

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

**COMMENTARY NUMBER 413**  
**December CPI, PPI, Production, Housing Starts, Real Retail Sales**

**January 19, 2012**

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**Patterns of Slowing Growth Have Re-Emerged**

**Inflation from High Oil Prices Still Impacting Broad Economy**

**2011 Average Annual Consumer Inflation: 3.2% (CPI-U), 3.6% (CPI-W), 10.7% (SGS)**

**2011 Average Annual Wholesale Inflation: 6.1% (PPI)**

**Perils of Poor-Quality Inflation Data and Bad Assumptions**

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*PLEASE NOTE: The next regular Commentary is scheduled for Friday, January 27th, covering the “advance” estimate of fourth-quarter 2011 GDP growth, and December 2011 new orders for durable goods and new and existing home sales. Publication of Hyperinflation 2012 is planned for Monday, January 23rd and will incorporate today’s releases of 2011 annual inflation and economic data.*

*Best wishes to all — John Williams*

**Opening Comments and Executive Summary.** Although the Bureau of Economic Analysis (BEA) reports that general business activity in the United States has recovered its pre-recession levels, no major independent economic series confirms that circumstance. Only the BEA’s overstated and heavily-politicized gross domestic product (GDP) measure makes that claim.

December readings on real (inflation-adjusted) retail sales, production and housing all showed patterns of slowing growth or contractions, either month-to-month or year-to-year, with levels below pre-recession highs. Further, as regularly discussed, underlying consumer liquidity conditions remain so constrained as to prevent any usual or sustainable growth in the broad economy in the near-term.

That said, the BEA likely will report next Friday (January 27th) that fourth-quarter GDP picked up sharply from the third-quarter's annualized 1.8% growth rate. One consensus estimate suggests 3.0% annualized growth. The BEA guesses at its initial GDP estimate and often targets consensus forecasts. There is an underlying assumption by the BEA that the consensus has a good idea as to what is happening in the economy. The consensus—often rooted in Wall Street wishes—rarely does. The consensus then adjusts its thinking to reflect the BEA's ensuing GDP reporting, and a vicious cycle of distorted economic data is triggered. The circumstance reminds me of a very old story out of New England.

Back in the late-1800s, there was a town in northern Massachusetts where the community's economic life centered on a large textile mill. Every day at noon, mill foreman Jimmy Jones would blow the factory whistle to signal the lunch break. But the workers were getting restless.

It seemed that the noon whistle was getting a little later each week, so much so that the workers figured they now were eating their lunches at closer to one o'clock than noon. A delegation of mill employees was sent to discuss the issue with the foreman.

"I'm very precise with the timing," protested foreman Jones, as he pulled out and handed his large binoculars to the head of the workers' delegation to demonstrate what he did. "I look at that very large clock in front of Mr. Smith's jewelry store across the river there, and as soon as that big hand ticks to noon, I blow the whistle."

Sure enough, the workers could see that the jewelry store clock displayed a time of about 12:10, and the foreman had blown the whistle about ten minutes before. So the puzzled delegation decided to walk across the river, into town, to talk with Mr. Smith.

"I'm very precise in my timing," explained jeweler Smith. "I reset the clock every day, precisely to noon, as soon as I hear the factory whistle."

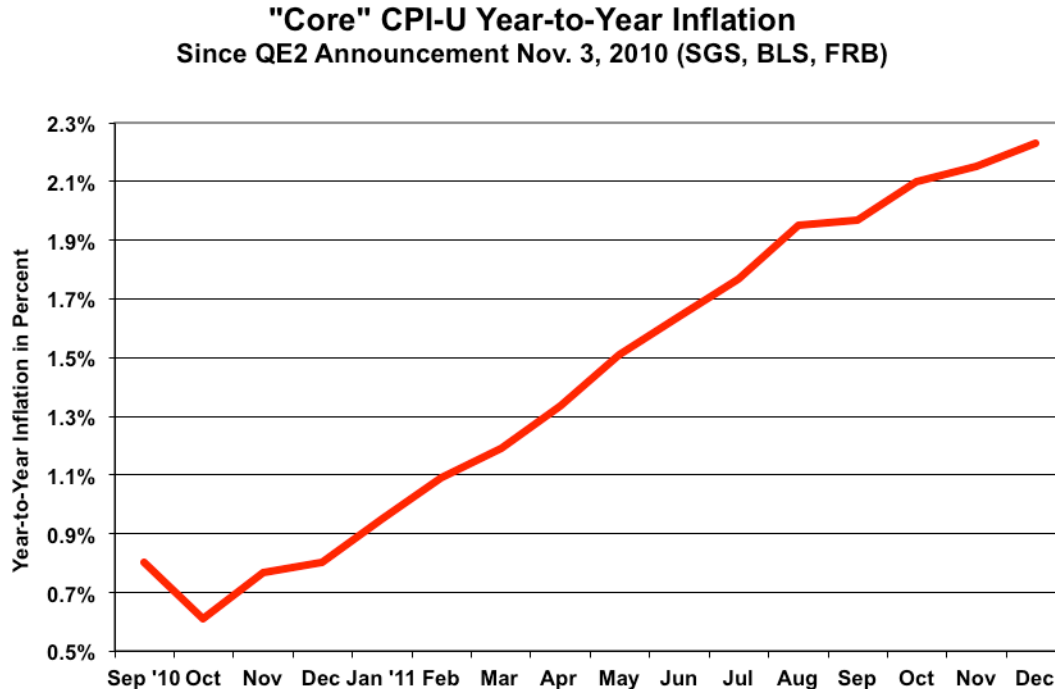
Jones and Smith each had assumed that the other fellow knew what he was doing. Not allowing for the time delay involved in the sound of the whistle traveling the mile or so from the mill to the jewelry store, the workers' lunch time slowly had been thrown off. The matter was corrected and the local lifestyle returned to its tranquil normalcy.

Unfortunately, there is little chance of correcting the reporting issues with the Bureau of Economic Analysis in the foreseeable future.

***CPI and PPI Inflation.*** Due to a decline in gasoline prices and to unusual twists in the seasonal adjustment of same, the December CPI-U was unchanged for a second month. Year-to-year inflation as of December 2011 slowed to 3.0%, from 3.4% in November, but both the year-to-year inflation rate and the 3.2% average annual 2011 inflation rate were double the respective inflation number the year before.

Despite the monthly weakness in gasoline prices, the long-range effects of high oil prices still are working their way into the broad economy. So-called "core" inflation—net of food and energy costs and beloved

of Federal Reserve chairmen—has been on the rise since Mr. Bernanke began his dollar-debasement efforts with QE2. For fourteen straight months, now, annual or year-to-year “core” inflation has increased, month after month, as shown in the following graph.

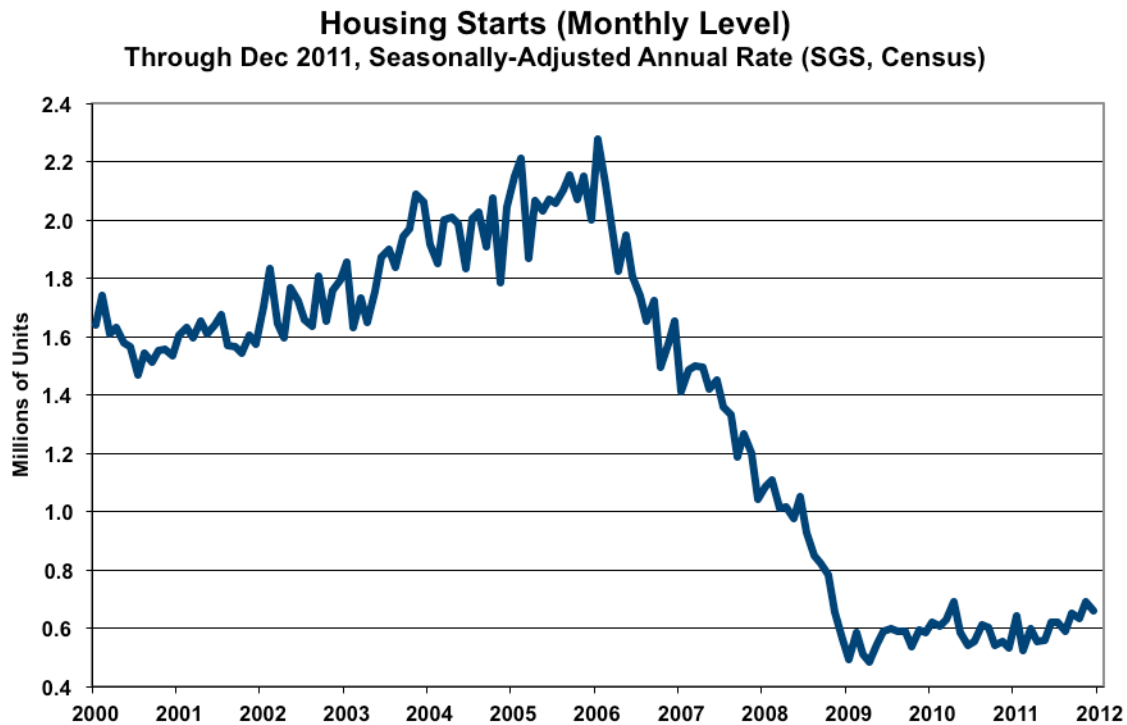


Despite an energy-related 0.1% monthly contraction in wholesale prices (PPI) for December, “core” wholesale inflation continued to follow the pattern seen in consumer prices. Year-to-year December PPI inflation was 4.8%, with the annual average 2011 inflation rate at 6.1%, up from 4.2% in 2010.

***Economic Measures—It’s All in How Inflation is Measured.*** The following housing starts graph shows detail for current activity (the regular graph showing the same data within the historical context of the post-World War II period is in the *Residential Construction* section).

Housing starts is measured in units and is independent of inflation measures. The graph shows the collapse in economic activity that began in 2006 and continued into 2009, with a period of bottom-bouncing ever since.

The government’s statistical agencies use understated inflation rates when they try to remove the effects of inflation from economic data, such as retail sales and industrial production. Numbers that are deflated by too low an inflation rate end up being overstated in inflation-adjusted terms. Corrected for the inflation problems, the graphs of retail sales and production activity would look a great deal more like the housing starts graph, than the graphs of the official data shown in the *Real Retail Sales* and *Industrial Production* sections. These issues will be explored in some detail, with graphics, in *Hyperinflation 2012* and were discussed in [Commentary No. 401](#).



Each of the following series is discussed in separate section, later in the *Commentary*.

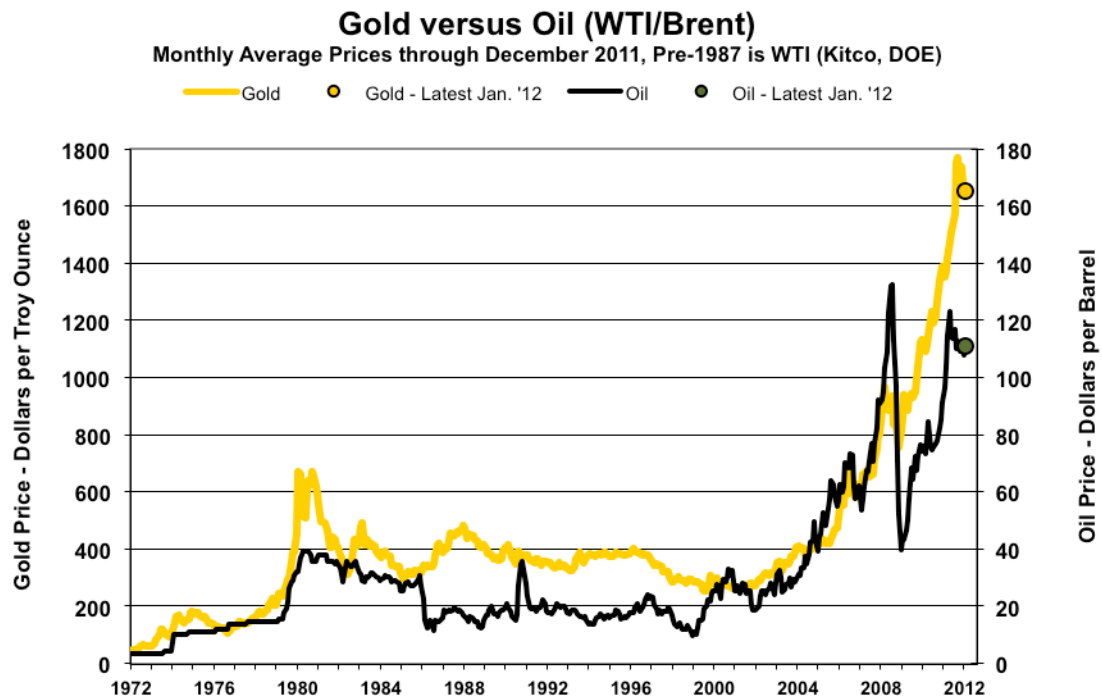
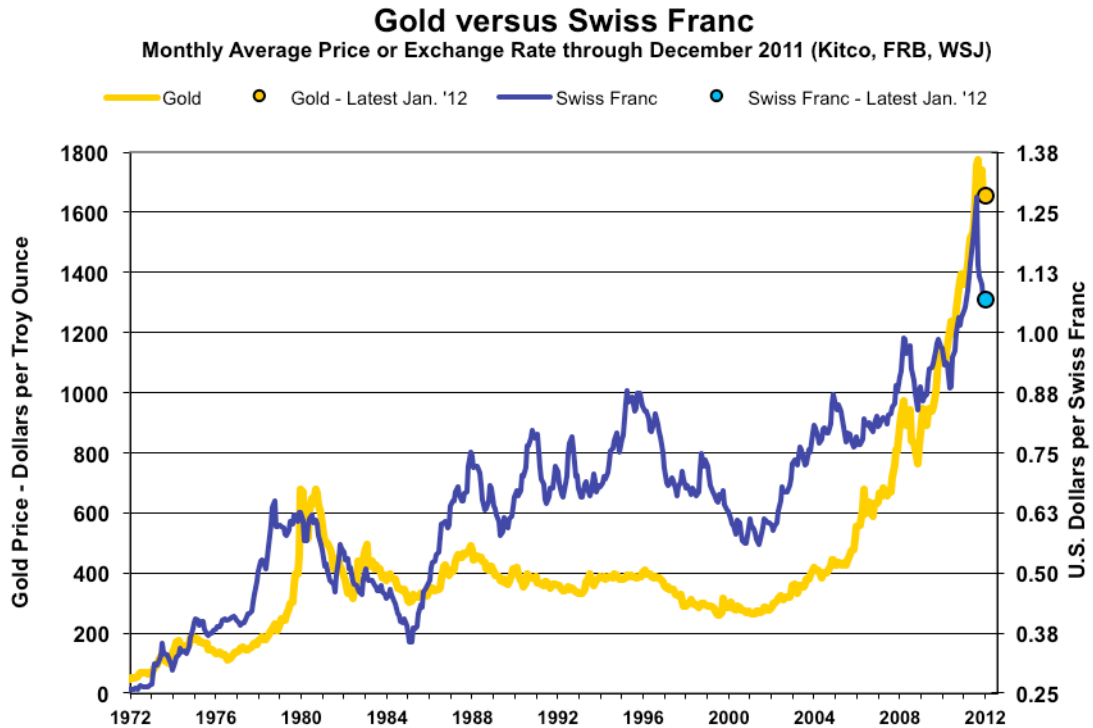
*Real Retail Sales.* December sales basically were flat, up less than 0.1%, in the dominant retail sales month, even with no official inflation. Year-to-year growth continued to slow.

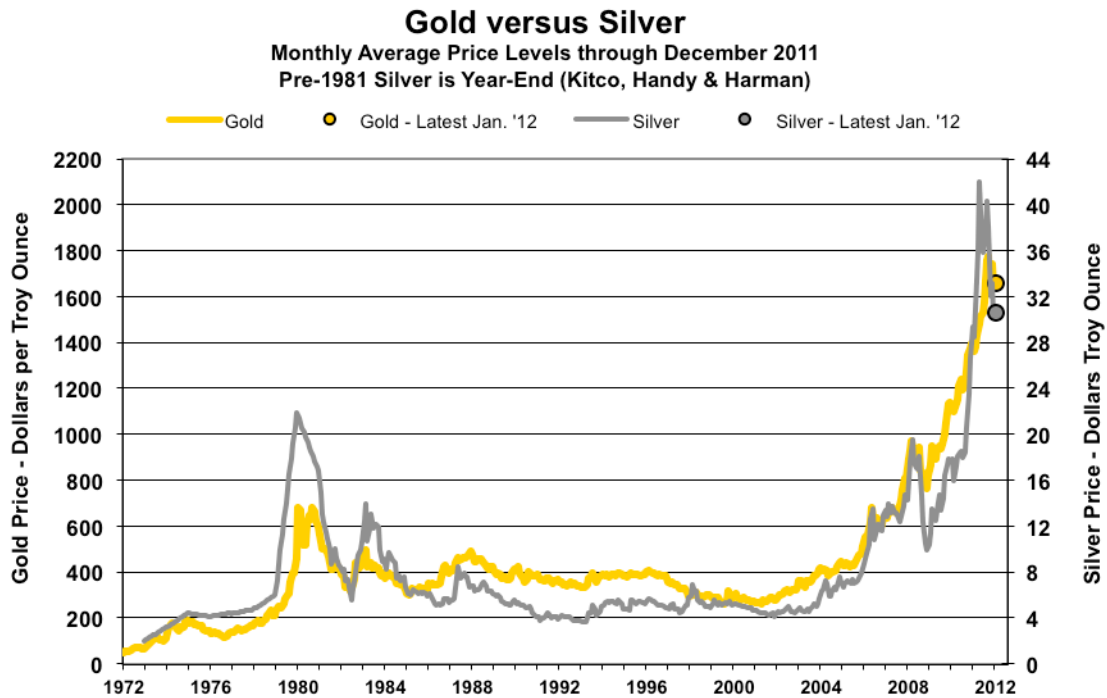
*Industrial Production.* December production picked up 0.4% in the month, but year-to-year growth slowed sharply in an ongoing downtrend commonly seen going into a recession.

*Housing Starts.* Housing starts dropped by 4.1% for December, but that was little more than statistical noise in the ongoing bottom-bouncing as seen in the above graph.

**Hyperinflation Watch—Outlook is Unchanged.** The general outlooks on the economy, inflation, financial markets and systemic stability remain unaltered from the discussions in [Hyperinflation Special Report \(2011\)](#). The soon-to-be-published *Hyperinflation 2012* will review fully and expand upon the key issues discussed in the 2011 report.

Following are the regular monthly graphs of gold prices versus the Swiss franc, crude oil and silver. Ongoing market instabilities continue to be reflected in the latest numbers. Oil prices have been somewhat higher due to mounting political tensions in the Middle East. Risks remain strong for a near-term break or sell-off in the U.S. dollar, as will be discussed further in *Hyperinflation 2012*.





## REPORTING DETAIL

### CONSUMER PRICE INDEX—CPI (December 2011)

#### **Unusually Soft Seasonal Adjustments to Gasoline Prices Muted December Consumer Inflation.**

Another monthly decline in gasoline prices—further held in check by unusual seasonal factors for gasoline prices—kept the headline CPI-U unchanged for a second month, along with softening year-to-year inflation. Nonetheless, annual inflation in 2011 was sharply higher than in 2010, and inflationary pressures from already high oil prices spread ever further into the broad economy with year-to-year “core” inflation jumping for the 14th straight month in December.

### ***Notes on Different Measures of the Consumer Price Index***

*The Consumer Price Index (CPI) is the broadest inflation measure published by the U.S. Government, through the Bureau of Labor Statistics (BLS), Department of Labor:*

*The **CPI-U (Consumer Price Index for All Urban Consumers)** is the monthly headline inflation number (seasonally adjusted) and is the broadest in its coverage, representing the buying patterns of all urban consumers. Its standard measure is not seasonally adjusted, and it never is revised on that basis except for outright errors.*

*The **CPI-W (CPI for Urban Wage Earners and Clerical Workers)** covers the more-narrow universe of urban wage earners and clerical workers and is used in determining cost of living adjustments in government programs such as Social Security. Otherwise its background is the same as the CPI-U.*

*The **C-CPI-U (Chain-Weighted CPI-U)** is an experimental measure, where the weighting of components is fully substitution based. It generally shows lower annual inflation rate than the CPI-U and CPI-W. The latter two measures once had fixed weightings—so as to measure the cost of living of maintaining a constant standard of living—but now are quasi-substitution-based.*

*The **SGS Alternative CPI-U Measures** are attempts at adjusting reported CPI-U inflation for the impact of methodological change of recent decades designed to move the concept of the CPI away from being a measure of the cost of living needed to maintain a constant standard of living.*

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**CPI-U.** The BLS reported today (January 19th) that the headline, seasonally-adjusted December 2011 CPI-U was unchanged for the month. Headline reporting reflects change only to the first decimal point. To the second decimal point, adjusted December CPI-U was up by 0.01% (down by 0.25% unadjusted), against an also unchanged November headline CPI-U, which was down by 0.02% (down 0.08% unadjusted).

Using the 2010 seasonal adjustments to gasoline prices, December 2011's headline CPI-U would have been up by 0.2% instead of being unchanged. December 2011 reporting reflected an unadjusted 4.0% decline in monthly average gasoline prices (the Department of Energy reported an unadjusted 3.4% decline), with the adjusted BLS estimate narrowing to a seasonally-adjusted monthly contraction of 2.0%. In December 2010, a 4.5% unadjusted monthly gain in gasoline prices was turned into an 8.5% monthly gain, after seasonal adjustment. Aside from overstating the decline in gasoline prices on an unadjusted basis, the regular seasonal-adjustment to the upside for gasoline prices was slashed meaningfully.

Despite the monthly weakness in gasoline prices, the December CPI-U still showed the ongoing trend of mounting inflationary pressures from the spread of higher energy prices into the broad economy (see the graph and comments in the *Opening Comments and Executive Summary*). On an annual basis, “core” CPI-U inflation moved higher for the 14th straight month, up to 2.23% in December, from 2.15% in November. When Fed Chairman Bernanke used his jawboning in a successful effort to debase the U.S. dollar in the global markets, in advance of announcing QE2 in November 2010, annual “core” inflation was at 0.61%.



On a seasonally-adjusted basis, the annualized quarterly inflation rate for fourth-quarter 2011 was 0.94%, down from 3.07% in the third-quarter. Annual average CPI-U inflation in 2011 was 3.16% versus 1.64% in 2010.

With an unchanged monthly CPI in December 2011 versus a strong upturn in the December 2010 headline number (thanks to gasoline), December 2011's unadjusted year-to-year CPI-U inflation eased to 2.96%, from 3.39% in November, but it was up from December 2010's year-to-year inflation of 1.50%.

Year-to-year total CPI-U inflation would increase or decrease in next month's January 2012 reporting, dependent on the seasonally-adjusted monthly change, versus the 0.40% gain in the adjusted monthly level reported for January 2011. I use the adjusted change here, since that is how consensus expectations are expressed. To approximate the annual unadjusted inflation rate for January 2012, the difference in January's headline monthly change (or forecast of same) versus the year-ago monthly change should be added to or subtracted directly from December 2011's reported annual inflation rate of 2.96%.

**CPI-W.** The narrower, seasonally-adjusted CPI-W, which has greater weighting for gasoline than does the CPI-U, was virtually unchanged (down by 0.29% unadjusted) in December, having declined in November by 0.08% (down by 0.10% unadjusted).

On a seasonally-adjusted basis, the annualized quarterly inflation rate for fourth-quarter 2011 CPI-W was 0.79%, down from 3.31% in the third-quarter. Annual average CPI-W inflation in 2011 was 3.56% versus 2.07% in 2010.

Unadjusted, December 2011's year-to-year CPI-W inflation was 3.20%, a slower pace than the 3.75% reported for November 2011, but up sharply from December 2010's year-to-year change of 1.68%.

**C-CPI-U.** Year-to-year inflation in the December 2011 C-CPI-U eased to 2.77% from 3.32% in November 2011, but it was up from 1.35% in December 2010. Annual average C-CPI-U inflation in 2011 was 2.97% versus 1.46% in 2010.

The Chain-Weighted CPI-U—the fully substitution-based series that gets touted as a CPI replacement, by those who oppose use of the existing CPI-U and CPI-W, and by inflation apologists—including a number of politicians looking to cut deficit spending by using the C-CPI-U to reduce Social Security cost of living adjustments—is reported only on an unadjusted basis.

**Alternate Consumer Inflation Measures.** Adjusted to pre-Clinton (1990) methodology, annual CPI inflation was roughly 6.3% in December 2011, versus 6.7% in November 2011, but up from 4.8% in December 2010. The SGS-Alternate Consumer Inflation Measure, which reverses gimmicked changes to official CPI reporting methodologies back to 1980, eased to about 10.6% (10.57% for those using the extra digit) in December 2011, from about 11.0% in November 2011, and up from 8.9% in December 2010. Annual average inflation here was 10.7% in 2011 versus 8.9% in 2010.

The SGS-Alternate Consumer Inflation Measure adjusts on an additive basis for the cumulative impact on the annual inflation rate of various methodological changes made by the BLS (the series is not recalculated). Over the decades, the BLS has altered the meaning of the CPI from being a measure of the cost of living needed to maintain a constant standard of living, to something that neither reflects the



constant-standard-of-living concept nor measures adequately most what consumers view as out-of-pocket expenditures. Roughly five percentage points of the additive SGS adjustment reflect the BLS's formal estimate of the annual impact of methodological changes; roughly two percentage points reflect changes by the BLS, where SGS has estimated the impact not otherwise published by the BLS.

***Gold and Silver Highs Adjusted for CPI-U/SGS Inflation.*** Despite the September 5, 2011 historic-high gold price of \$1,895.00 per troy ounce (London afternoon fix), and despite the multi-decade-high silver price of \$48.70 per troy ounce (London fix of April 28, 2011), gold and silver prices have yet to re-hit their 1980 historic levels, adjusted for inflation. The earlier all-time high of \$850.00 (London afternoon fix, per Kitco.com) of January 21, 1980 would be \$2,466 per troy ounce, based on December 2011 CPI-U-adjusted dollars, \$8,783 per troy ounce based on SGS-Alternate-CPI-adjusted dollars (all series not seasonally adjusted).

In like manner, the all-time high price for silver in January 1980 of \$49.45 per troy ounce (London afternoon fix, per silverinstitute.org), although approached in 2011, still has not been hit since 1980, including in terms of inflation-adjusted dollars. Based on December 2011 CPI-U inflation, the 1980 silver price peak would be \$144 per troy ounce and would be \$511 per troy ounce in terms of SGS-Alternate-CPI-adjusted dollars (again, all series not seasonally adjusted).

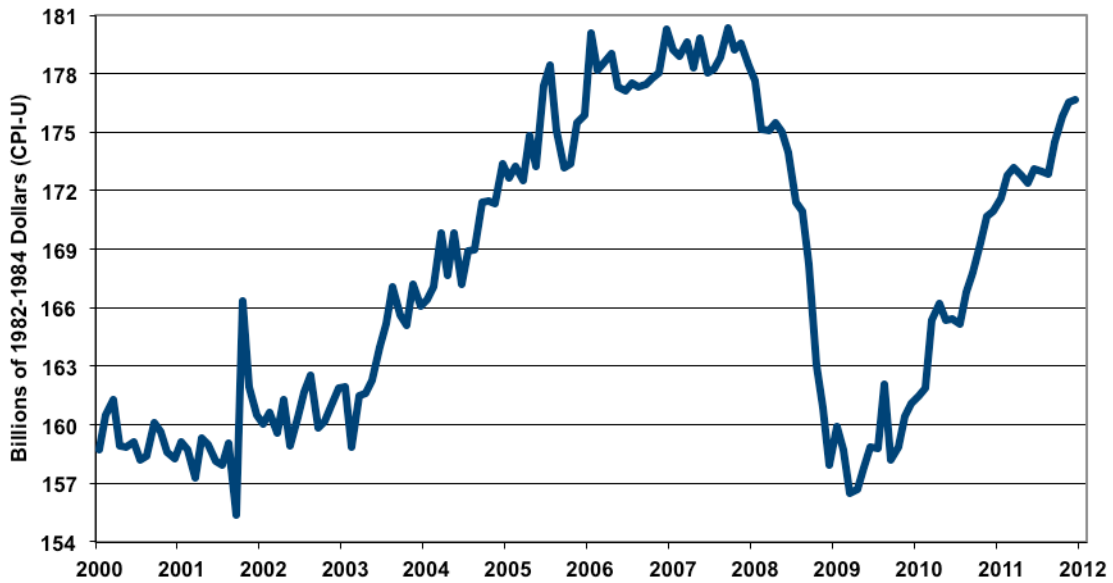
As shown on page 43 of the [Hyperinflation Special Report \(2011\)](#), and will be updated in the pending *Hyperinflation 2012*, over the decades, the increases in gold and silver prices have compensated for more than the loss of the purchasing power of the U.S. dollar as reflected by CPI inflation, while it has effectively fully compensated for the loss of purchasing power of the dollar based on the SGS-Alternate Consumer Price Measure (1980 Methodologies Base).

***Real (Inflation-Adjusted) Retail Sales.*** Based on the December 2011 CPI-U reporting, inflation- and seasonally-adjusted December 2011 retail sales rose by 0.07% for the month, where, before inflation-adjustment, the current number was up by 0.09% (see [Commentary No. 412](#) for details of the nominal reporting). November real retail sales revised to a 0.43% (initially a 0.22%) gain, where the nominal (not-adjusted-for-inflation) number revised to a 0.41% (previously 0.22%) gain.

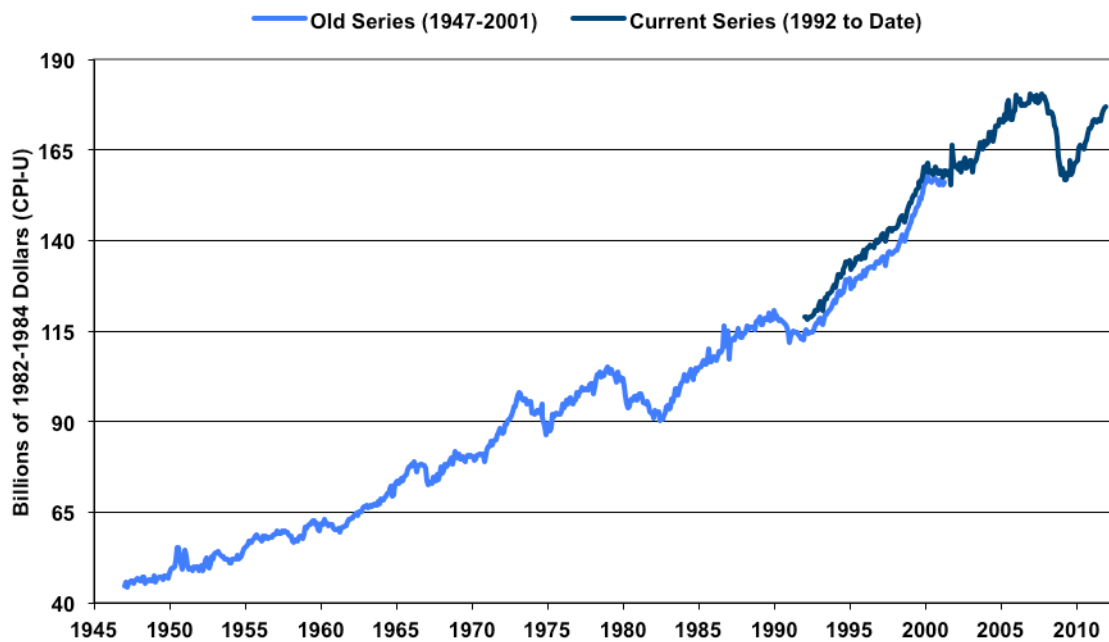
December's real retail sales rose at a slower year-to-year pace of 3.37%, versus a revised 3.46% (previously 3.23%) annual gain reported for November.

The ongoing "recovery" in real retail sales is reflected in the following graphs, which show the latest monthly levels of inflation- and seasonally-adjusted activity. The first of these shows close historical detail for the period beginning in 2000; the second shows the same data in historical context since World War II.

**Real Retail Sales (Monthly Level)**  
Through December 2011, Seasonally-Adjusted (SGS, Census)

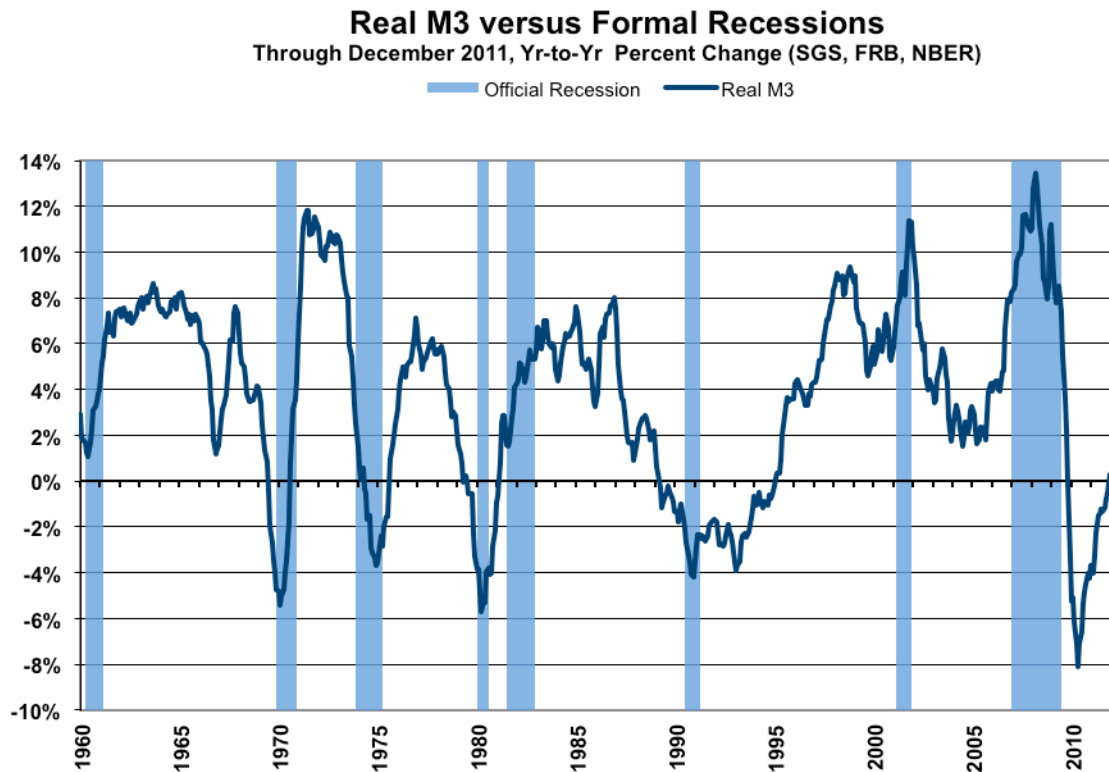


**Real Retail Sales (Monthly Level)**  
Through November 2011, Seasonally-Adjusted (SGS, Census)



Using the SGS Alternate-CPI Inflation estimates for deflation of the retail series would not show an ongoing rise in activity for the last year or so, but rather an ongoing pattern of bottom-bouncing, as discussed in [Commentary No. 401](#) (see Inflation-Corrected Real Retail Sales—1990-based SGS estimate—graph on page 6) and in the upcoming *Hyperinflation 2012*. It has been my preference here and wherever otherwise possible, to use the official estimates (the series here is as calculated by the St. Louis Fed), since that eliminates a level of argument over what is being reported. As official consumer inflation picks up further, and as overall retail sales suffer from the ongoing consumer liquidity squeeze, these data should turn down meaningfully in what eventually will become a formal double-dip recession.

There has been no change in the underlying fundamentals. There is nothing that would support a sustainable turnaround in retail sales, personal consumption or in general economic activity. There is no recovery, just general bottom-bouncing. Accordingly, real retail sales levels in the months ahead should become increasingly negative (see the household and disposable income comments and the liquidity issues discussed in [Commentary No. 401](#) and in [Commentary No. 406](#)).



**Real Money Supply M3.** The signal of the unfolding double-dip recession, based on annual contraction in the real (inflation-adjusted) broad money supply (M3), discussed in the [Hyperinflation Special Report \(2011\)](#), continues and is reflected in the preceding graph. Based on the December CPI-U report and the latest December SGS-Ongoing M3 Estimate, the annual change in real M3 for December 2011 shifted to the plus-side, up 0.3%, versus a 0.6% annual contraction estimated for November. The shifting change

reflected what still should prove to be a short-lived downside blip in the annual CPI-U inflation rate, as well as a pick-up in annual M3 growth.

The signal for a downturn or an intensified downturn is generated when annual growth in real M3 first turns negative in a given cycle; the signal is not dependent on the depth of the downturn or its duration. Breaking into positive territory does not generate a meaningful signal one way or the other for the broad economy. The current downturn signal was generated in December 2009. The broad economy tends to follow in downturn or renewed deterioration roughly six-to-nine months after the signal. Weaknesses in a number of series have surfaced in 2011, and the downturn likely will accelerate in 2012, eventually leading to recognition of a double-dip recession, as shall be discussed in *Hyperinflation 2012*.

### **PRODUCER PRICE INDEX—PPI (December 2011)**

**Wholesale Inflation Averaged 6.1% in 2011.** As reported yesterday, January 18th, by the Bureau of Labor Statistics (BLS), the regularly-volatile, seasonally-adjusted finished-goods producer price index (PPI) for December notched lower by 0.1% (down by 0.4% unadjusted) month-to-month, following a month-to-month adjusted gain of 0.3% (up by 0.1% unadjusted) in November. December's lower monthly inflation was dominated by a drop in both food and energy prices, despite seasonal boosts to the energy pricing components. The monthly "core" PPI—net of food and energy—jumped by 0.3%, reflecting the still spreading impact of higher oil costs throughout the broad economy.

Unadjusted and year-to-year, December 2011's PPI inflation eased to 4.8% from 5.7% in November. The relatively high level of annual PPI inflation generally still reflects ongoing impact of the Fed's dollar-debasement policies, not surging economic demand. Annual changes now are going against the year-ago period when Mr. Bernanke was instituting QE2 and meeting with some early success in debasing the U.S. Dollar.

On an annual average basis, 2011 PPI was up 6.1% from 2010. Average PPI inflation in 2010 was 4.2%; in 2009 it was negative by 2.5%; in 2008 it was positive by 6.4%.

As 2011 ended, the December finished goods inflation increasingly reflected ongoing inflation pressures from the spreading impact of higher oil prices outside the energy sector. The "core" finished goods inflation—net of food and energy inflation—rose to 3.0% year-to-year (unadjusted) in December, up from 2.9% in November, 2.8% in October and 2.5% in September.

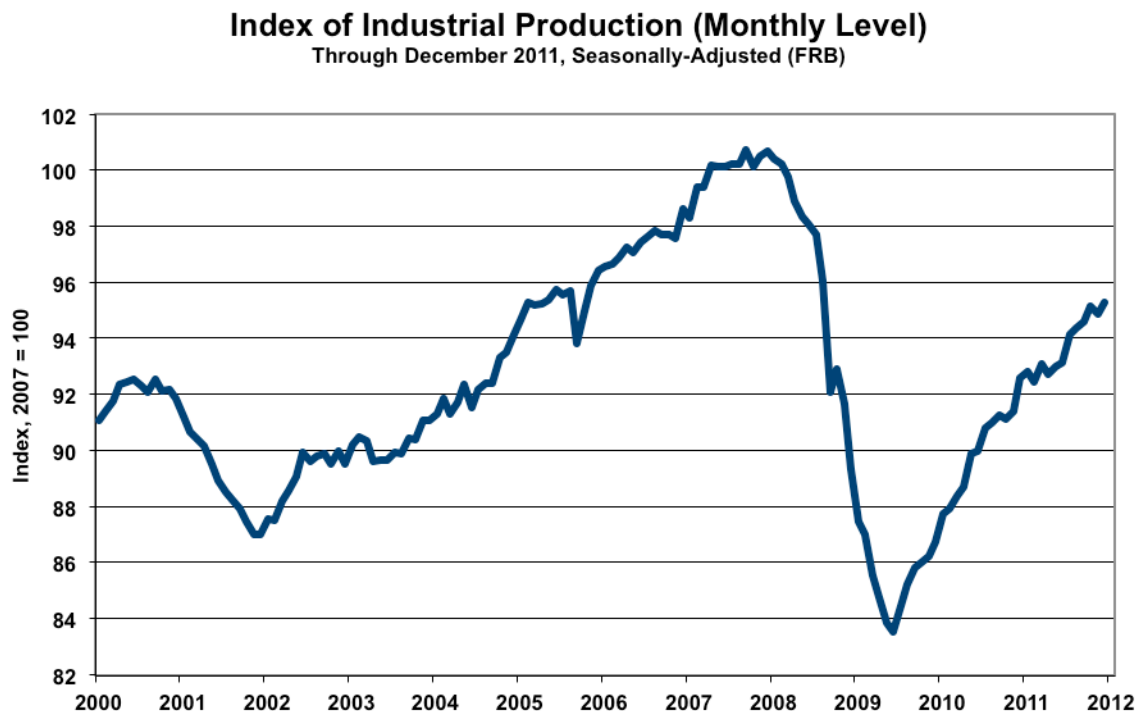
Separately, on a monthly basis, seasonally-adjusted December 2011 intermediate goods prices fell by 0.5%, versus a gain of 0.2% in November, with December crude goods prices down by 1.1%, following a 3.8% gain in November. Year-to-year inflation in unadjusted December intermediate goods was 6.1%, versus 7.7% in November, with December's annual inflation in crude goods at 6.4%, versus November's 15.1% pace.

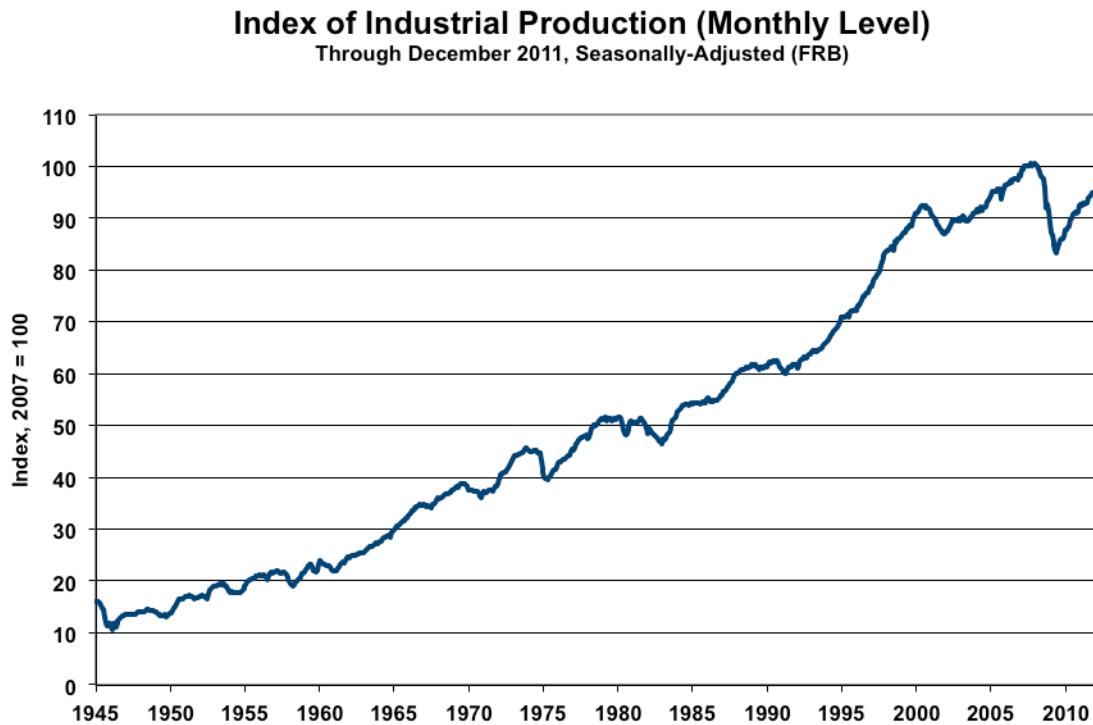
## INDEX OF INDUSTRIAL PRODUCTION (December 2011)

**Industrial Production Rose by 0.4% in December.** In the context of the usual six months worth of revisions, yesterday's (January 18th) Federal Reserve Board release of seasonally-adjusted December 2011 industrial production showed a monthly gain of 0.44% (up 0.49% net of prior-period revisions) versus November. In turn, November showed a revised contraction of 0.28% (previously 0.22%) versus October. The monthly number was somewhat depressed by declining utility usage that resulted from unseasonably warm weather.

Year-to-year growth in December 2011 production slowed to 2.95% from revised annual growth of 3.80% (was 3.74%) in November, and was the weakest reading since the series' recent relative peak annual growth of 7.75% in June 2010. The year-to-year contraction of 14.83% seen in June 2009, at the end of second-quarter 2009, was the steepest annual decline in production growth since the shutdown of war-time production following World War II.

The “recovery” in industrial production is reflected in the graphs that follow. Both graphs show the monthly level of the production index. The first of these shows close historical detail for the period beginning in 2000, the second shows the same data in historical context since World War II.





Keep in mind that a portion of industrial production (largely high tech, such as computers) is estimated by deflating nominal (not-adjusted-for-inflation) numbers with inflation measures of a nature similar to those used in the GDP estimates. Where those inflation estimates are understated, the resulting inflation-adjusted production growth is overstated, as is discussed in the *Opening Comments and Executive Summary* and as will be discussed and graphed in *Hyperinflation 2012*.

## RESIDENTIAL CONSTRUCTION (December 2011)

**Housing Starts Continued Bottom-Bouncing in December.** Housing starts showed a statistically-meaningless monthly downside bounce in December, reversing some of the prior month's positive impact from irregularly spiked activity in apartment starts. Indeed, the regularly volatile housing starts series continued its protracted bottom-bouncing in the latest reporting, entering its fourth year of activity at 75% below 2006's record construction level. There remains no relief in sight.

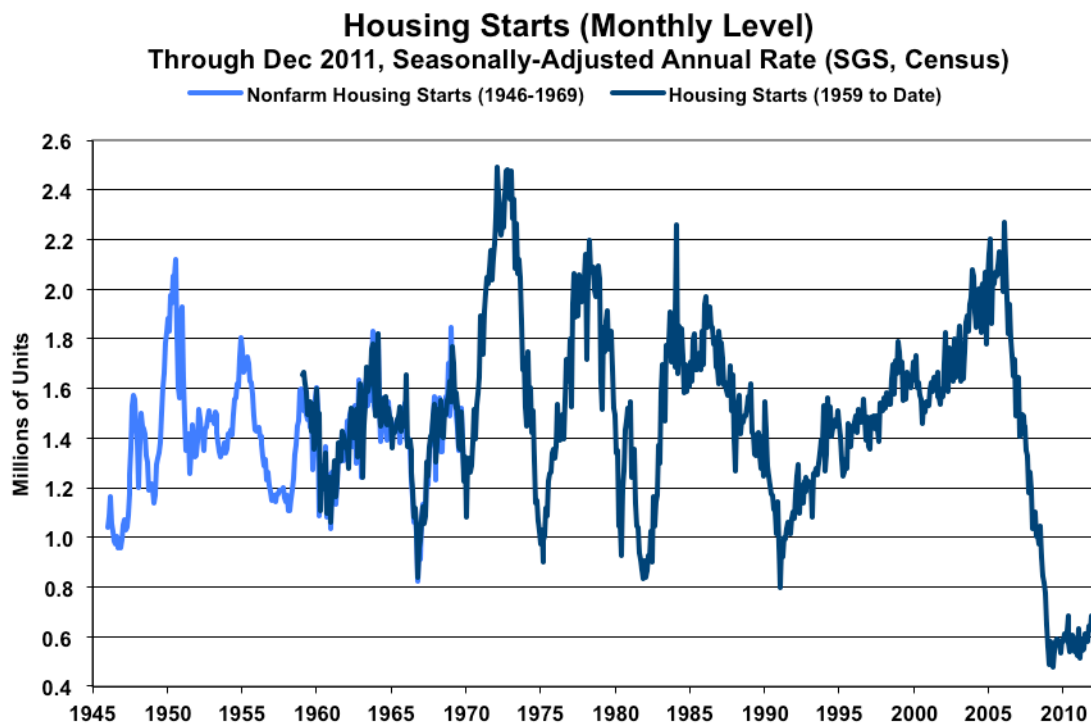
The Census Bureau reported today (January 19th) a statistically-insignificant monthly drop in seasonally-adjusted December 2011 housing starts of 4.1% (also a decline of 4.1% before prior-period revisions) +/- 13.5% (all confidence intervals are at the 95% level). November starts were revised to a monthly gain of 9.1% (previously 9.3%).

Starts for apartment buildings remained extremely volatile, month-to-month, plunging by a statistically meaningless 27.8%, after surging a revised 29.7% (previously 32.2%) in November.

The year-to-year change in aggregate December starts was a statistically-significant increase of 24.9% +/- 21.8%, following an unrevised 24.3% annual gain in November.

With housing starts entering their fourth year of post-housing-market-crash bottom-bouncing, there remain no indications of a reprieve for the industry or the otherwise deteriorating broader economy. Indeed, the pattern of housing starts has remained one of stagnation at an historically low-level plateau of activity, over the last 37 months. Since December 2008, housing starts have averaged a seasonally-adjusted annual rate of 581,000. In that period, all monthly readings have been within the normal range of monthly variability for the aggregate series around that average, with the 657,000 December 2011 monthly reading at 13.1% above average.

As shown in the following graph, current monthly housing starts activity remains off the record monthly low seen for the present series in April 2009. The current number also is well below any level reported in the predecessor nonfarm housing starts series, which was introduced in 1946. The usual graph showing detail from 2000 to date is included in the *Opening Comments and Executive Summary*.





**Week Ahead.** Recognition of an intensifying double-dip recession as well as an escalating inflation problem still is sporadic. The political system would like to see the issues disappear until after the 2012 election; the media does its best to avoid publicizing unhappy economic news; and the financial markets will do their best to avoid recognition of the problems for as long as possible, problems that have horrendous implications for the markets and for systemic stability.

Until such time as financial-market expectations move to catch up fully with underlying reality, or underlying reality catches up with the markets, reporting generally will continue to show higher-than-expected inflation and weaker-than-expected economic results in the months and year ahead. Increasingly, previously unreported economic weakness should show up in prior-period revisions.

**Home Sales (December 2011).** December 2011 existing home sales is due for release tomorrow, Friday, January 20th from the National Association of Realtors. New home sales are due for release from the Census Bureau on Thursday, January 26th. Both series are likely to continue bottom-bouncing, while the monthly results likely will not be statistically meaningful for either series.

**New Orders for Durable Goods (December 2011).** The December new orders for durable goods series is due for release on Thursday, January 26th. Whatever the change is in this regularly volatile series, it likely will not be meaningful and well within the regular monthly swings.

**Gross Domestic Product—GDP (Fourth-Quarter 2011 “Advance” Estimate).** The initial estimate of fourth-quarter 2011 GDP growth is due for release on Friday, January 27th. Consensus expectations purportedly are for a sharp upturn in growth versus the latest 1.8% estimate of the third-quarter’s annualized, inflation-adjusted growth. Where the Bureau of Economic Analysis (BEA) guestimates its “advance” reports, it usually targets the consensus expectation, falsely figuring that the consensus knows what is going on. Underlying reality suggests some downside reporting risk to the consensus number.

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