

**Bullet Edition Number 12**

**GDP and Retail Sales Revisions, Durable Goods Orders, Deteriorating Consumer Outlook**

**June 30, 2019**

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**Economic Downturn Continues to Deepen;  
Major FOMC Easing Remains Likely by September 2019**

**Gold Has Rallied Even Faster Than U.S. Stocks Have Gained,  
Based on Anticipated Fed Accommodation**

**May Real New Orders for Durable Goods Held on Solid Track for a  
Third Straight Quarter-to-Quarter Decline, Both Before and After  
Considering Volatile Commercial Aircraft Orders**

**Third Estimate of First-Quarter 2019 Gross Domestic Product Real Growth  
Held Unrevised at 3.1%, Despite Major Internal Revisions to the Series**

**Real Growth in the Theoretically Equivalent Sister Gross Domestic Income  
Revised Lower from 1.4% to 1.0%**

**Advance May Trade Deficit Indicated Renewed Deterioration and  
Weakening Second-Quarter GDP**

**July 26th GDP Benchmarking Should Offer Some Downside Surprises**

**June Consumer Outlook Softened Amidst Mounting Stresses**

**Benchmarked Retail Sales Revised Lower Since 2016**

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**Note to Subscribers:** [Special Commentary No. 983-B](#) provided extended coverage of the ShadowStats' broad outlook for the U.S. economy and financial markets, updated in [Commentary No. 984](#) and *ALERT* of June 24th, along with subsequent *Bullet Editions* through today's missive. The forecast of a formal new recession remains intact, despite the negligible second revision of First-Quarter 2019 GDP reporting to 3.13% from 3.07%. That growth remains meaningfully overstated against underlying economic reality, still likely reflecting government-shutdown distortions and disruptions to underlying headline data. Discussed in the *Overview of No. 984*, unusually large and sharp downside revisions to first-quarter GDP remain a fair bet, given the patterns of reporting in, and major revisions to those underlying series, but not until the GDP's July 26th benchmarking. Such will be assessed further as the benchmarking nears. Whether or not the GDP annual overhaul turns the headline series negative for first-quarter 2019, intensifying quarterly contractions still should follow in both second- and third-quarter 2019.

As the economic contraction accelerates, the more negative will become the pressure on the U.S. Dollar, the stronger the flight-to-safety in precious metals and the more dangerous the situation for domestic equity prices. A rapidly weakening U.S. Dollar and rallying gold and silver prices are solid signs of impaired systemic and market conditions that easily can mutate investor fears into other market distortions.

**The ShadowStats outlook has not changed, specifically including a rapidly deepening U.S. economic downturn, reflected in mounting downside pressures on the U.S. dollar, flight-to-safety and upside pressures on gold and silver prices, and increasingly high risk of heavy stock-market selling in the weeks ahead. Your comments and suggestions are invited. Always happy to discuss what is happening.**

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#### **ShadowStats Commentaries, Bullet Editions, Watches and Daily Updates:**

- The *Daily Update* posts regularly on the *ShadowStats* home page ([www.ShadowStats.com](http://www.ShadowStats.com)), covering major economic releases, usually within two-to-three hours of headline publication. Unusual market circumstances, and pending *ShadowStats* publications also are covered.
- The *Bullet Edition* publishes multiple times per month, as dictated by economic and financial-market developments. Simply put, the *Bullet Edition* conveys brief communications and analyses on topics of particular near-term significance.
  - *Bullet Edition No. 13*, targeted for July 8th, will review May Construction Spending (of July 1), the May Trade Deficit (of July 3) and June Payrolls/ Employment and Unemployment (of July 5).
- *Regular Commentaries* should publish every six weeks, or so, providing a more comprehensive overview of general conditions, occasionally as a *Special Commentary*.
  - [Special Commentary No. 983-B](#) posted April 22nd.
  - [Commentary No. 984](#) posted June 24th
  - *Commentary No. 985* is planned for late July.
- *Hyperinflation* and *Consumer Liquidity Watches* will update monthly, with alternating updates roughly every other week, beginning in the next couple of weeks.
- *Telephone Consulting* is part of the regular service for subscribers. Whenever you have a question on the *ShadowStats* outlook or otherwise would like to talk, please call John Williams at (707) 763-5786.

All *Current* and *Earlier ShadowStats Commentaries* and writings (back to 2004) are available here: [Archives](#), otherwise located in the left-hand column of the [ShadowStats Home Page](#) ([www.ShadowStats.com](http://www.ShadowStats.com)).

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## OVERVIEW

**Growth in the Consumption-Side GDP Held Unrevised at 3.1% in 1Q2019, While Growth in Income-Side Equivalent GDI Revised Lower to 1.0% from 1.4%**

**As Recession Continues to Deepen, Headline GDP Should Be Catching Up by End of July**

**FOMC Likely Will Begin Meaningful Easing by September 2019**

**Renewed Trade Deficit Deterioration Further Dampens 2q2019 GDP Outlook**

**Residential Investment Continued to Sink**

**Consumer Accounted for 72.3% of the Level of 1q2019 GDP Activity, Yet Generated Only a Revised 17.6% (Previously Reported 23.4%) of 1q2019 GDP Growth, Down from 68.2% in 4q2018**

**Amidst Mounting Financial Stresses, Consumer Optimism Took a Hit in June**

**U.S. Economy Cannot Resume Stable Growth Without an Active, Healthy Consumer**

**Retail Sales Benchmarking Restated Recent History to the Downside**

**As the U.S. Stock Market Rallies in U.S. Dollars, Anticipating an FOMC Easing, Do Not Ignore the Declining U.S. Dollar, the Soaring Price of Gold and the Driving, Underlying Economic Reality.** In response to slowing economic and business activity, the U.S. financial markets increasingly are anticipating new accommodation from the Federal Reserve. An easing is expected by some as early as the July 31st FOMC meeting. ShadowStats anticipates meaningful FOMC easing at or before the September 18th FOMC. U.S. financial markets have responded increasingly to those building expectations of FOMC action, with declining market interest rates, rallying stock prices, a weaker U.S. Dollar and rising gold prices.

A note of caution from [Commentary No. 984](#) is incorporated here by reference. A rapidly unfolding recession and accompanying FOMC easing usually boost bond prices (lower interest rates) and hit the value of the U.S. dollar, along with a related spike in gold prices. When the gains in stocks prices are from the lower interest rates that are driven by a weakening economy, however, such tends to prove fleeting. Recessions usually are not good news for stocks, where stock values often soften, along with weakening corporate sales and a downturn in earnings.

A spate of happy financial press headlines, at the close of business on June 28th, touted how various stock indices had just seen their best June performances in a number of years, with the Dow Jones Industrial Average up by 7.2%, the S&P 500 up by 6.9%, and the NASDAQ Composite up by 7.4% in month. At the same time, the London afternoon gold fix had gained an even greater 8.8% in the month, while the value of the U.S. Dollar against the Swiss Franc dropped by 2.7% (-2.7%) in June, which would be an offset to the monthly dollar-priced stock gains for an investor living in a Swiss Franc denominated world.

Going forward in the current, faltering economic environment, with some downturn in interest rates still ahead, the decline in the U.S. Dollar value should deepen, gold prices should continue to rally, while U.S. equities likely will turn lower, as the deepening recession takes its toll on domestic corporate earnings.

**Headline Economic Activity Continues to Reflect a Deepening Downturn—An Unfolding New Recession—Driven by Mounting Consumer Liquidity Stresses.** The third revision to *First-Quarter 2019 Gross Domestic Product* left the annualized real GDP growth an unrevised headline 3.1% (first decimal point), despite unusually volatile internal revisions to the number, and despite its theoretically equivalent, sister Gross Domestic Income (GDI) series revising down to 1.0% from its prior 1.4% estimate. All the data here will be revised back for five years in the pending July 26th benchmark revisions, which also will accompany the initial estimate of Second-Quarter 2019 GDP, a likely headline quarterly contraction, irrespective of any pending revisions to the First-Quarter 2019 numbers or earlier.

The latest GDP and related numbers are detailed and graphed beginning on page 7 (see *Table 1* and *Graphs 1* to *6*). Subsidiary detail is shown for Net Exports and what appears to be an initial deterioration for the Second-Quarter 2019 Real Merchandise Trade Deficit (see *Graphs 11* and *12*). Separately, a common theme remains increasingly negative consumer liquidity (income and credit) stresses. Such is reflected in the Retail Sales revisions (see page 24), in the Residential Real Estate plots (*Graphs 7* to *10*), let alone unstable shifts in the consumer components of the “unrevised” 3.1% annualized real growth, indicating intensifying stress in consumer liquidity conditions (see page 7 and *Table 1*).

The regular section on *Underlying Economic Reality*, covering the *ShadowStats Alternate GDP* corrected for the understatement of the Implicit Price Deflator—headline GDP inflation—begins on page 16. The use of understated inflation in deflating the Nominal GDP results in an overstatement of the headline Real GDP growth.

**May 2019 New Orders for Durable Goods Showed A Deepening Downturn, With Second Quarter Real Activity on Solid Track for a Third Consecutive Quarterly Contraction.** Declining new orders for commercial aircraft—likely reflective of issues with orders for Boeing’s 737 Max—pulled aggregate New Orders for Durable Goods lower for the month. Yet whether with or without new orders for commercial aircraft, the Real New Orders for Durable Goods series was on track for their third consecutive quarter-to-quarter contraction (page 19), details are reflected in *Graphs 18* to *21*.

**June Consumer Outlook Took a Hit, Amidst Mounting Consumer Liquidity Stresses; Benchmarked Retail Sales Were Revised Lower by Roughly 0.2% to 0.3% Since 2016.** June 2019 Consumer Confidence Survey<sup>®</sup> (Conference Board) and Consumer Sentiment (University of Michigan) both took monthly hits as the deteriorating economic circumstance gained headline prominence, and signs of consumer liquidity stress continued to mount (see page 23). Annual benchmark revisions to Real Retail Sales are plotted in *Graphs 24* to *27* (beginning page 24).



## July 26th GDP Benchmarking Is a Good Shot for Better-Quality First-Quarter Numbers

**Despite Extreme Internal Revisions, the Third Estimate of First-Quarter 2019 GDP Growth Held Unrevised at 3.1%; Theoretically Equivalent GDI Growth Collapsed, Revising 1.4% to 1.0%.** The third and traditional “final” estimate (second revision) of annualized real quarterly growth in First-Quarter 2019 Gross Domestic Product (GDP) was “unrevised” at 3.1% (3.13%, previously 3.07%, initially 3.17%), versus 2.2% (2.17%) in Fourth-Quarter 2018, as reported by the Bureau of Economic Analysis on June 27th. As can be seen in the details of *Table 1*, one might wonder if the BEA simply was determined to set the quarterly growth rate at 3.1%, and then tried to figure out how best to reallocate growth in the heavily revised sub-categories, without disrupting the targeted headline growth rate of 3.1%.

Whatever was reported here in the third-estimate, “final revision,” however, is not final. All these data are subject to a five-year Benchmark Revision on July 26th, at which time one can hope for better-quality reporting, assuming the BEA will be able to rework or re-estimate those numbers that were so heavily distorted/disrupted as a result of the partial government shutdown in December 2018 and January 2019.

Coincident with the benchmarking, the BEA will publish its “advance” estimate of Second-Quarter 2019 GDP. With second-quarter GDP likely to show a real quarterly decline, that would be a second, consecutive contraction should First-Quarter 2019 revise to a contraction. Otherwise, it could be Third-Quarter 2019 GDP, that would set the stage for an eventual, formal “Recession” declaration. Nonetheless, FOMC and financial-market recognition of that circumstance should run well ahead of any formal declaration by the National Bureau of Economic Research (NBER).

***Unusually Large Revisions to GDP Components.*** Where there were significant swings in some of the major sub-category growth patterns, the aggregate GDP headline growth showed negligible aggregate revision. For example, consider that Personal Consumption of Goods accounted for a revised contribution of 0.15% of the current aggregate “unrevised” 3.1% (again 3.13% revised from 3.07%) growth rate, where it had contributed a contraction of 0.06% (-0.06%) before. Consumption of Services contributed a revised 0.48%, down from 0.96% last time. Fixed Investment contributed a revised 0.53% (previously 0.18%).

That said, consider that Gross Domestic Income (GDI) is the theoretical income-side equivalent to the consumption-side GDP. The second estimate of First-Quarter 2019 GDI revised to 1.00%, down from an initial estimate of 1.43%. GDI originally had gained 1.66% in Fourth-Quarter 2018, but revised lower to 0.52% last month, consistent with what should be a downside revision to Fourth-Quarter GDP in the pending annual benchmark revisions. The broader Gross National Product (GNP), which is the GDP plus the trade balance in Factor Income (Interest and Dividend Payments), showed revised growth of 3.16%, previously 2.66% in First-Quarter 2019, versus 2.12% in Fourth-Quarter 2018. As with the GDI, the GNP revision also was unusually large, but all of the GNP change was in revised Factor Income.

Annual real growth rates revised as follows in First-Quarter 2019 versus Fourth-Quarter 2018: GDP 3.20% (previously 3.19%, 3.21%) versus 2.97%; GDI 1.73% (previously 1.83%) versus 2.46%; GNP 3.09% (previously 2.97%) versus 2.85%.

***Accelerating Consumer Distress Seen in the GDP.*** As noted in previous comments on earlier headline reporting, the minimally revised, strong headline real GDP growth of 3.1% reflected intensified consumer financial stress. Where consumers drive 72%/73% of aggregate GDP activity, consider that they only accounted for a revised 18% (previously 23%) of First-Quarter 2019 GDP growth, down from 68% of the GDP growth in Fourth-Quarter 2018. Healthy GDP growth does not last long without the support of a financially healthy and viable consumer.

*Table 1* details the latest real numbers and shifting growth patterns by quarter in 2018, and by release for First-Quarter 2019 GDP and related series. *Graphs 1 to 6* plot the headline GDP and GDI, with *Graphs 7 to 10* showing various estimates of Real Gross Domestic Private Residential Investment and six-month smoothed graphs of May 2019 New- and Existing-Home Sales.

**First-Quarter 2019 Residential Gross Private Investment and Home Sales.** The GDP Residential Gross Private Investment category (see *Graphs 7* and *8*), expressed in constant dollars, is down by 33% (-33%) from ever having recovered its pre-recession peak, although that decline is muted by the use of understated inflation in the headline GDP Implicit Price Deflator.

***May 2019 New-Home Sales Dropped 7.8% (-7.8%) Amidst Regularly Nonsensical Monthly Volatility.*** May 2019 New-Home Sales (units) declined by a statistically insignificant 7.8% (-7.8%) +/- 14.7% at a 90% Confidence Interval, with an insignificant annual decline of 3.7% (-3.7%) +/- 15.0%, as reported by the Census Bureau on June 25th (see *Graph 9*). Where April sales declined month-to-month by a narrowed, revised 3.7% (-3.7%) [previously 6.9% (-6.9%)], that was on top of even greater downside revisions to March activity. New-Home Sales remain in an ongoing, severe housing recession, holding shy by 55% (-55%) of ever recovering or expanding beyond their pre-Great Recession peak activity.

***May 2019 Existing-Home Sales Gained 2.5% in the Month, Declined 1.1% (-1.1%) Year-to-Year.*** Existing-Home Sales (units) notched higher in May (*Graph 10*), as reported by the National Association of Realtors (NAR) on June 21st (see details and press release at [www.nar.realtor](http://www.nar.realtor) under research/housing statistics). The NAR publishes the highest-quality indicator available of Home Sales activity. The first monthly gain in two months was on top of an upside revision to April 2019, now unchanged at 0.0%, previously down by 0.4% (-0.4%). May's narrowed annual decline of 1.1% (-1.1%) followed a revised drop of 4.1% (-4.1%) in April, previously down by 4.2% (-4.2%). That said, Existing-Home Sales also remained in an ongoing, severe housing recession, holding shy by 27% (-27%) of ever recovering or expanding beyond their pre-Great Recession peak activity.

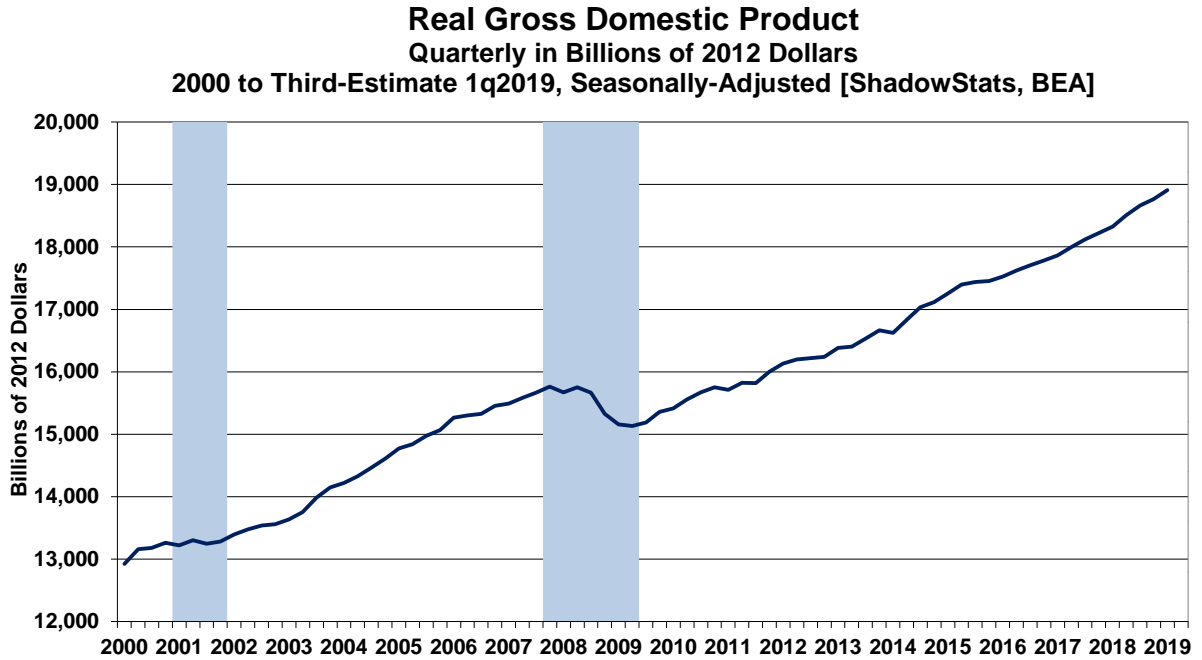
***May 2019 "Advance" Merchandise Trade Deficit Widened, Suggesting Some Hit to Second-Quarter 2019 GDP.*** *Graphs 11* and *12* plot headline Net Exports through the latest GDP reporting for First-Quarter 2019, and the early trend for the Second-Quarter 2019 Merchandise Trade Deficit. A narrowing in first-quarter Net Exports helped boost the GDP, although the "improvement" reflected collapsing consumption of Consumer Goods. The "advance" May deficit is on track for a second-quarter deterioration and hit to second-quarter GDP, driven by a deteriorating deficit in oil.



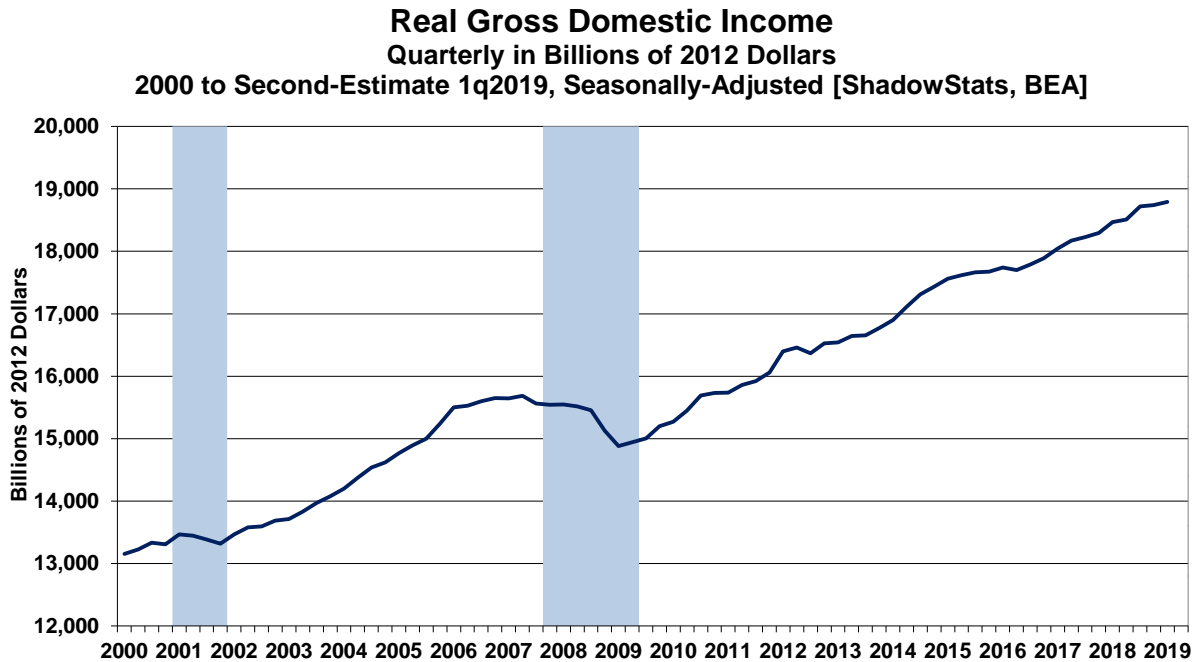
**Table 1: Gross Domestic Product, Quarterly Detail (First Quarter 2018 to Third Estimate, First-Quarter 2019)**

Annualized Quarterly Real Growth in Headline Gross Domestic Product Second Estimate of First-Quarter 2019 GDP and Earlier Headline Data Growth Contribution by Consumption and Product Sector							
GDP COMPONENTS	1st-Q	2nd-Q	3rd-Q	4th-Q	1st-Q	1st-Q	1st-Q
	2018 Final*	2018 Final*	2018 Final*	2018 Final*	2019 First Estimate	2019 Second Estimate	2019 Final*
<b>CONTRIBUTING ECONOMIC SECTOR</b>							
Personal Consumption Expenditures							
- Goods	-0.13%	1.16%	0.90%	0.54%	-0.14%	-0.06%	0.15%
-- Motor Vehicles	-0.35%	0.16%	-0.05%	0.20%	-0.49%	-0.42%	-0.46%
- Services	0.49%	1.42%	1.47%	1.12%	0.96%	0.96%	0.48%
Gross Private Domestic Investment							
- Fixed Investment	1.34%	1.10%	0.21%	0.54%	0.27%	0.18%	0.53%
-- Residential	-0.14%	-0.05%	-0.14%	-0.18%	-0.11%	-0.13%	-0.08%
- Change in Private Inventories	0.27%	-1.17%	2.33%	0.11%	0.65%	0.60%	0.55%
Net Exports of Goods and Services	-0.02%	1.22%	-1.99%	-0.08%	1.03%	0.96%	0.94%
Government Consumption/Investment	0.27%	0.43%	0.44%	-0.07%	0.41%	0.42%	0.48%
<b>GDP ANNUALIZED REAL GROWTH</b>	<b>2.22%</b>	<b>4.16%</b>	<b>3.36%</b>	<b>2.17%</b>	<b>3.17%</b>	<b>3.07%</b>	<b>3.13%</b>
Final Sales, GDP Less Inventories	1.95%	5.33%	1.03%	2.06%	2.52%	2.47%	2.58%
<b>CONTRIBUTING PRODUCT SECTOR</b>							
Goods	1.20%	1.91%	1.76%	1.66%	1.90%	1.74%	2.11%
Services	0.73%	1.78%	1.77%	0.99%	1.09%	1.06%	0.56%
Structures	0.28%	0.47%	-0.17%	-0.48%	0.18%	0.26%	0.46%
<b>GDP ANNUALIZED REAL GROWTH</b>	<b>2.22%</b>	<b>4.16%</b>	<b>3.36%</b>	<b>2.17%</b>	<b>3.17%</b>	<b>3.07%</b>	<b>3.13%</b>
<b>SUPPLEMENTAL</b>							
Annualized Quarter-to-Quarter Real GDP Change and Headline Implicit Price Deflator Inflation							
Gross Domestic Product (GDP)	2.22%	4.16%	3.36%	2.17%	3.17%	3.07%	3.13%
Gross Domestic Income (GDI)	3.90%	0.87%	4.56%	0.52%	n.a.	1.43%	1.00%
Gross National Product (GNP)	2.20%	4.04%	3.05%	2.12%	n.a.	2.66%	3.16%
ShadowStats Corrected-Inflation GDP**	0.15%	2.05%	1.27%	0.10%	1.08%	0.98%	1.04%
Implicit Price Deflator (IPD) Inflation	2.02%	3.31%	1.51%	1.86%	0.65%	0.49%	0.64%
Year-to-Year Real GDP Change and Headline Implicit Price Deflator Inflation							
Gross Domestic Product (GDP)	2.58%	2.87%	3.00%	2.97%	3.21%	3.19%	3.20%
Gross Domestic Income (GDI)	2.36%	1.88%	2.69%	2.45%	n.a.	1.83%	1.73%
Gross National Product (GNP)	2.73%	3.09%	2.96%	2.85%	n.a.	2.97%	3.09%
ShadowStats Corrected-Inflation GDP*	0.51%	0.79%	0.92%	0.89%	1.12%	1.10%	1.11%
Implicit Price Deflator (IPD) Inflation	1.95%	2.50%	2.39%	2.17%	1.83%	1.79%	1.83%
Sources: Bureau of Economic Analysis (BEA), www.ShadowStats.com (ShadowStats). * Subject to July 26, 2019 Annual Revisions. **Real GDP corrected for understated headline inflation ( Graphs 14 to 17 ) , see Special Commentaries No. 968-Ext. and 983-B) r-Prior to revision with 1q2019 was was 1.66% Qtr / Qtr, 2.74% Yr / Yr. Standard headline GDP is reflected in Graphs 1 to 13.							

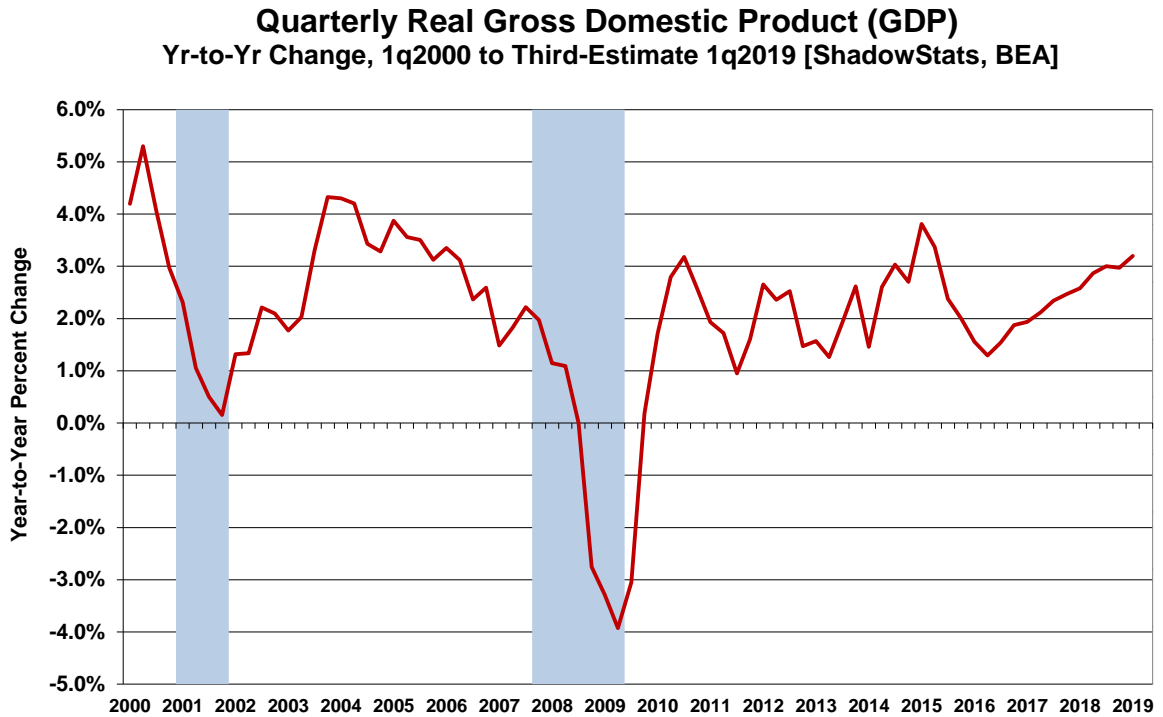
**Graph 1: Real GDP (First-Quarter 2000 to Third Estimate, First-Quarter 2019)**



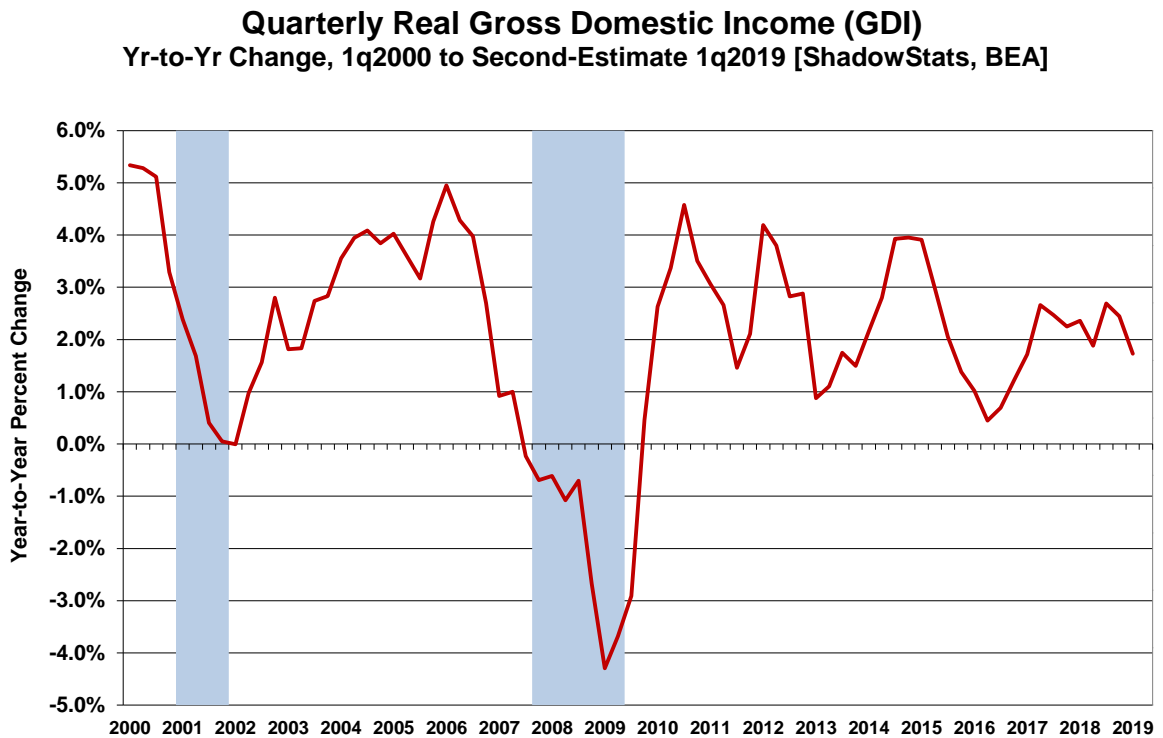
**Graph 2: Real GDI (First-Quarter 2000 to Second Estimate, First-Quarter 2019)**



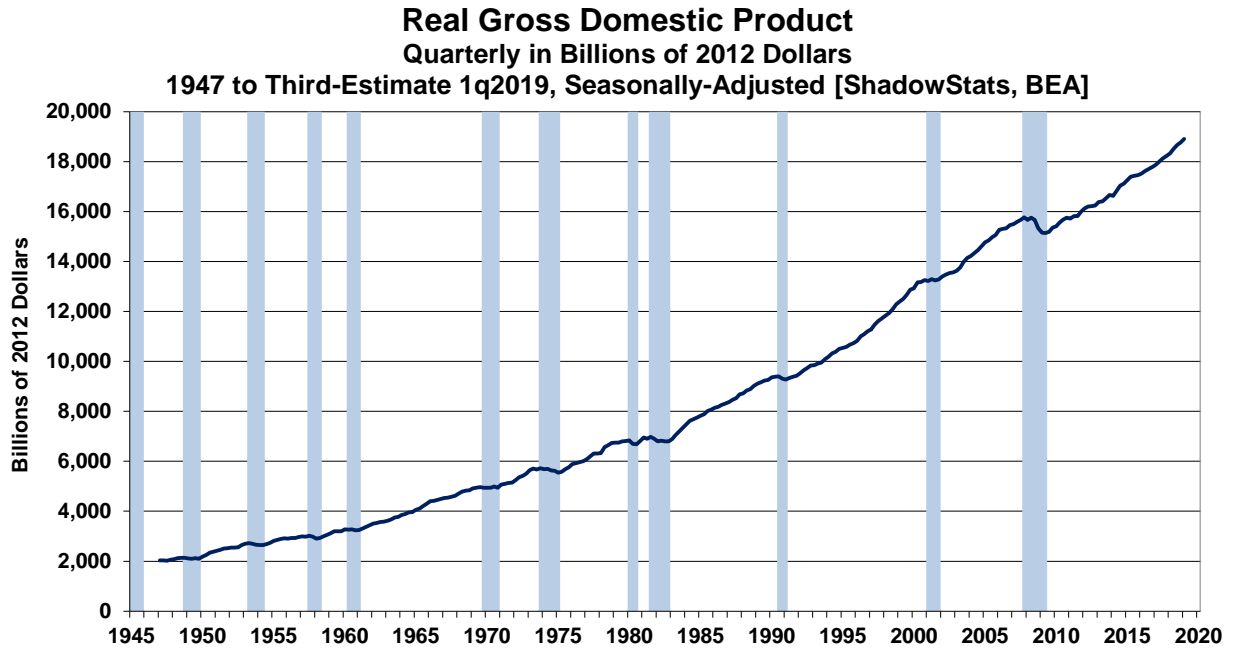
**Graph 3: Real GDP, Year-to-Year % Change (First-Quarter 2000 to Third Estimate, First-Quarter 2019)**



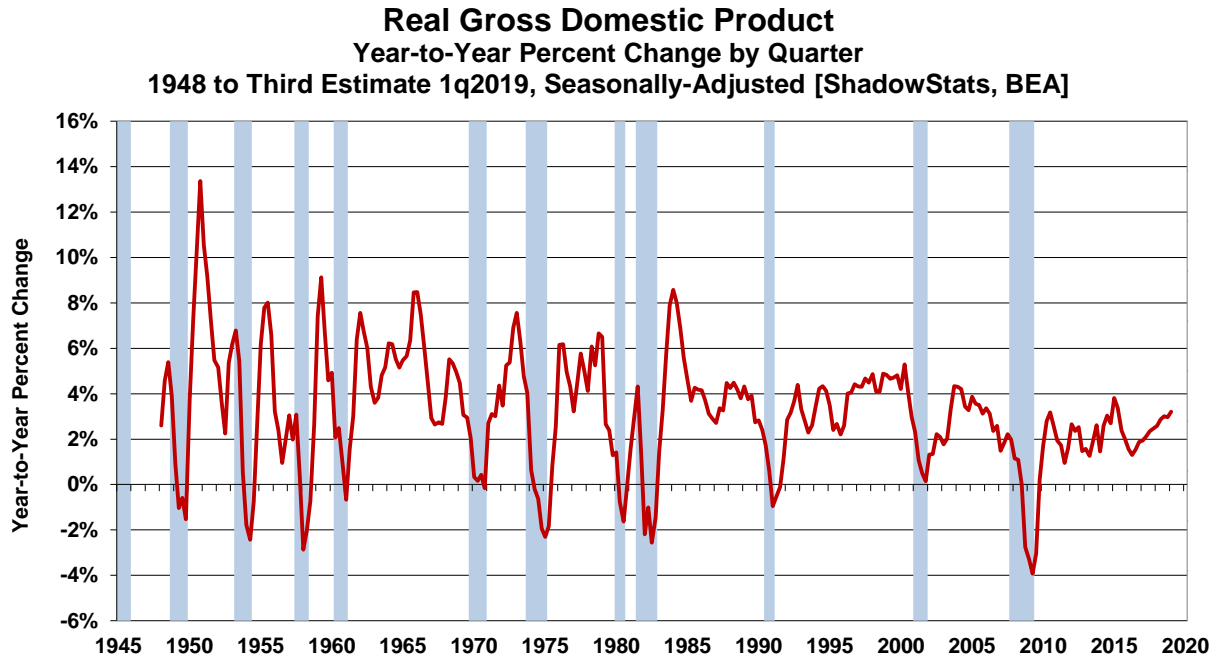
**Graph 4: Real GDI, Year-to-Year % Change (First-Quarter 2000 to Second Estimate, First-Quarter 2019)**



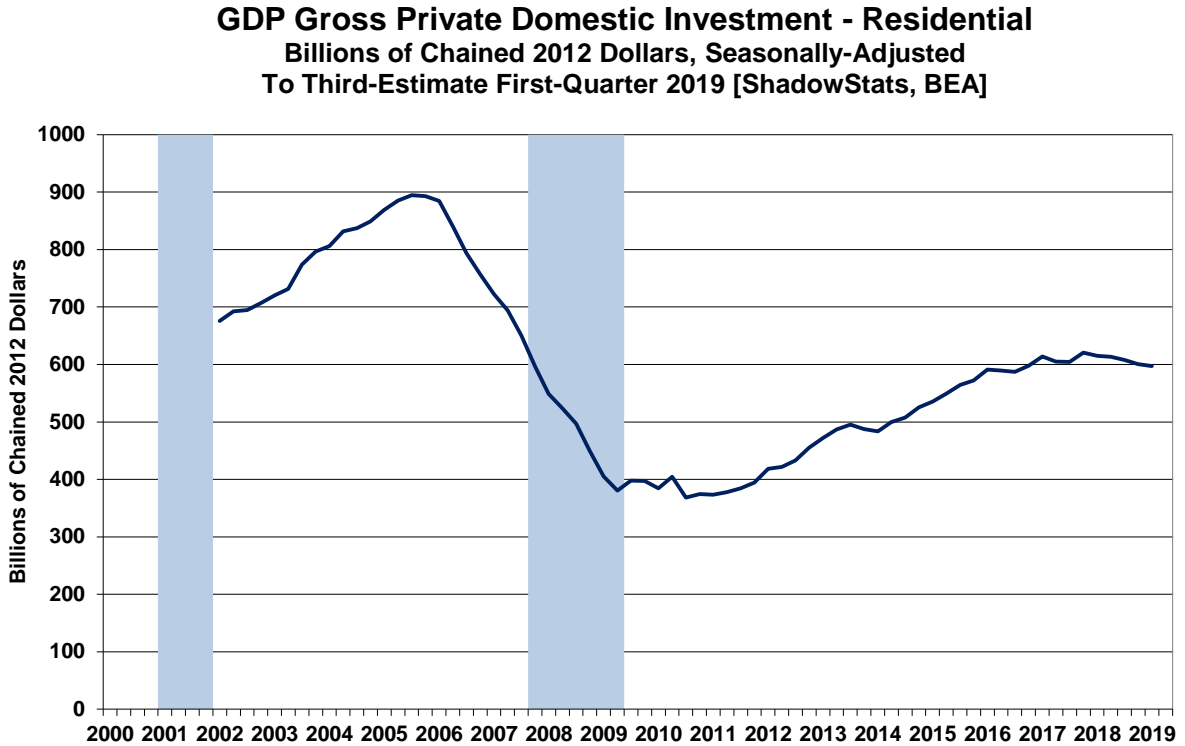
**Graph 5: Real GDP (1947 to Third Estimate, First-Quarter 2019)**



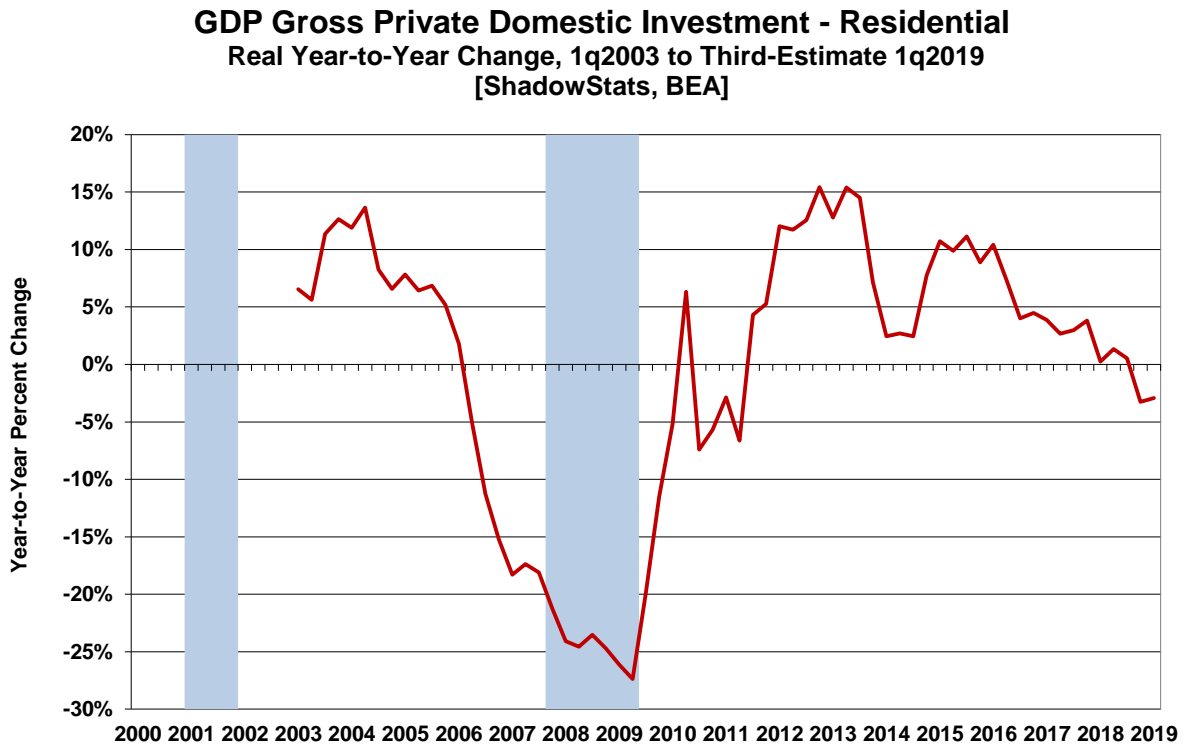
**Graph 6: Real GDP, Year-to-Year % Change (First-Quarter 1948 to Third Estimate, First-Quarter 2019)**



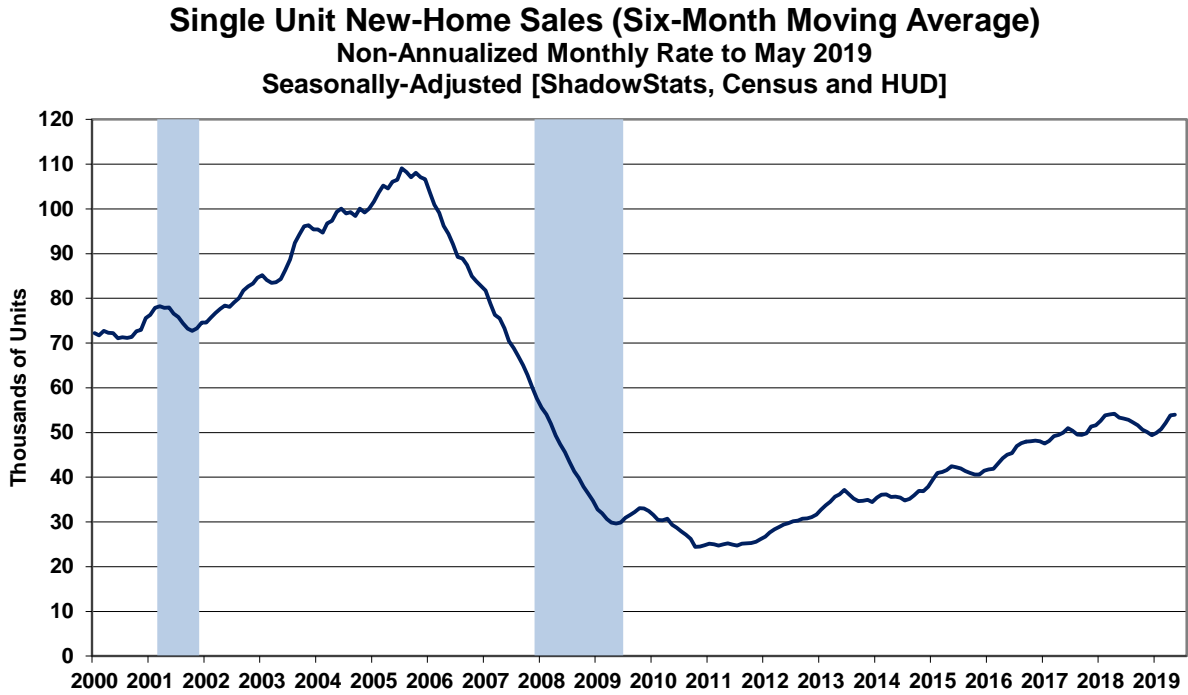
**Graph 7: Real Gross Domestic Private Residential Investment to Third Estimate, First-Quarter 2019 GDP**



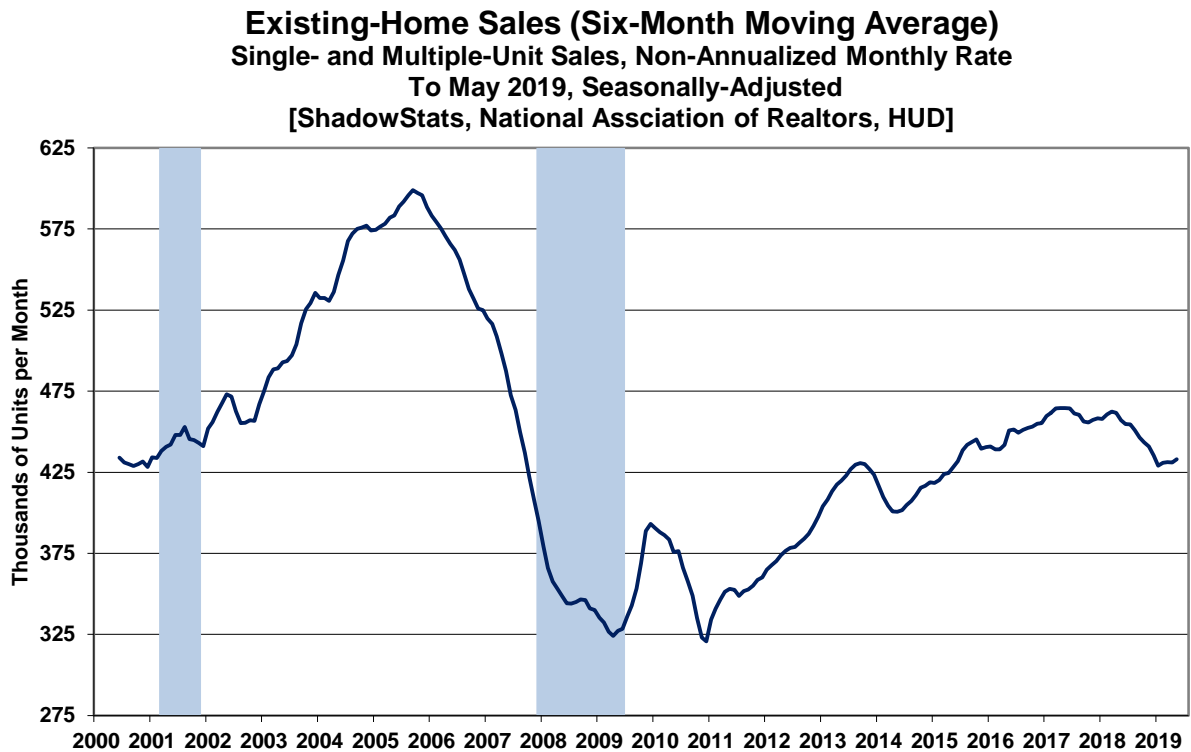
**Graph 8: Real Gross Domestic Residential Investment (Yr-to-Yr Change) to Third Estimate, First-Quarter 2019**



**Graph 9: New-Home Sales (Six-Month Moving Average) to May 2019**



**Graph 10: Existing-Home Sales (Six-Month Moving Average) to May 2019**



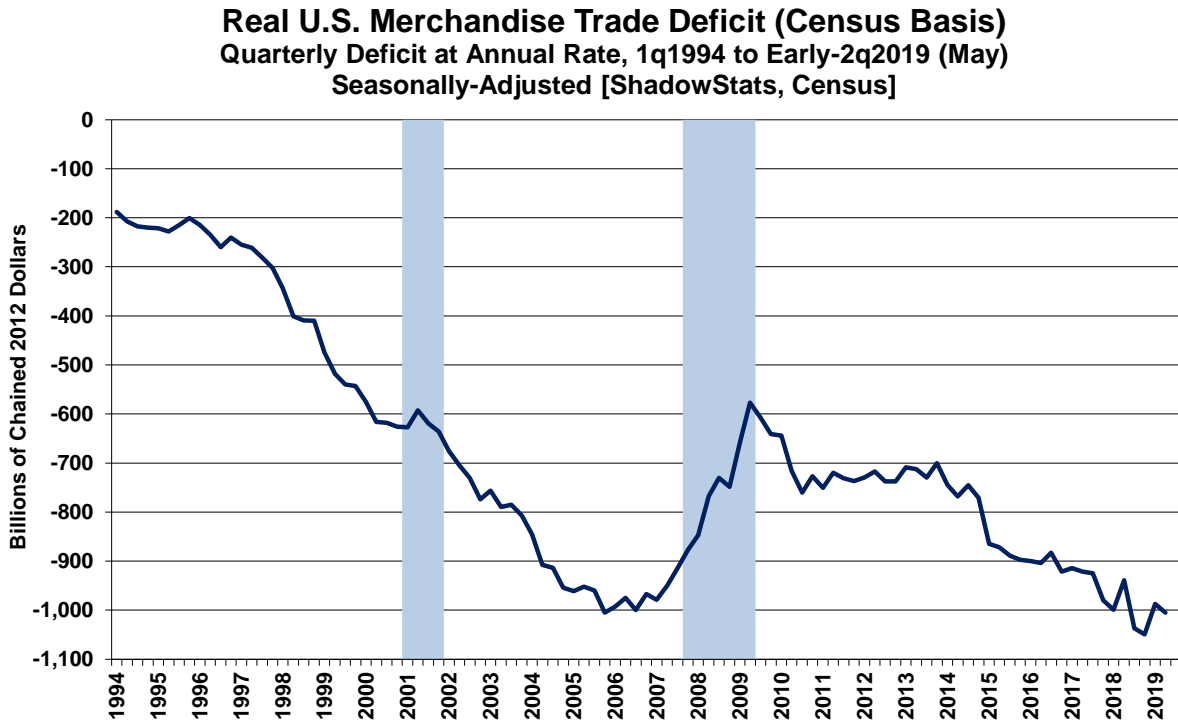


**Widening “Advance” May 2019 Trade Deficit Indicated Some Hit to Second Quarter GDP Suggestive of Increasing Oil Imports, Not of Improving Consumer Conditions**

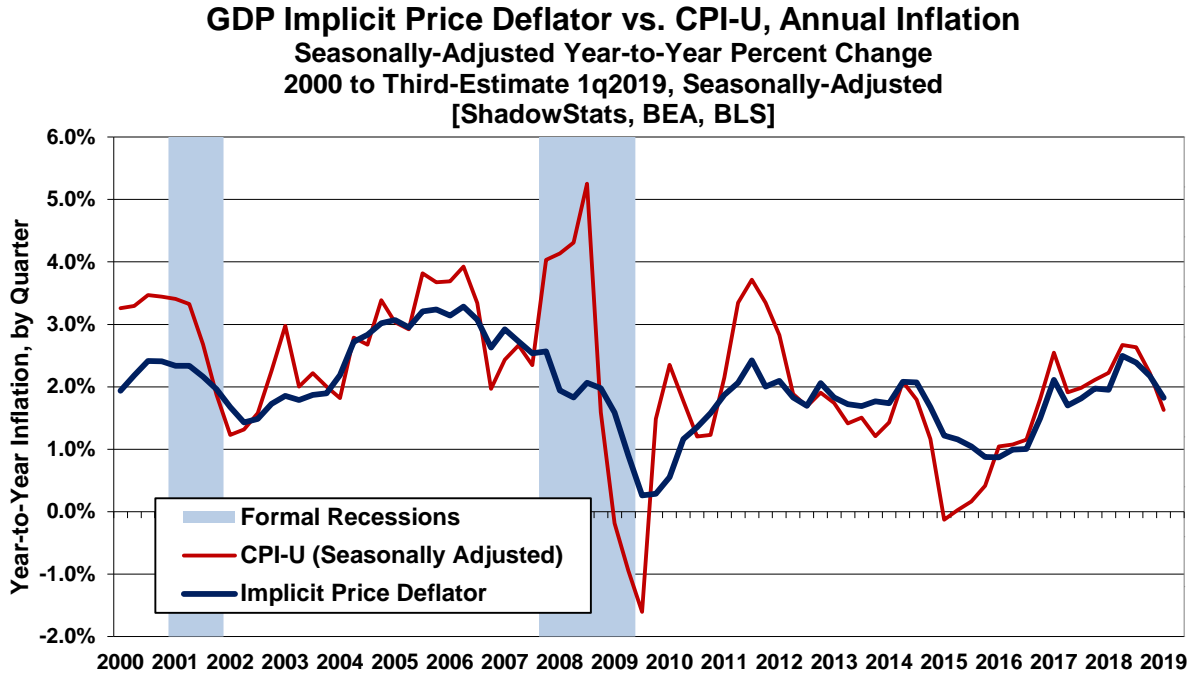
**Graph 11: Real Net Exports of Goods and Services in GDP (1q1994 to Third-Estimate 1q2019)**



**Graph 12: Real U.S. Merchandise Trade Deficit (First-Quarter 1994 to Early Second-Quarter 2019)**



**Graph 13: Inflation and Real Gross Domestic Product (1q2000 to Third-Estimate 1q2019)**



### Underlying Economic Reality

#### Corrected for Understated Inflation, Real GDP Shows No Economic Expansion

**While Headline Real GDP Has Rallied by 25.0% Off Its Fourth-Quarter 2007 Pre-Recession Peak, No Other Series Has.** Updated and expanded here from [Bullet Edition No. 11](#), *Graphs 1 to 13* show the latest the headline GDP and certain key subsidiary measures and related inflation as published by the Bureau of Economic Analysis (BEA). Reviewed in [Commentary No 984](#) and discussed in [Special Commentary No. 983-B](#), *Section 4: Underlying Reality* (page 35), headline real GDP growth has been systematically overstated, through the recasting and understatement of headline GDP inflation (*Graph 13*). ShadowStats regularly restates the GDP series for gimmicked inflation understatement of about two-percent, and has updated those graphs and calculations through the third estimate of first-quarter 2019 GDP (see *Graphs 14 to 17* here). See [Special Commentary No. 968-Extended](#) for full background detail.

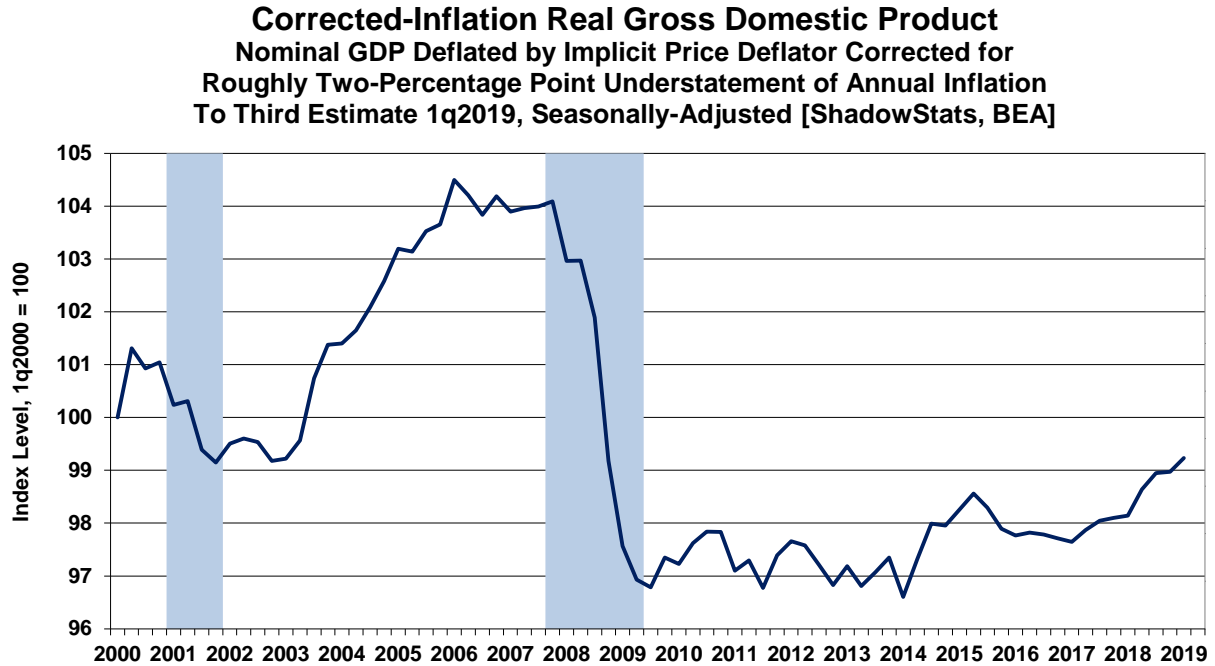
Updated from [Special Commentary No. 983-B](#), the headline real first-quarter 2019 GDP has fully recovered its fourth-quarter 2007 pre-recession peak, and has expanded beyond that peak by 25.0% (third estimate), growing at an annualized quarterly pace of 3.1%. In contrast, the ShadowStats Corrected-Inflation Measure, which shows a pattern of economic growth paralleling the Manufacturing Sector, remained shy of recovering its fourth-quarter 2007 peak by 4.7% (-4.7%). The second-estimate annualized real first-quarter 2019 growth of 1.0% (previously 1.1%), was against 0.1% in fourth-quarter 2018. First-quarter annual growth was 1.1%, up from 0.9% in fourth-quarter 2018. The ShadowStats numbers are built directly upon the existing headline detail.

**[Graphs 14 to 17 begin on the Next Page]**

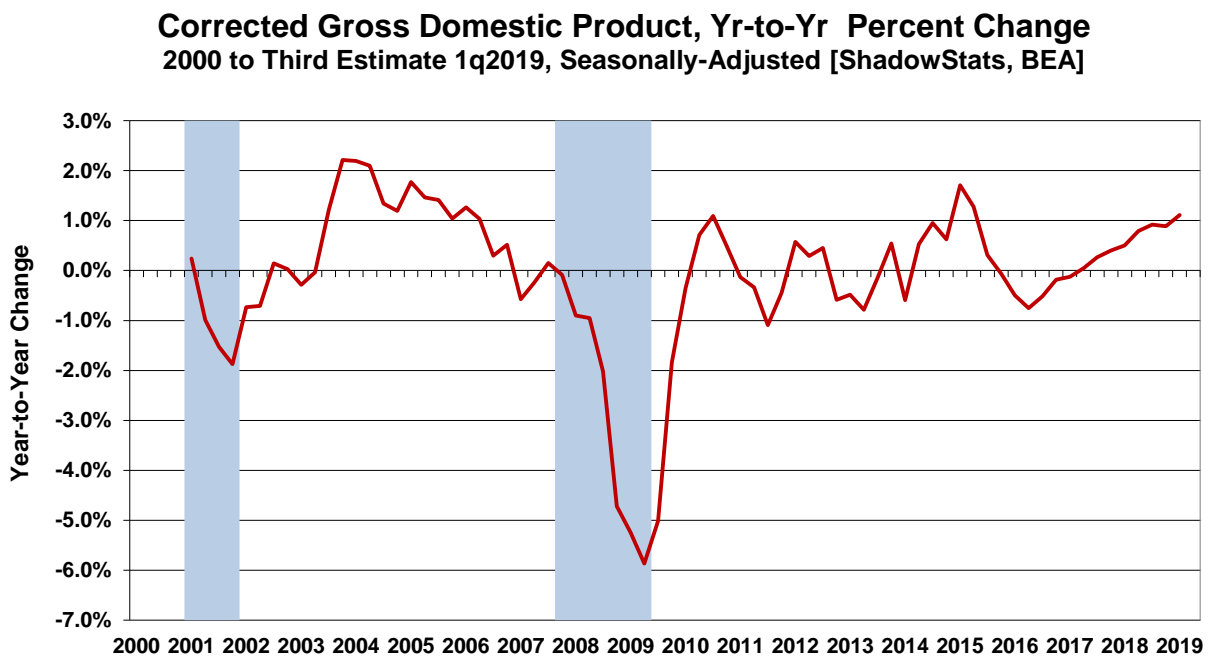
### Alternate Real GDP Using Corrected Inflation

The plots in Graphs 14 to 17 reflect GDP deflated by the Implicit Price Deflator corrected for understated annual inflation. For background, see [Special Commentary No. 983-B](#) and [Special Commentary No. 968-Extended](#).

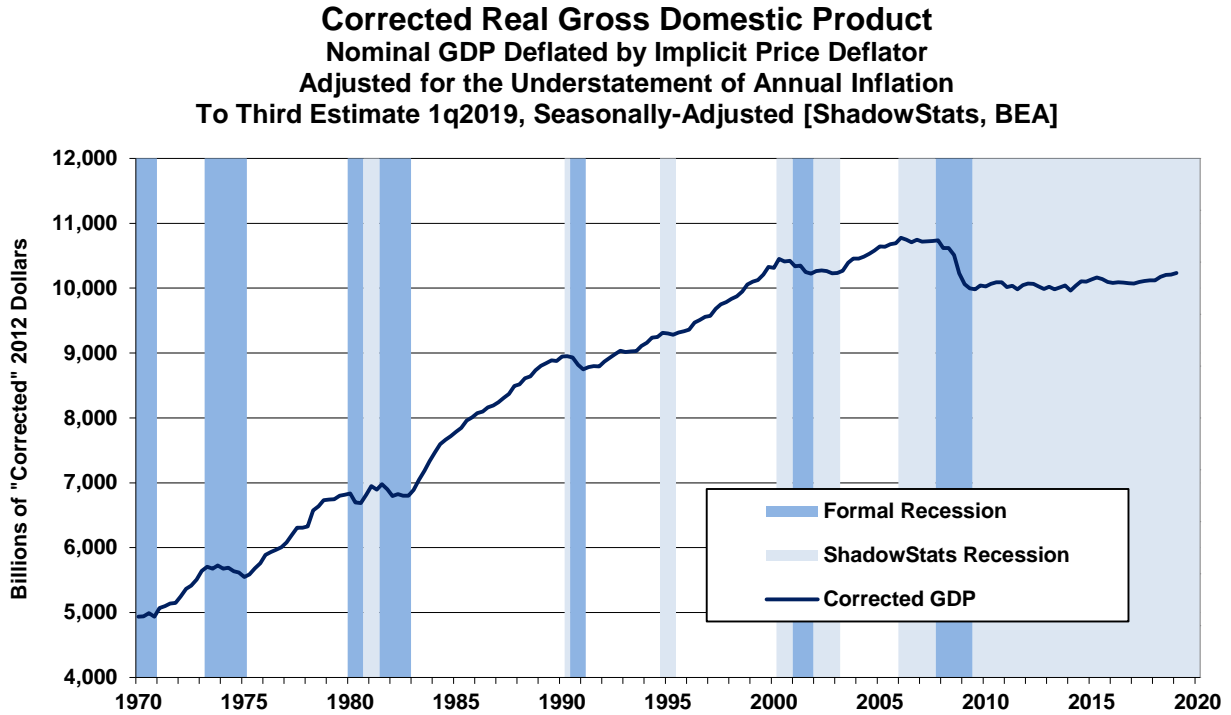
**Graph 14: Corrected-Inflation Based GDP (First-Quarter 2000 to Third Estimate, First-Quarter 2019)**



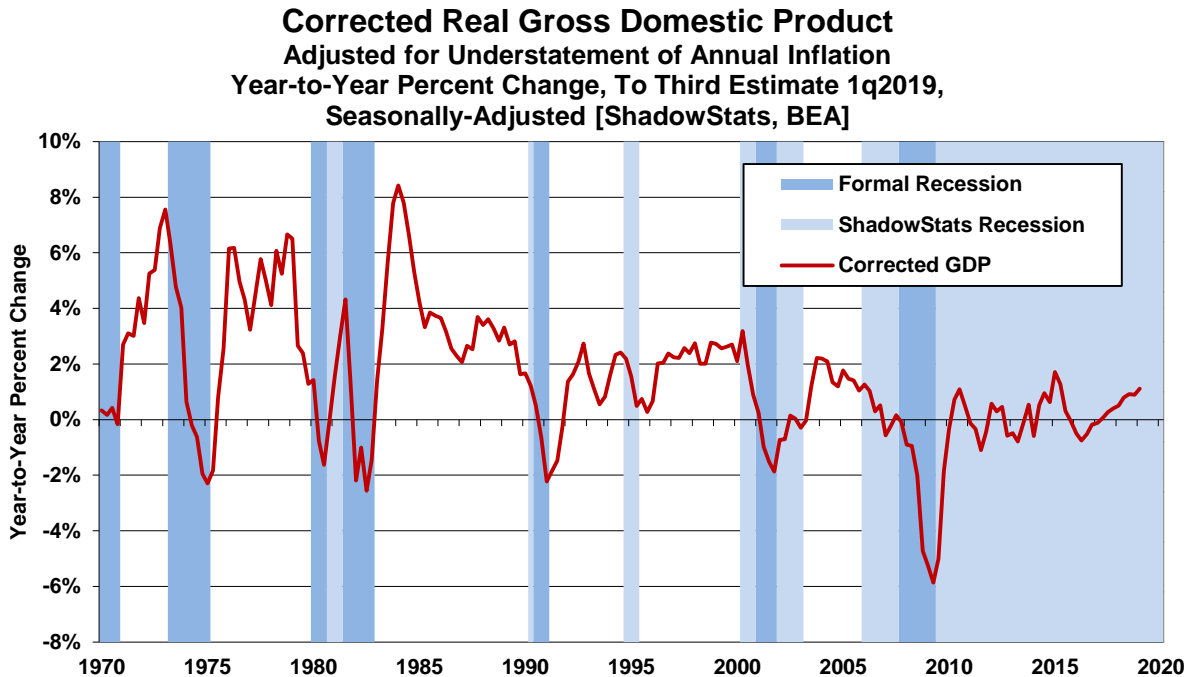
**Graph 15: Corrected-Inflation Based GDP, Yr-to-Yr % Change (2000 to Third Estimate First-Quarter 2019)**



**Graph 16: Corrected-Inflation Based GDP (1970 to Third Estimate, First-Quarter 2019)**



**Graph 17: Corrected-Inflation Based GDP, Yr-to-Yr % Change (1970 to Third Estimate, First-Quarter 2019)**



[Coverage of May New Orders for Durable Goods begins on the next page.]

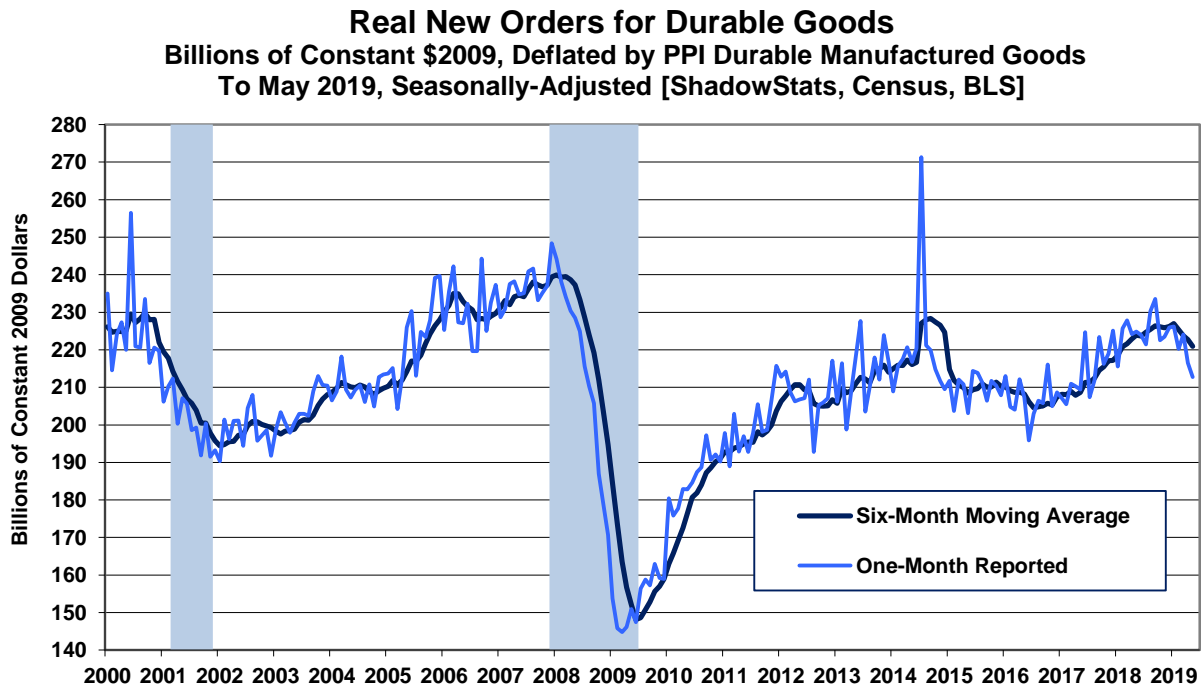
## May Durable Goods Orders Showed an Intensifying Recession Real New Orders on Solid Track for Third Straight Quarterly Decline

### Recession Signals Accelerate: May 2019 Real New Orders for Durable Goods Sank for the Month and for the Year, Both Before and After Considering Faltering Commercial Aircraft Orders.

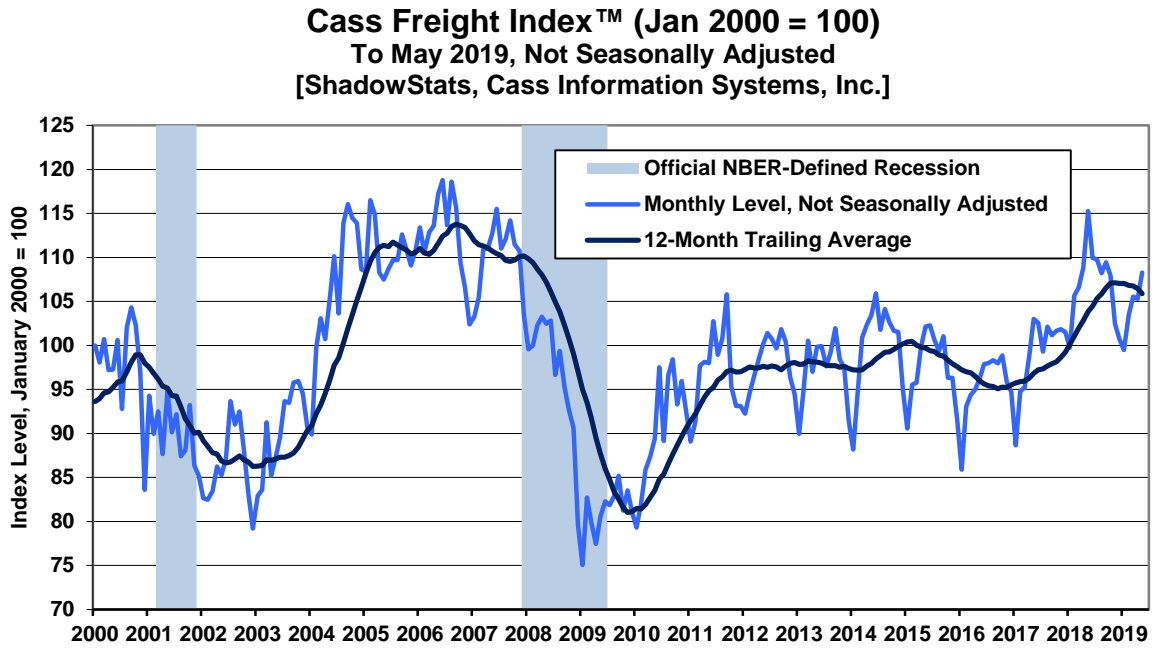
Headline nominal aggregate New Orders declined by 1.3% (-1.3%) in May 2019, depressed by a continuing plunge in Commercial Aircraft Orders of 28.2% (-28.2%) in May, on top of a negatively revised 39.3% (-39.3%) drop in April, as reported by the Census Bureau on June 26th.

Nonetheless, monthly aggregate nominal New Orders, ex-Commercial Aircraft, still were down by 0.5% (-0.5%) in May, versus an unrevised monthly decline of 1.0% (-1.0%) in April, as detailed in *Table 2*. Net of inflation and volatile Commercial Aircraft, Real Orders signaled a continuing sharp decline in broad economic activity, consistent with what should be weakening GDP and with recent, sharply deteriorating Freight and Manufacturing activity (see the discussion on the CASS Freight Index™ in [Commentary No. 984](#)). Second-Quarter 2019 Real Orders (both Total and ex-Commercial Aircraft) were on solid track for third consecutive quarter-to-quarter contractions, and the first quarterly year-to-year declines since Fourth-Quarter 2014, at the onset of 2015 mini-recession in Industrial Production and Manufacturing, again as discussed in *No. 984*.

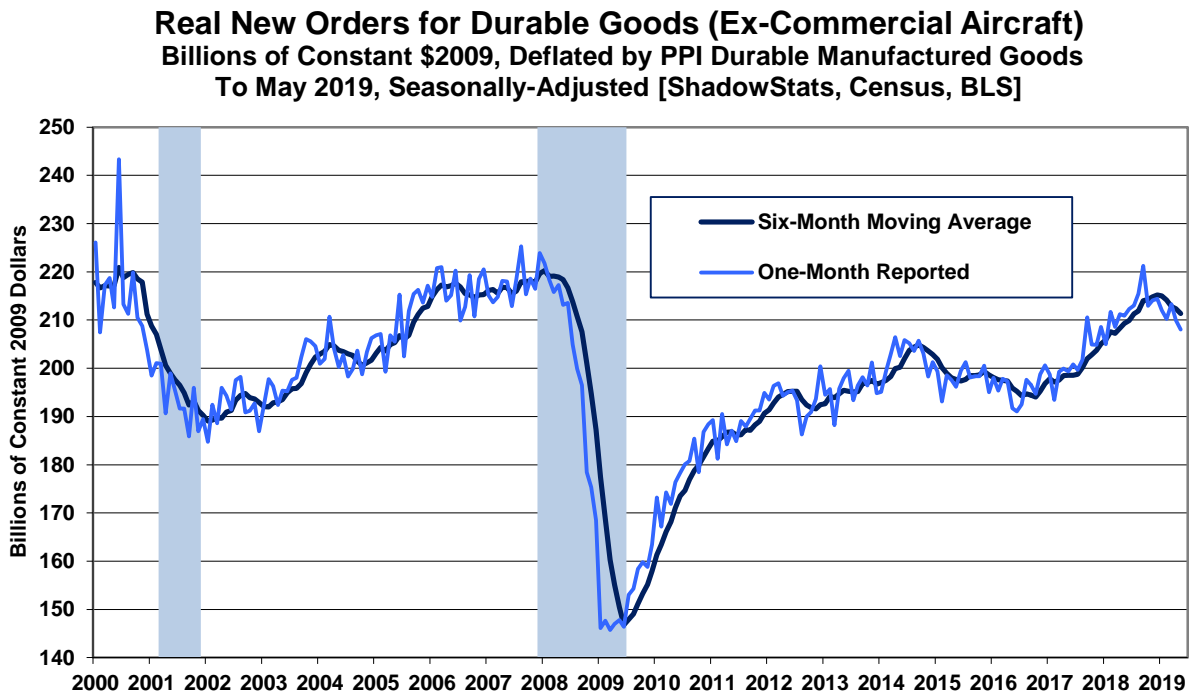
**Graph 18: Total Real New Orders for Durable Goods (January 2000 to May 2019)**



**Graph 19: CASS Freight Index™ (January 2000 to May 2019)**

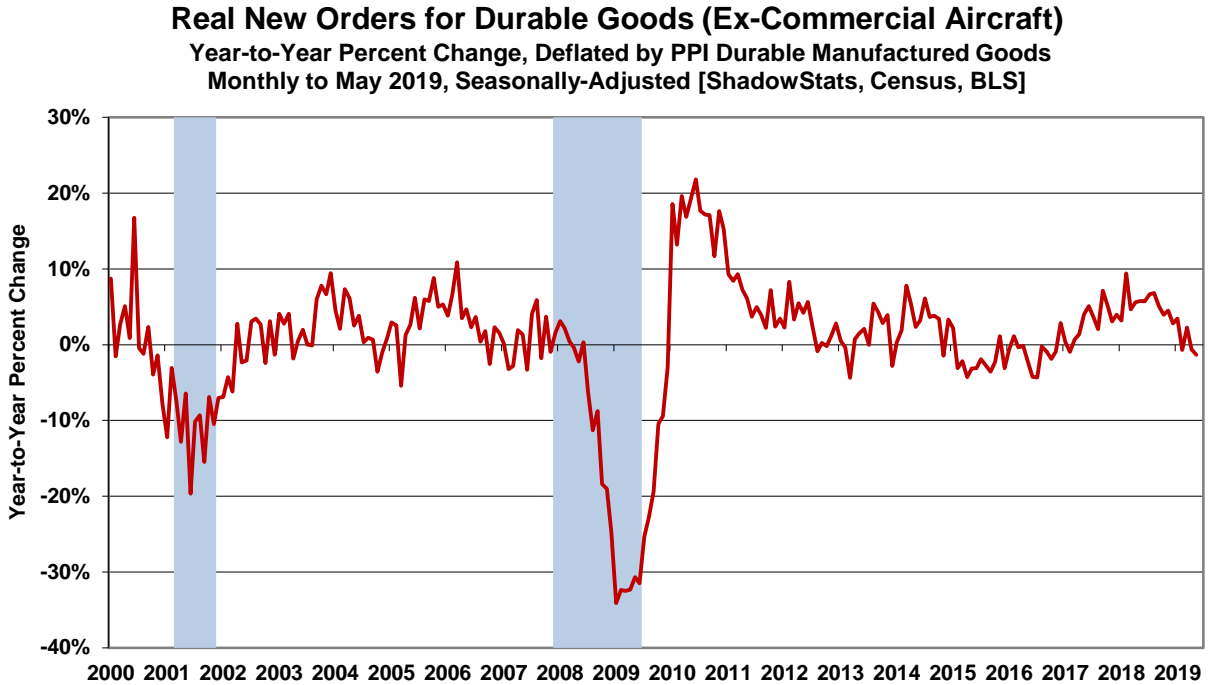


**Graph 20: Total Real New Orders for Durable Goods, Ex-Commercial Aircraft (January 2000 to May 2019)**





**Graph 21: Yr-to-Yr Change, Real New Orders Durable Goods Ex-Commercial Aircraft (January 2000 to May 2019)**



*Graph 18* plots the inflation-adjusted real level of total New Orders for Durable Goods, while *Graph 20* shows the same series, net of the highly volatile monthly gyrations in new orders for Commercial Aircraft, both series also plot the monthly volatility smoothed with six-month moving averages. *Graph 21* plots the annual change in the ex-aircraft series. Where neither series has recovered its pre-Great Recession peak, both series turned down in 2014/2015 in what likely was an unrecognized recession (due to much delayed benchmark revisions). The durable goods series clearly is turning down, showing similar patterns to the CASS Freight Index<sup>TM</sup>, as plotted in *Graph 19* (See the discussion on page 10 of [Commentary No. 984](#)).

**[Table 2: New Orders for Durable Goods (May 2019) follows on the next page]**

**Table 2: New Orders for Durable Goods (May 2019)**

New Orders for Durable Goods (May 2019 Reporting)					
Month	Nominal Millions of Current Dollars			Real Millions of Constant 2009 Dollars	
	Total New Orders	Commercial Aircraft	Ex- Commercial Aircraft	Total New Orders	Ex- Commercial Aircraft
Mar 19	253.834	12.256	241.578	224.096	213.276
Apr 19	246.694	7.438	239.256	216.480	209.953
May 19	243.367	5.338	238.029	212.737	208.071
Percent Change					
	Mo/Mo	Mo/Mo	Mo/Mo	Mo/Mo	Mo/Mo
Mar 19	1.71%	7.82%	1.42%	1.73%	1.44%
Apr 19	-2.81%	-39.31%	-0.96%	-3.40%	-1.56%
May 19	-1.349%	-28.23%	-0.51%	-1.73%	-0.90%
Prior M/M					
Mar 19	1.68%	7.80%	1.39%	1.70%	1.41%
Apr 19	-2.11%	-25.07%	-0.95%	-2.71%	-1.55%
	Yr/Yr		Yr/Yr	Yr/Yr	Yr/Yr
Mar 19	0.85%		4.86%	-1.64%	2.26%
Apr 19	-0.73%		2.18%	-3.43%	-0.60%
May 19	-2.80%		1.36%	-5.38%	-1.32%
Prior Y/Y					
Mar 19	0.82%		4.83%	-1.67%	2.24%
Apr 19	-0.05%		2.16%	-2.77%	-0.62%

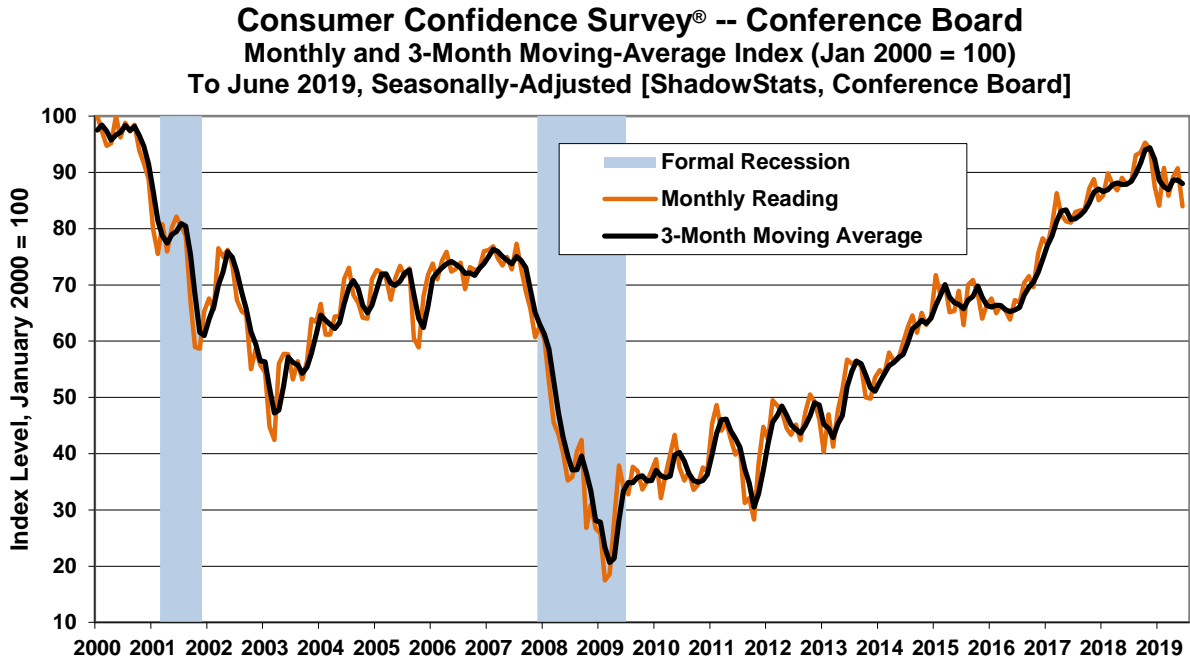
Sources: Commerce Department, BLS, ShadowStats.com

[Graphs of June 2019 Consumer Confidence and Sentiment follow on the next page]

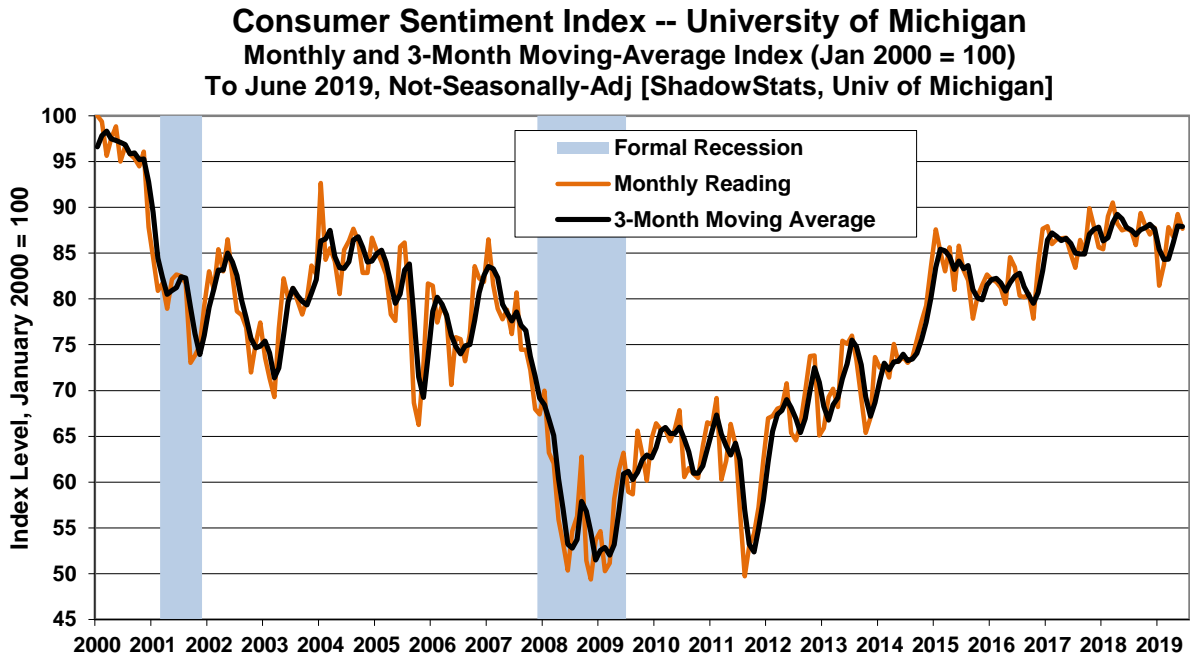
**Stressed Consumer Outlook Takes a New Hit As Stories on the Economy Turned Negative**

**Consumer Confidence and Consumer Both Fell in June 2019, as Headline Economic Details Turned Increasingly Negative, Amidst Mounting Consumer Liquidity Stresses.**

*Graph 22: Consumer Confidence Survey® (Conference Board) to June 2019*



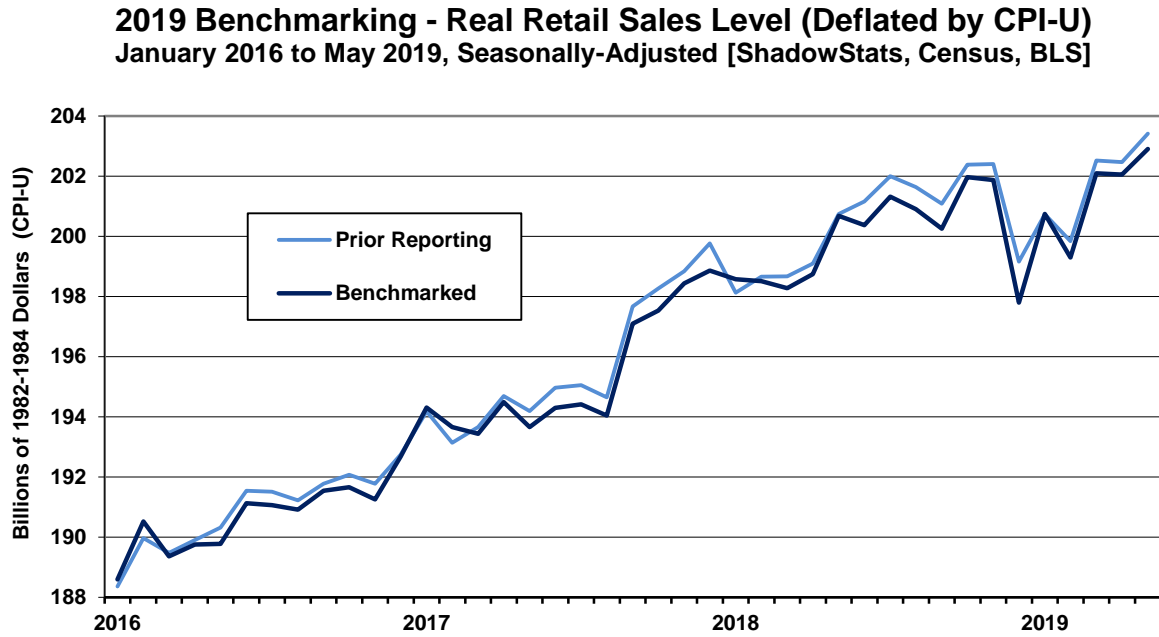
*Graph 23: Consumer Sentiment (University of Michigan) to June 2019*



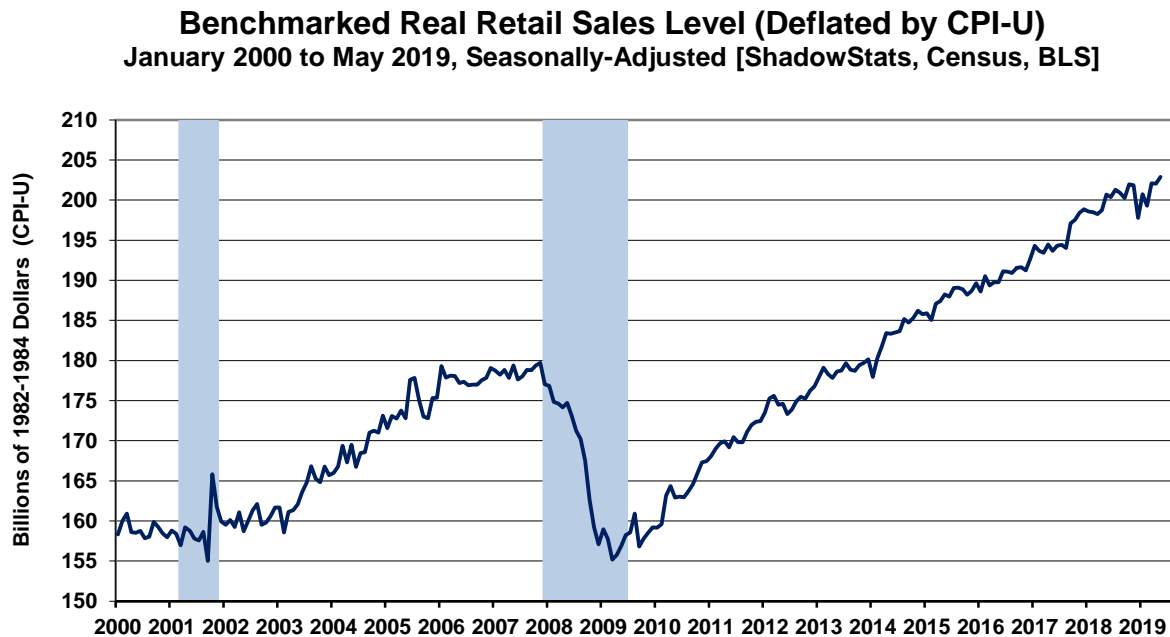
## Retail Sales Benchmarking Showed Weaker Volume 2016 to Date

Annual Benchmark Revisions Went Back to 2010; Most Changes Were 2016 On, With Sales Levels Reduced by 0.2% to 0.3%; Impact on Pending GDP Revisions Largely Would Be in 2016/2017

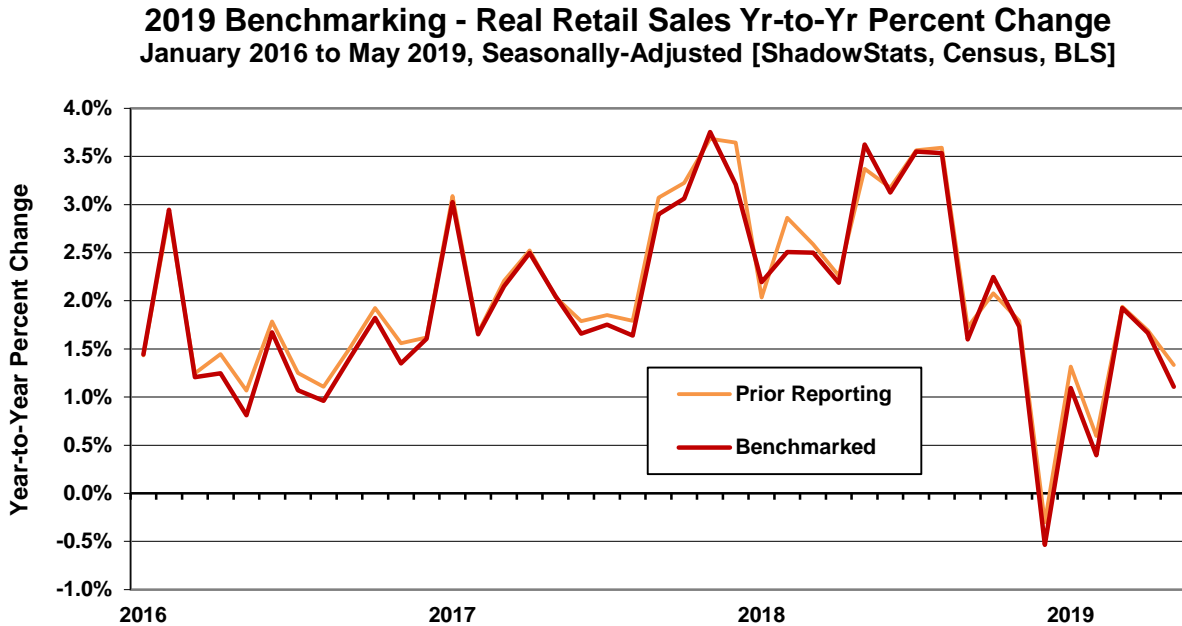
**Graph 24: Real Retail Sales 2019 Benchmark Revisions (January 2016 to May 2019)**



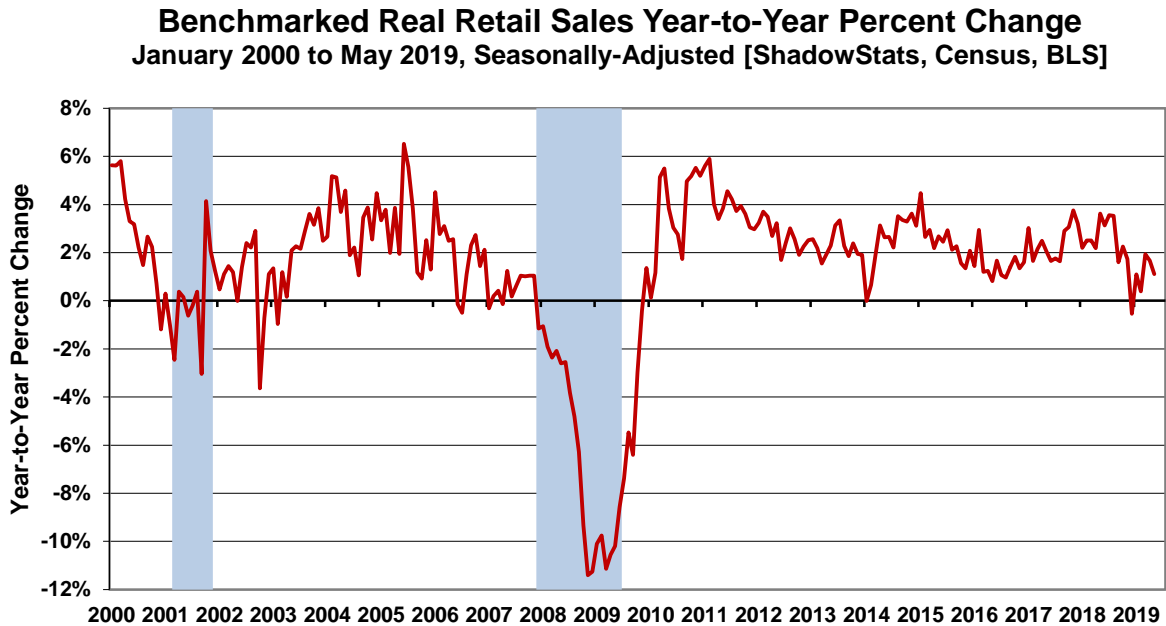
**Graph 25: Benchmarked Real Retail Sales (January 2000 to May 2019)**



**Graph 26: Yr-to-Yr Real Retail Sales 2019 Benchmark Revisions (January 2016 to May 2019)**



**Graph 27: Benchmarked Yr-to-Yr Real Retail Sales (January 2000 to May 2019)**



# # #