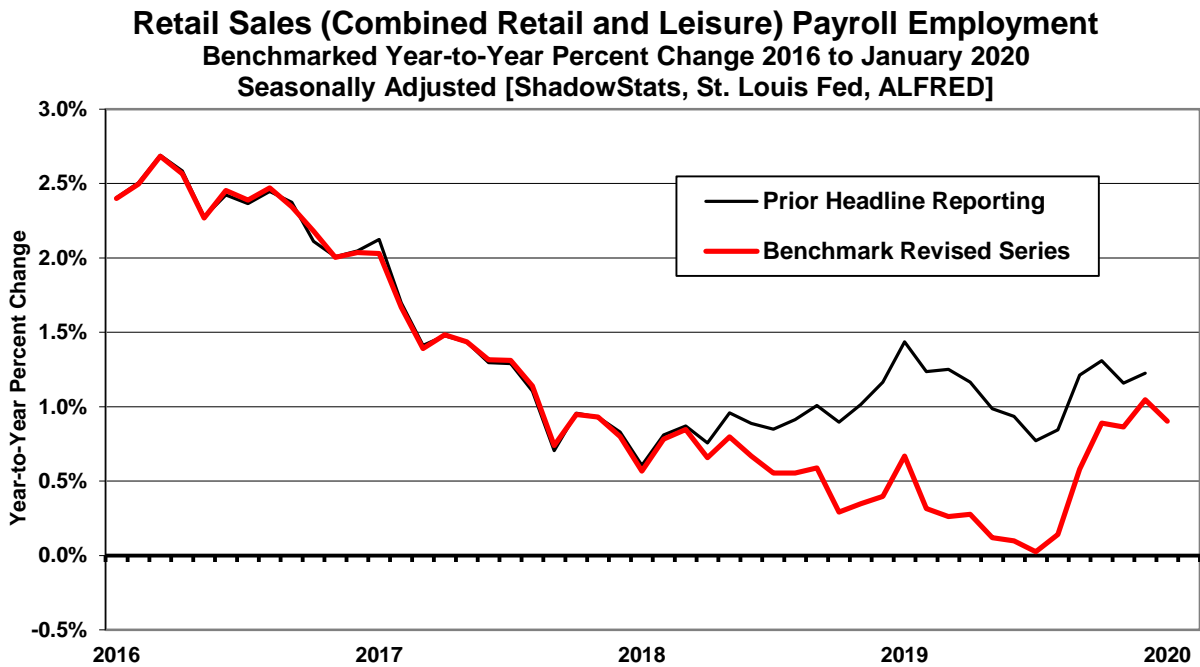
**Graph 15: Leisure and Hospitality Payrolls Benchmarking, Year-to-Year Change (2016 to 2020)**



**Graph 16: Retail Sales Employment (Combined Retail and Leisure & Hospitality) Benchmarking (2016 to 2020)**



**Graph 17: Retail Sales Employment (Combined Retail and Leisure) Yr-to-Yr Benchmarking (2016 to 2020)**



## January 2020 Industrial Production – Manufacturing, Mining and Utilities

### Capacity Utilization Plunges as Though Production Is in Recession

#### Pending Benchmark Revisions Should Be Negative

#### January 2020 Industrial Production Capacity Utilization Dropped to a 28-Month Low, Down 2.8 Percentage Points from Its November 2018 Peak – A New Recession Continues to Unfold.

Updated readings of Industrial Production Capacity, a basic indicator of broad economic health and activity and a traditional tool in timing Recessions, fell to 76.78% in January 2020, as reported by Federal Reserve Board on February 14th. That was its lowest reading since its 79.57% November 2018 peak, which likely will prove to be the peak in economic activity of the prior business cycle, and the formal onset of the downturn in the currently unfolding recession.

Shown in *Graph 18*, that pattern last was seen with the economy peaking at 79.62% in December 2014, the onset of the 2014-to-2016 Mini-Recession. The economy previously had peaked at 81.11% Capacity Utilization in December 2007, marking the now-formal onset of the Great Recession. It also marked a pattern where major sectors of the U.S. economy, ranging from Construction activity to Freight activity never have recovered their pre-recession highs.

The U.S. Economy is bifurcated, strong in some areas, never recovered from the Great Recession in others. From the standpoint of the Fed and Wall Street, the 50-year low 3.6% unemployment, is happily net of long-term discouraged workers, although, the issues there, again, were discussed in [Flash Update No. 21](#) in terms of Labor Market Stress, and the 1994 (pre-NAFTA) redefinitions to the headline unemployment accounting.

ShadowStats' Recession Forecast remains in place, with U.S. Economic activity in a deepening downturn, as detailed in [Special Commentary No. 983-B](#), [Special Commentary No. 985](#) and as will be updated fully and discussed in pending *Special Bulletin Edition Commentary No. 19-B*.

Consider that *Graph 18* of current Capacity Utilization is simply updates *Graphs 5* and *6* in [Special Commentary-Bullet Edition No. 19-A](#) with the related discussion there on page 12 and following, while *Graph 19* here simply is an updated version of *Graph 2* in *No. 19-A* and the related discussion there beginning there on page 7. The outlook has not changed. The recession signal is deepening, and significant downside revisions loom for the Industrial Production series. These areas again will be fully restated in the pending *Special Commentary-Bullet Edition No. 19-B*.

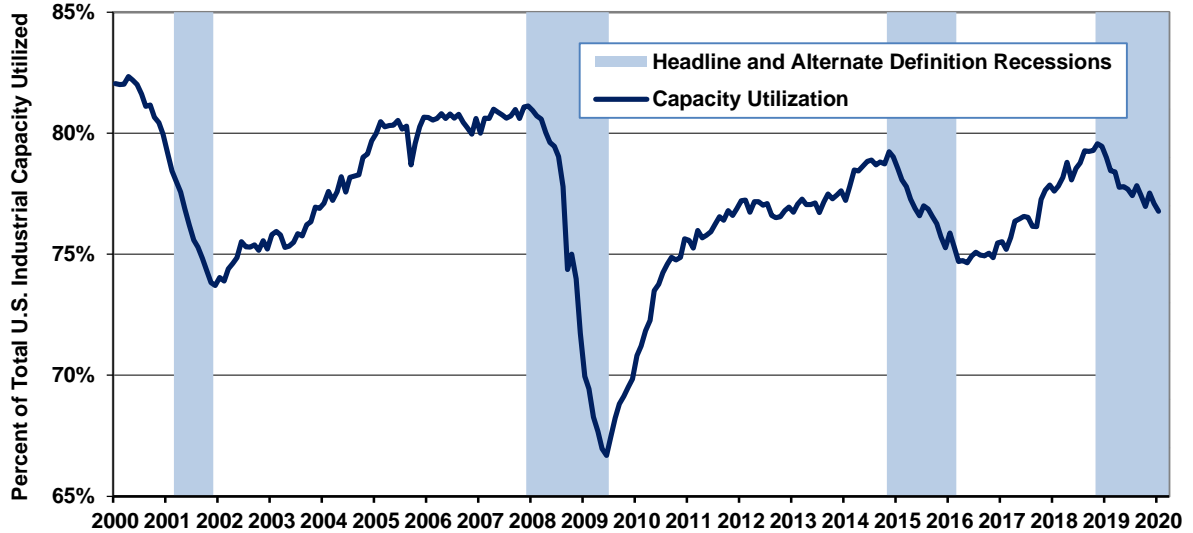
**January 2020 Production Detail Showed Mixed Signals.** Headline January 2020 Industrial Production suggested that the Mining Sector had begun to bottom (see *Graphs 29* and *30*). With the decline in Oil and Gas exploration leveling out, and with gains in Oil and Gas Production, the Mining Sector increased by 1.16% in the month, hitting a new monthly high. Yet, a small decline in Manufacturing (*Graphs 25* to *28*) and a drop in Utility usage, from unseasonably warm weather (*Graphs 31* and *32*), still knocked headline January Industrial Production Lower by 0.31% (-0.31%), as seen (*Graphs 20* to *24*).



## Capacity Utilization and Benchmarking

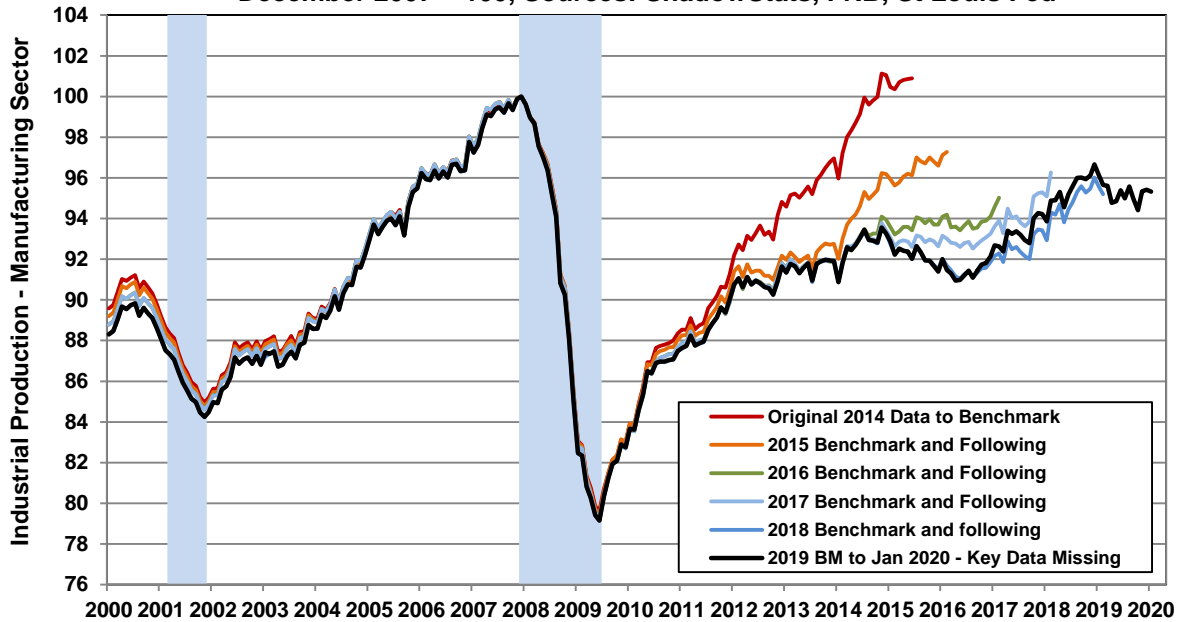
**Graph 18: Total Industrial Capacity Utilization, Versus Recessions (2000-to-Date)**

**Capacity Utilization: Total U.S. Industry to January 2020**  
**Showing Formal Headline and Prospective Recessions**  
 Percent of Capacity, Seasonally-Adjusted [ShadowStats, FRB]



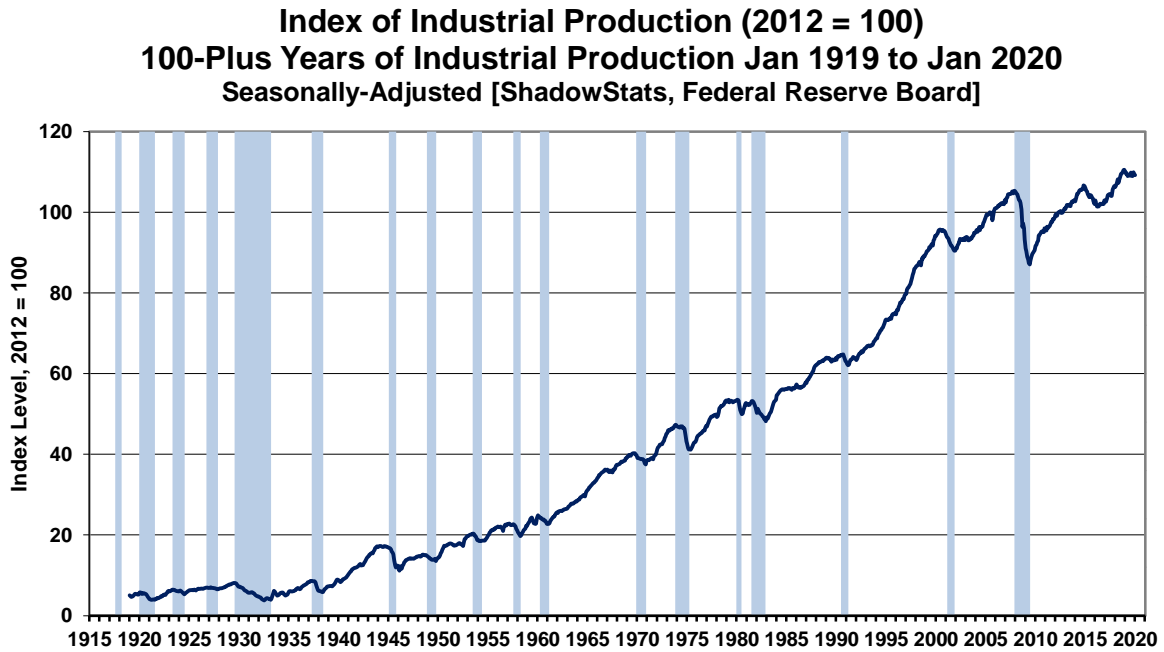
**Graph 19: Manufacturing, Annual Benchmarkings (2014 to 2019)**

**Manufacturing - Annual Benchmark**  
**Full 2019 Benchmarking Aborted by Fed Due to Lack of 2007 Census**  
 December 2007 = 100, Sources: ShadowStats, FRB, St Louis Fed

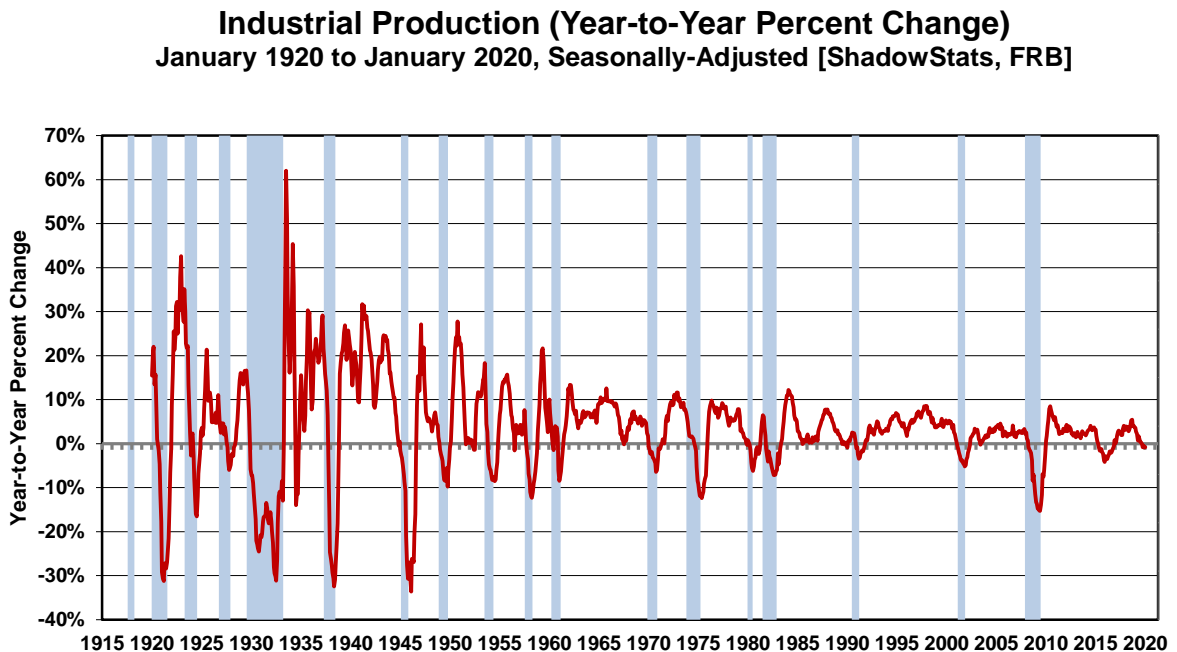


## Monthly Production Sectors

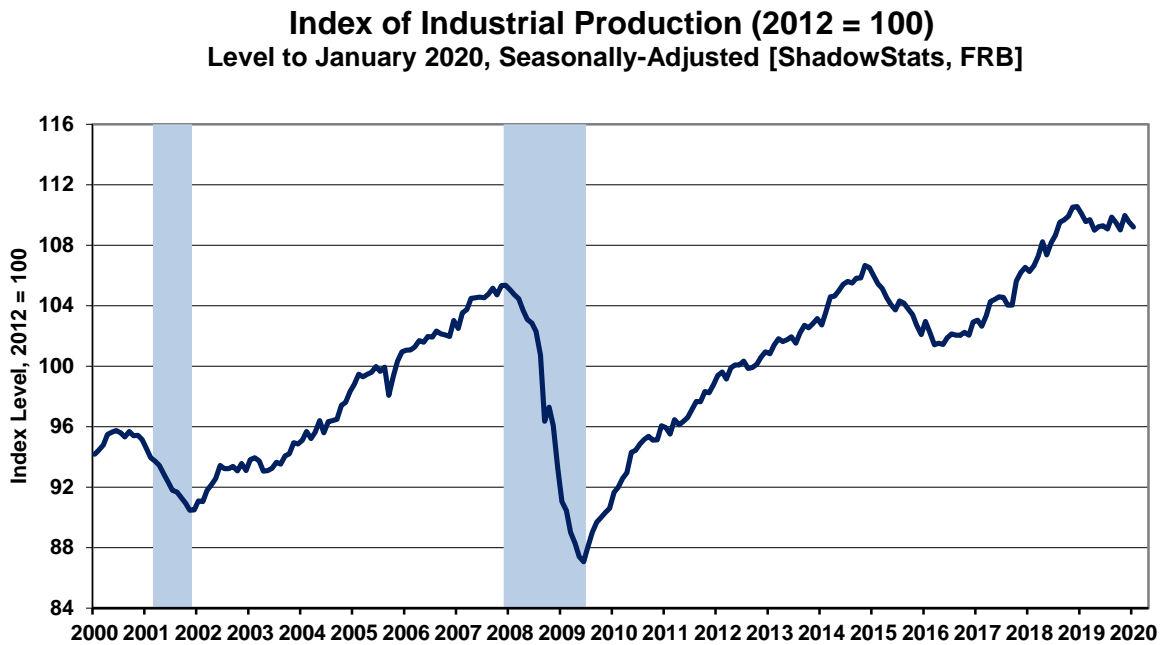
**Graph 20: Index of Industrial Production (1919 to 2020)**



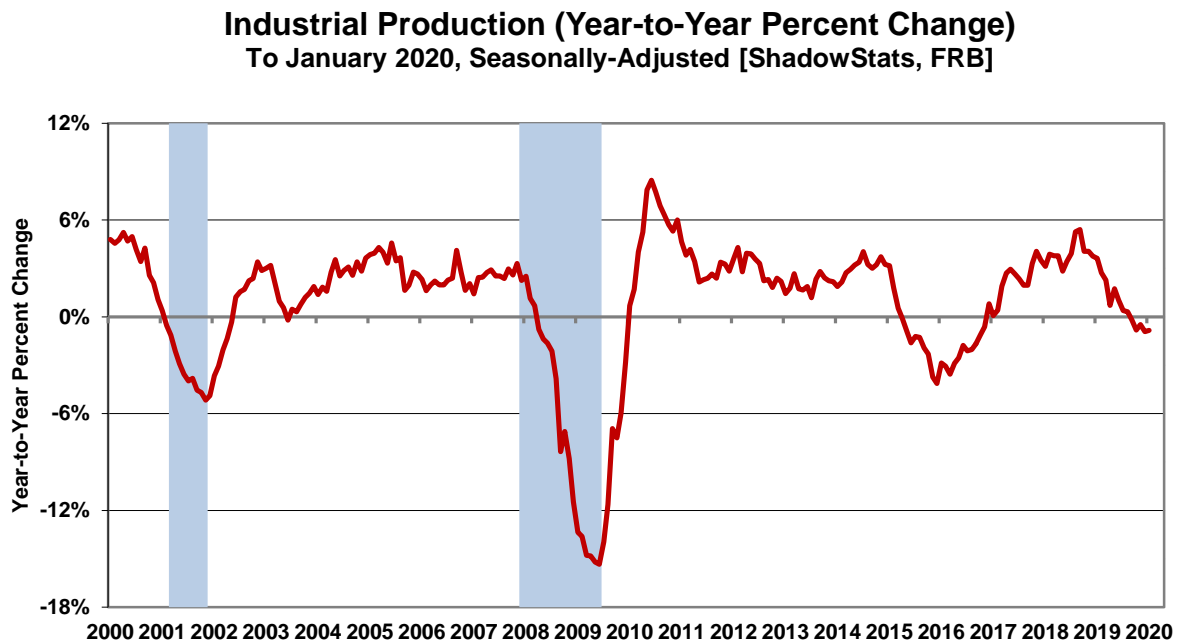
**Graph 21: Index of Industrial Production, Year-to-Year Percent Change (1920 to 2020)**



**Graph 22 Index of Industrial Production (2000 to 2020)**



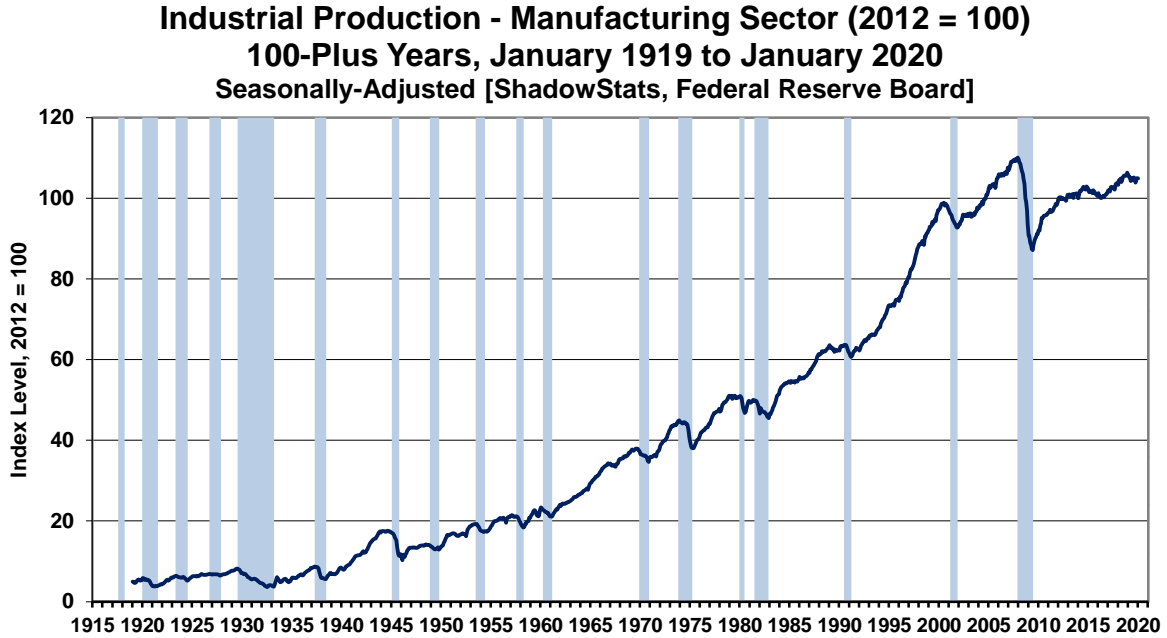
**Graph 23: Index of Industrial Production, Year-to-Year Percent Change (2000 to 2020)**



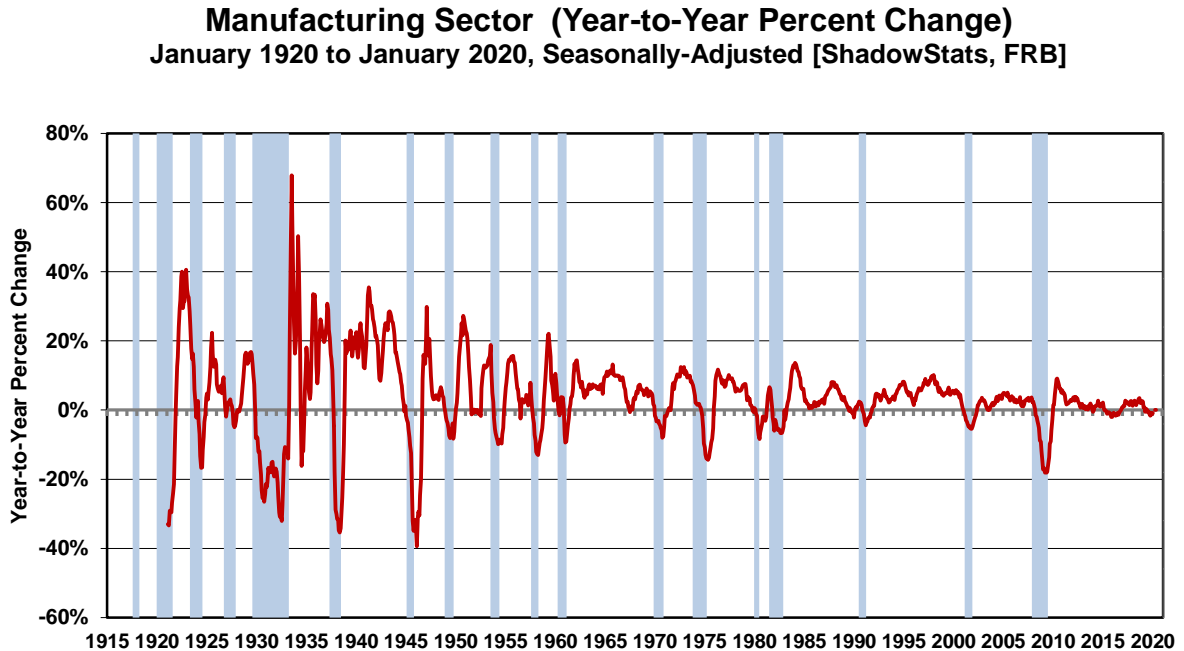
## U.S. Manufacturing Never Has Recovered from the Great Recession

### A Record 12-Plus Years (49 Quarters or 147 Months) of Economic Non-Expansion

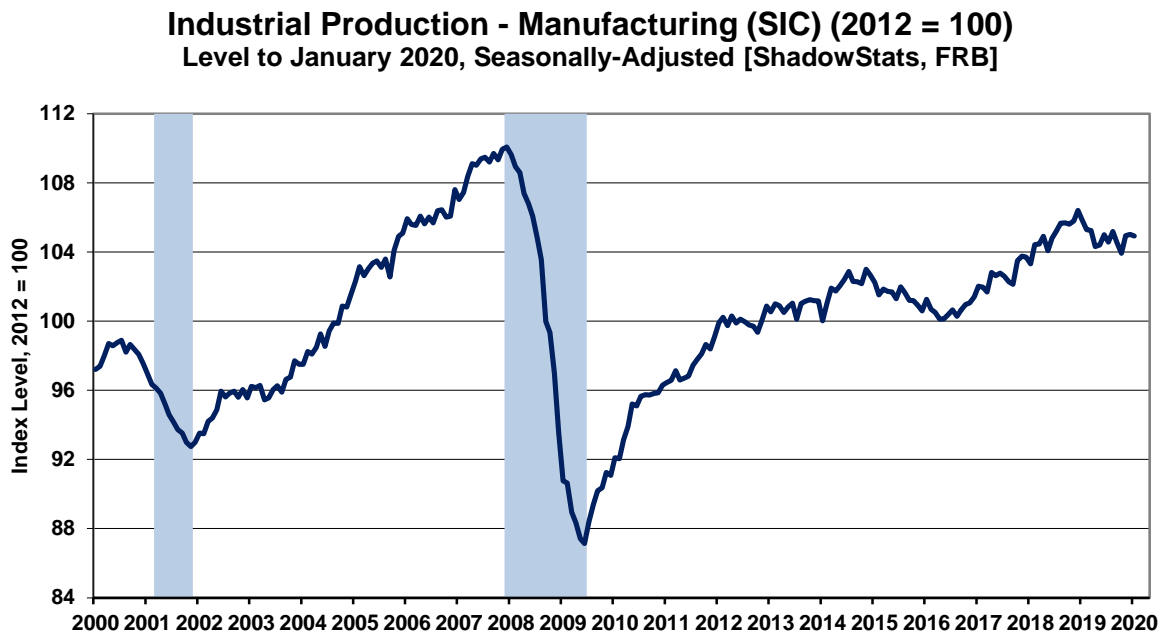
**Graph 24: Manufacturing (1919 to 2020)**



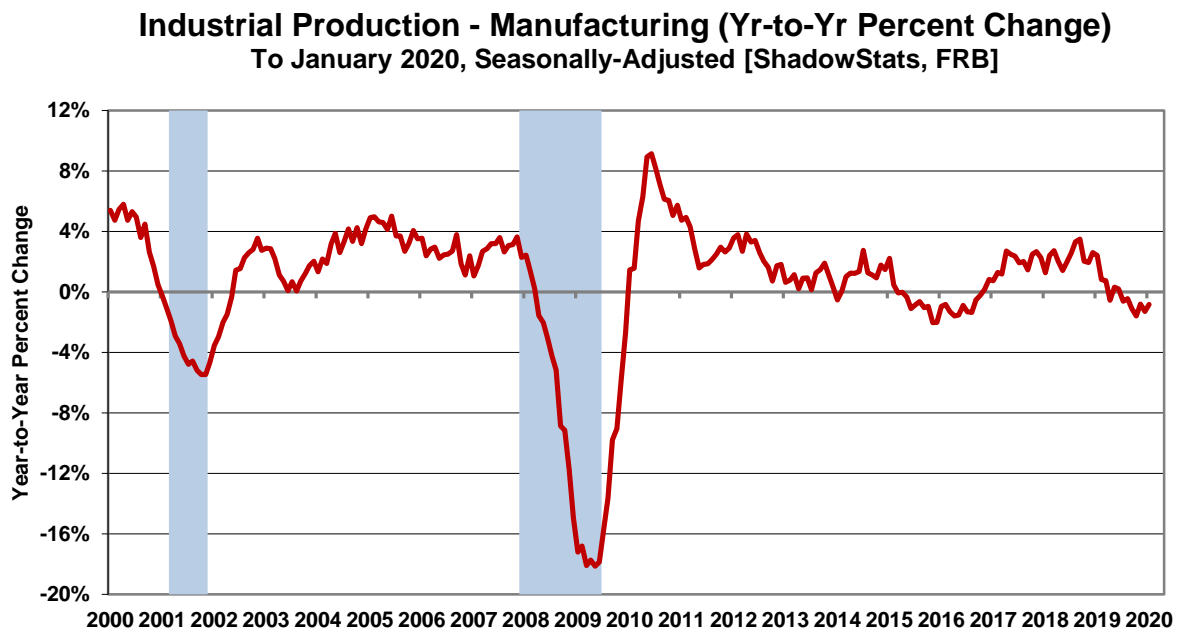
**Graph 25: Manufacturing, Year-to-Year Percent Change (1920 to 2020)**



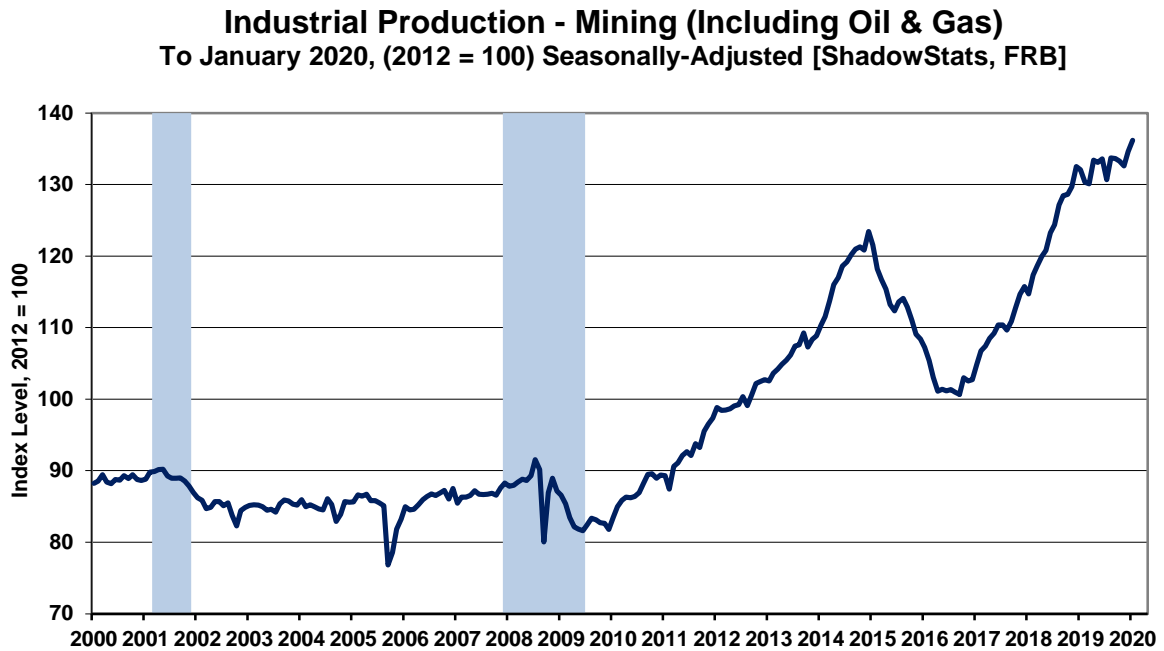
**Graph 26: Manufacturing (2000 to 2020)**



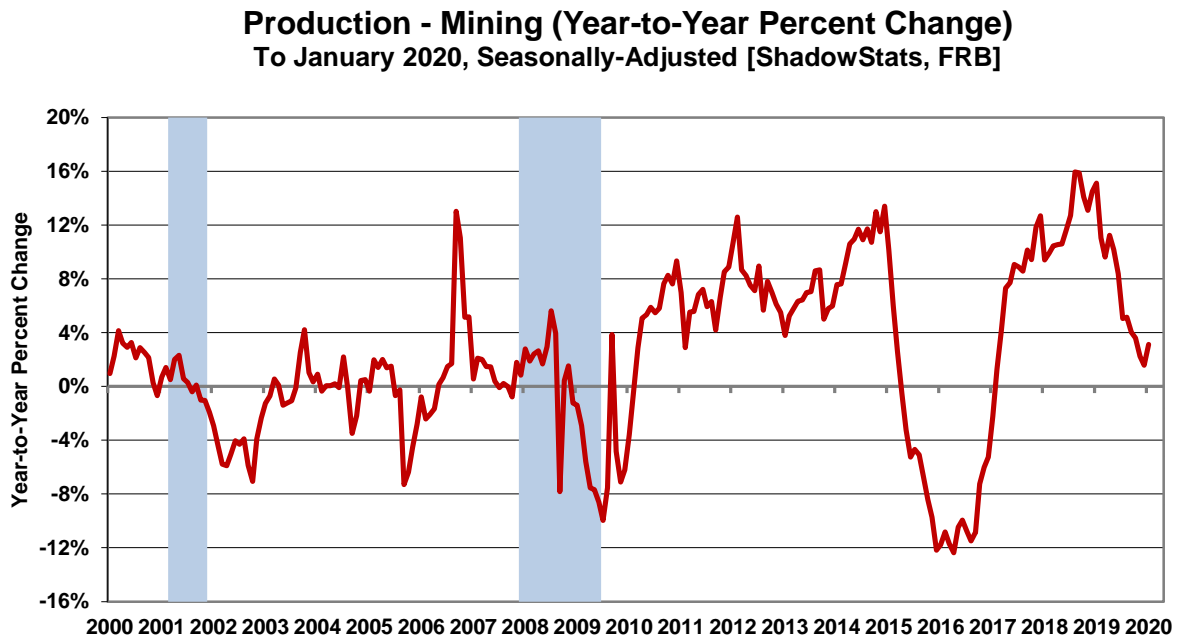
**Graph 27: Manufacturing, Year-to-Year Percent Change (2000 to 2020)**



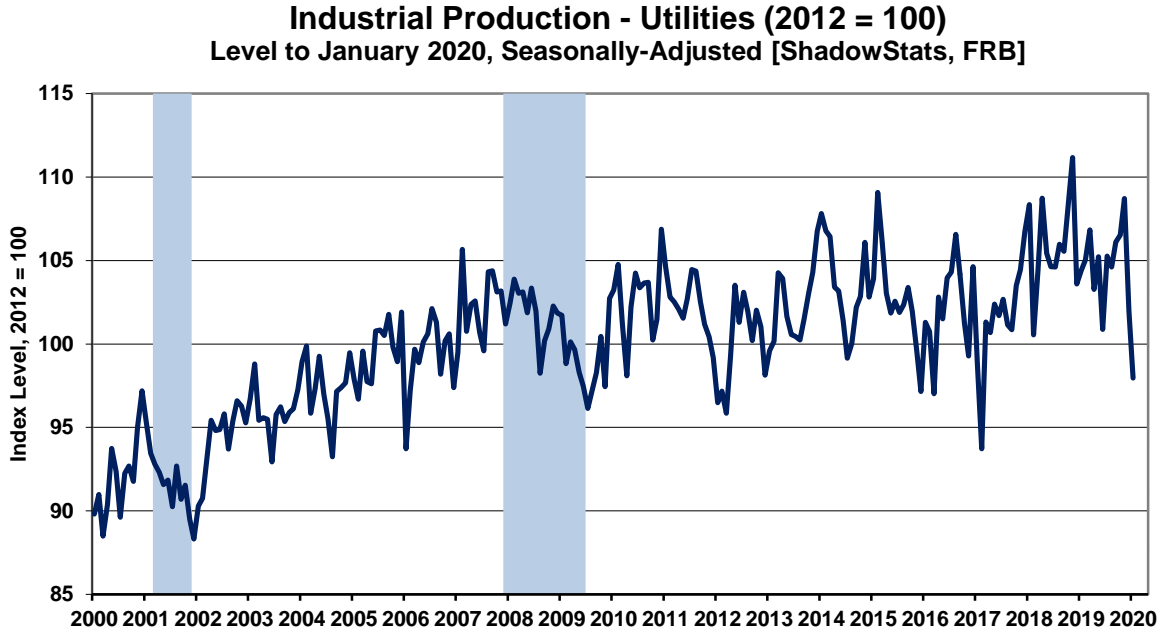
**Graph 28: Mining (2000 to 2020)**



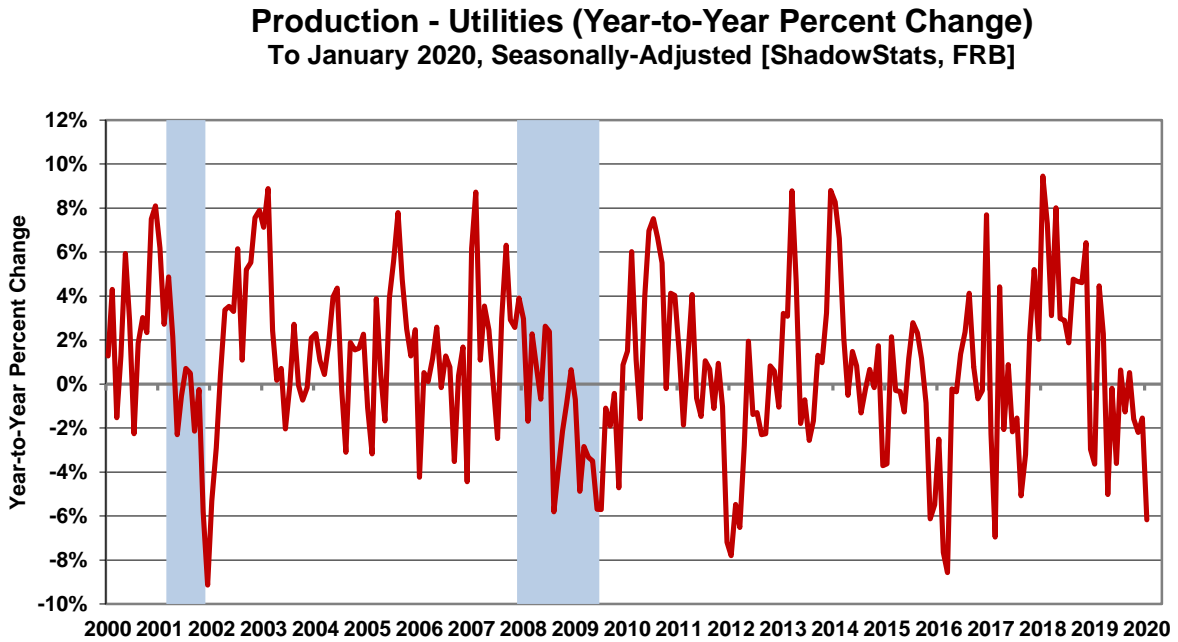
**Graph 29: Mining, Year-to-Year Percent Change (2000 to 2020)**



**Graph 30: Utilities (2000 to 2020)**



**Graph 31: Utilities, Year-to-Year Percent Change (2000 to 2020)**



###