COMMENTARY NUMBER 461
July Employment and Unemployment

August 3, 2012

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Nixonian Unemployment Reporting

July Household-Survey Employment Plunged by 195,000

Annual Add-Factors in Birth-Death Model Upped to 548,000 Jobs

July Unemployment: 8.3% (U.3), 15.0% (U.6), 22.9% (Shadow Stats)

Shadow Stats Unemployment Within 0.1 Percentage Point of Cycle-High

Year-to-Year July M3 Money Supply Growth Even with June

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PLEASE NOTE: The next regular Commentary *is scheduled for Thursday, August 9th, covering the U.S. trade balance for June 2012.*

Best wishes to all — John Williams

Opening Comments and Executive Summary. The July employment and unemployment numbers published today, August 3rd, were worthless and likely misleading. What has been done in the last couple of decades to the reporting methodologies for monthly labor data, compounded by distortions introduced into the system from the economic collapse of the last five years, has left the heavily-followed

employment and unemployment series seriously impaired as to significance, and potentially subject to direct political manipulation.

Suspecting at one time that the jobs numbers were being rigged against him by his own Bureau of Labor Statistics (BLS), President Richard M. Nixon proposed a new approach to reporting the numbers. Although the proposed changes never were implemented, several decades later the BLS adopted reporting methods that were somewhat parallel to the late-President's thinking.

A member of an advisory panel to the Bureau of Labor Statistics during the Nixon Administration once described to me how Nixon wanted to change the unemployment reporting. The President simply suggested the release each month of only one number, the seasonally-adjusted or the not-seasonally-adjusted unemployment rate—whichever one was lower at the time—without telling the public which one had been released.

Few would believe that such a reporting methodology ever would have been enacted. Still, the nature of this morning's headline unemployment rate report was very much in keeping with Nixon's purported sense of reporting propriety for politically-sensitive economic data. His creative approach to handling the unemployment numbers has been vindicated to a certain extent, to wit the BLS just published the July 2012 headline unemployment rate, but it will not tell the public what the appropriate comparative number was for June.

Due to the deliberate, inconsistent reporting of monthly unemployment rates, the official 0.1 percentage point increase in the July headline rate was not necessarily so. Against the June unemployment rate that had been revised internally by the BLS, so as to be consistent with the July reporting, headline July unemployment could have shown an actual 0.2 percentage point, or more, increase; it could have been unchanged; or it could have declined. Annual revisions to last year's data showed a difference of 0.2 percentage point versus initial estimates of month-to-month change in at least one month.

Only the BLS knows what the actual June-to-July change was, and it will not publish a hard number, on a consistent basis, until after the election, along with the December 2012 data to be released in January 2013. By then, today's number will have been revised (but not re-reported) five times, where any revision that would happen to match today's reporting would be purely coincidental. Of key importance, whatever today's actual month-to-month change was, it never will be published in the normal course of business. The lack of "transparency" here opens the potential for direct political manipulation of the data.

Concurrent Seasonal Adjustments. Simply put, the headline July unemployment rate was calculated in the context of a set of seasonal factors unique to July's reporting (see *Commentary No. 451* and *Commentary No. 453*). That same calculation also generated revised unemployment rates for June, and earlier, which were consistent with the July estimate. Still, the BLS will not publish the revised, consistent June number—leaving in place instead the now-obsolete unique June calculation of the month before—so as "to avoid confusing data users." As would have been the case with President Nixon's proposal, the published numbers here have no meaning in terms of month-to-month comparisons, and extremely few people have any idea that there even is a problem in the reporting.

This all is despite the BLS knowing what actually is the consistent July versus June comparison. If used, the consistent number could affect the headline monthly change in the unemployment rate by several

tenths of a percentage point, in either direction, versus what the mainstream media is touting, and around which the financial markets are gyrating nonsensically, today.

Although I would argue in the post-economic-crash environment that concurrent seasonal adjustments are unstable and less accurate than the old fixed-seasonal-adjustment system, the BLS contended when introducing the new system that the concurrent-seasonal-adjustment system was more accurate. Assuming for the moment that the BLS is correct, *the concurrent-seasonally-adjusted series can provide more-accurate information to the public, only if the actual and consistent numbers actually are published.*

July 2012 Employment and Unemployment. With the caution that the following numbers are not necessarily indicative of underlying economic activity, headline July payrolls were reported up by a statistically-significant 163,000, following a revised 64,000 (previously 80,000) monthly gain in June. Year-to-year payroll gain was 1.40%, up from a revised 1.31 (previously 1.34%) in June.

These payroll numbers have been warped by shifting patterns in the consistent, but unpublished pre-May 2012 data prepared using the same concurrent seasonal factors that were used in estimating July's data (see *Reporting Detail* section.

The following graph of seasonally-adjusted payroll levels, since 2000, still shows the detail of the current employment level to be well below its pre-2007 recession peak. The second graph is longer-term, showing historical detail back to 1940. In perspective, it indicates that not only are payroll levels still minimally above the levels seen in 2000, but also the scope of 2000-to-date disruption to employment patterns is unprecedented since the beginning of the series, just prior to World War II. The usual graphs of year-to-year change are in *Reporting Detail* section.

Nonfarm Payroll Employment
Seasonally-Adjusted Levels, to July 2012 (ShadowStats.com, BLS)

Nonfarm Payroll Employment
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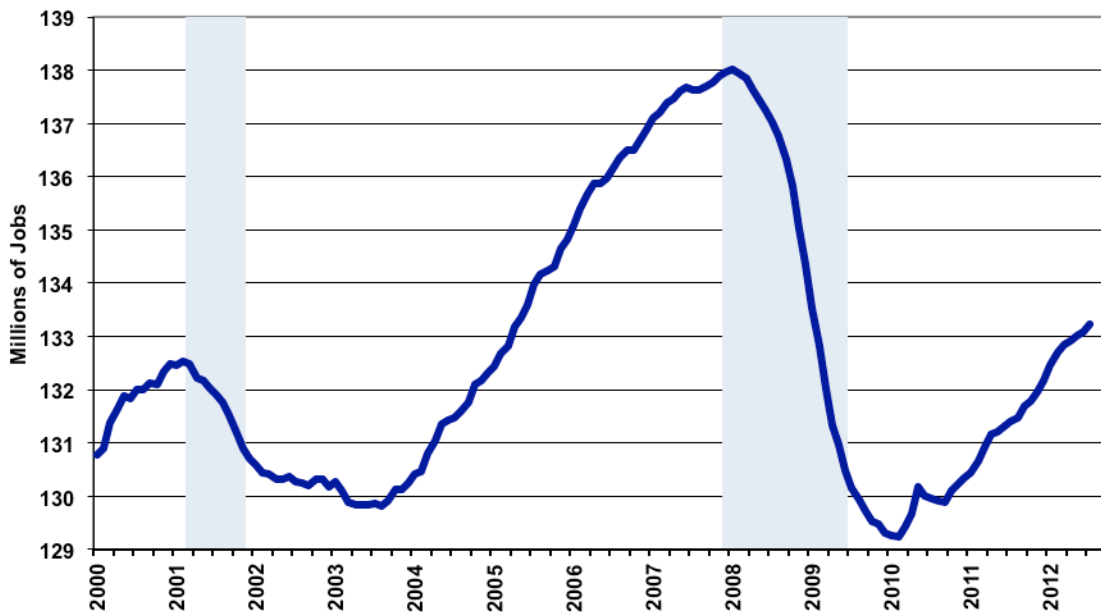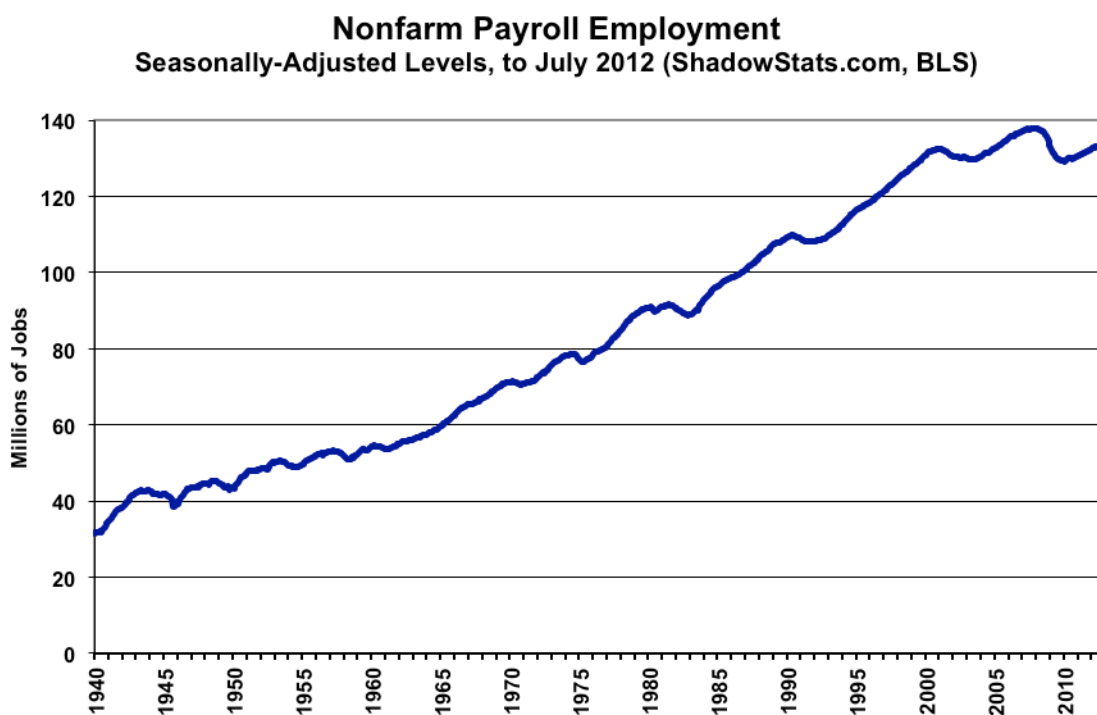
As discussed in the *Opening Comments*, currently published headline unemployment rates are not comparable on a month-to-month basis. That said, headline U.3 unemployment rose to 8.3% in July, from 8.2% in June. To the second decimal point, the purported change was more rounding than anything else, with July at 8.25% versus 8.22% in June. Still, there is no consistency in the preparation of those two numbers.

The broader U.6 unemployment rate, which includes short-term (less than a year) discouraged workers and those working part-time for economic reasons (cannot find a full-time job), notched higher to 15.0% in July versus 14.9% in June. The SGS Alternate Unemployment Measure (U.6 plus long-term discouraged works) also notched higher, to 22.9% in July, from 22.8% in June, just one-tenth of one-percentage point shy of the cycle high of September 2011.

Suggestive of the serious reporting problems with both the household (unemployment) and establishment (payroll) series, household survey employment fell by 195,000 in July, versus a 128,000 gain in June, while July payrolls, again, increased by 163,000 for the month.

Hyperinflation Watch—Money Supply M3 (July 2012)

July Money Supply M3 Annual Growth at About 2.8%. Based on more than three weeks of reported data, the preliminary estimate of annual growth for the July 2012 SGS Ongoing-M3 Estimate—to be published tomorrow (August 4th) in the Alternate Data section—is on track to hold at 2.8%, the same as the revised 2.8% growth in June (previously estimated at 2.6%), and up from a revised 2.6% (previously

2.5%) in May. The revisions to prior months were due primarily to Federal Reserve revisions to underlying data. Nonetheless, with recent annual growth having peaked at 4.2% in February 2012, the upturn in annual broad money growth that began in February 2011 has faltered. Such a pattern—in an environment of massive Federal Reserve accommodation—remains suggestive of an intensifying systemic-solvency crisis.

The seasonally-adjusted, month-to-month change estimated for July M3 likely will be around 0.5%, versus a revised 0.3% (previously 0.2%) in June. The estimated month-to-month M3 changes, however, remain less reliable than the estimates of annual growth.

For July 2012, early estimates of year-to-year and month-to-month changes follow for the narrower M1 and M2 measures (M2 includes M1, M3 includes M2). Full definitions are found in the *Money Supply Special Report*. M2 for July is on track to show year-to-year growth of about 8.1%, versus a revised 9.3% (previously 9.0%) in June, with month-to-month growth estimated at roughly 0.8%, versus a revised 0.5% (previously 0.4%) in June. The early estimate of M1 for July shows year-to-year growth of roughly 15.9%, versus a revised 16.0% (previously 15.4%) in June, with month-to-month change a likely gain of 3.0% in July, versus a revised 0.5% (previously 0.3%) in June. The relatively stronger annual growth rates in M1 and M2 continue to reflect an earlier-period shifting of funds out of M3 accounts into M1 and M2 accounts.

General Outlook. *General circumstances have not changed, with the detail in* Special Report No. 445 *(June 12th) having updated the hyperinflation outlook and the outlook for U.S. economic, U.S. dollar, and systemic-solvency conditions. That* Special Report *supplemented* Hyperinflation 2012 *(January 25th), which remains the primary* Commentary *detailing the hyperinflation story. The following text is the same as provided in the prior* Commentary.

Official GDP reporting shows plunging economic activity from fourth-quarter 2007 to second-quarter 2009, with an ensuing upturn in activity that led to a full recovery as of fourth-quarter 2011, and that "recovery" has continued through initial second-quarter 2012 reporting.

In contrast to GDP reporting—and in line with patterns seen in better-quality economic series—I still contend that the economy began turning down in 2006, plunging in 2008 into 2009 and subsequently stagnating—bottom-bouncing—at a low level of activity, ever since. There has been no recovery since mid-2009, and the economic downturn now is intensifying once again. The renewed slowdown is evident in the current reporting of nearly all major economic series. Not one of those series shows a pattern of activity that confirms the recovery evident in the GDP series.

As shown in *Commentary No. 459*, the official recovery simply is a statistical illusion created by the government's use of understated inflation in deflating the GDP, which has the result of overstating economic growth (see also *Special Report No. 445*).

The long-term fiscal solvency issues of the United States—where GAAP-based accounting shows annual deficits running in the $5 trillion range—are not being addressed, and the politicians currently running the government lack the political will to address those issues. That circumstance initially suggested a hyperinflation crisis by the end of this decade, but federal government and Federal Reserve actions—in response to the systemic-solvency crisis of 2008—accelerated the process, indicating a hyperinflation

problem by no later than the end of 2014. The continuing economic downturn is intensifying the fiscal- and systemic-solvency problems.

Neither economic nor systemic-solvency issues have been resolved by U.S. government or Federal Reserve actions. With the economy weak enough to provide cover for further Fed accommodation to the still-struggling banking system, the next easing by the Fed—and it should follow as needed to support the banking system—likely will lead to a massive dollar-selling crisis and that will begin the process of a rapid upturn in domestic consumer inflation.

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REPORTING DETAIL

EMPLOYMENT AND UNEMPLOYMENT (July 2012)

Both Payroll and Household Reporting Disrupted by Seasonal Adjustment Distortions. Reporting of month-to-month changes in both payroll employment and the unemployment series is of such poor quality that the headline labor data have become worthless as indicators of current economic activity. Problems with seasonal-factor distortions—created by the economic collapse and exacerbated by the use of concurrent seasonal factors—have widened the likely margins of reporting error in the payroll survey to something beyond July's headline month-to-month change (see *Hyperinflation 2012*).

Due to the deliberate, inconsistent reporting of monthly unemployment rates (see *Opening Comments and Executive Summary*), the official 0.1 percentage point increase in the July headline rate was not necessarily so. Against the June unemployment rate that was revised by the BLS so as to be consistent with the July reporting, the headline July unemployment rate could have shown an actual 0.2 percentage point increase, or more; it could have been unchanged; or it could have declined. Only the BLS knows what the actual change was, and it will not publish a hard number, on a consistent basis, until after the election. By then, today's number will have been revised (but not re-reported) five times, where any revision that would happen to match today's reporting would be purely coincidental. Whatever today's actual month-to-month change was never will be published in the normal course of business, and that opens the potential for direct political manipulation of the data.

PAYROLL SURVEY DETAIL. The Bureau of Labor Statistics (BLS) reported today (August 3rd) a statistically-significant, seasonally-adjusted July 2012 month-to-month payroll employment gain of 163,000 jobs (a gain of 157,000 before prior-period revisions) +/- 129,000 (95% confidence interval).

[Concurrent-seasonal-factor distortions likely have widened the margin of reporting error—the 95% confidence interval—to significantly beyond the official +/-129,000.] Despite a downward revision of 44,000 to not-seasonally-adjusted June payrolls, the seasonally adjusted June level revised lower by just 6,000. The is a result of fresh June seasonal-factor distortions that are evident in the graph in the *Concurrent Seasonal Factor Distortions* section. Those distortions also affected July's reporting.

The adjusted June month-to-month change was up by a revised 64,000 (previously 80,000). The May gain was a revised 87,000 (previously 77,000), but that 87,000 really was 81,000 with month-to-month data that consistently were estimated with July's concurrent seasonal factors. The BLS publishes two prior months of consistent data with concurrent-seasonally-adjusted payrolls, but no prior months of consistent data with the unemployment rate.

As discussed in Payroll Trends, the trend indication from the BLS seasonal-adjustment model is for a 122,000 payroll gain in August, based on today's reporting. While the trend indication often misses actual reporting (the indication for July was 108,000), it usually becomes the basis for the consensus outlook.

In terms of year-to-year change, the not-seasonally-adjusted growth in July 2012 payrolls was 1.40%, versus a downwardly revised 1.31% (previously 1.34%) in June, and an unrevised 1.39% in May.

The following graphs of year-to-year unadjusted payroll change had shown a slowly rising trend in annual growth into 2011, which primarily reflected the still-protracted bottom-bouncing in the payroll series. That pattern of growth flattened out in late-2011, as shown in the first graph of the near-term detail in year-to-year change, and it has fluttered around a slightly lower level since April 2012.

As shown in the longer-term graph (historical detail back to 1940), with the bottom-bouncing of recent years, current annual growth has recovered from the post-World War II record 5.06% decline in August 2009, which remains the most severe annual contraction seen since the production shutdown at the end of World War II (a trough of a 7.59% annual contraction in September 1945). Disallowing the post-war shutdown as a normal business cycle, the August 2009 annual decline was the worst since the Great Depression. Still, even with small annual growth in the series since mid-2010, the current level of employment is far from any recovery.

The regular graph of seasonally-adjusted payroll levels since 2000, showing detail of the current employment level well below its pre-2007 recession peak, as well as a longer-term graph of the payroll employment level, showing historical detail back to 1940 and, in perspective, that payroll levels still are minimally above levels in 2000, are located in the *Opening Comments and Executive Summary* section.

Nonfarm Payroll Employment
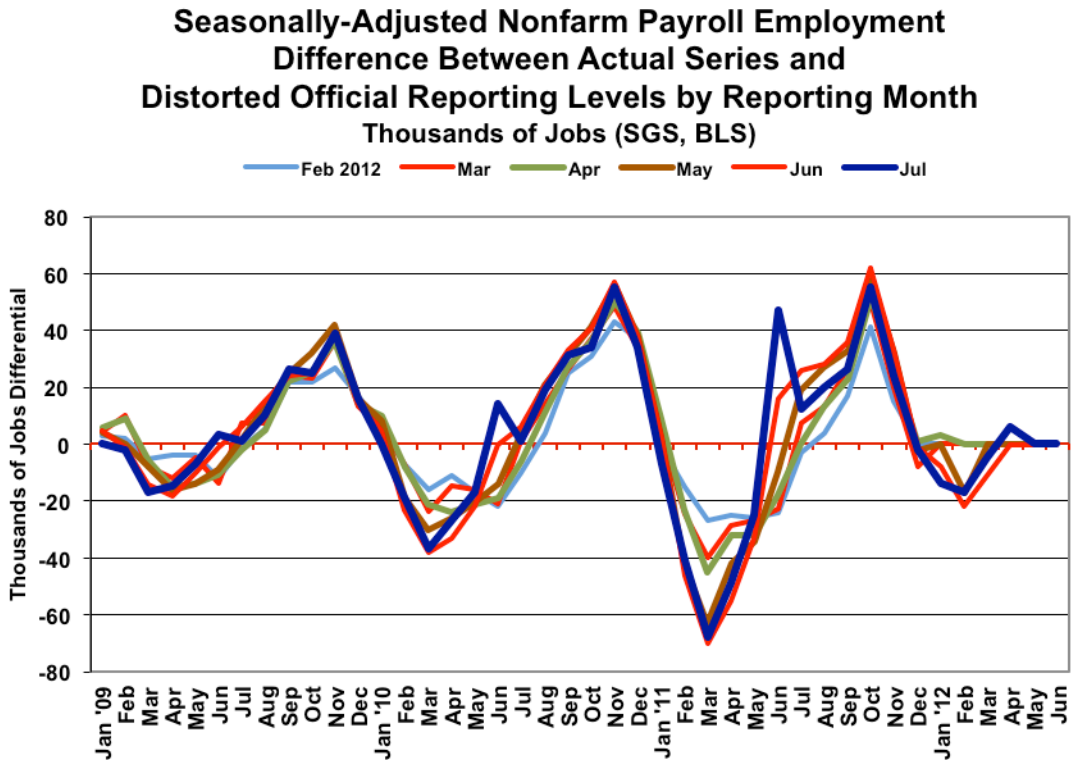Not Seasonally Adjusted, Yr-to-Yr % Change, to July 2012 (BLS)
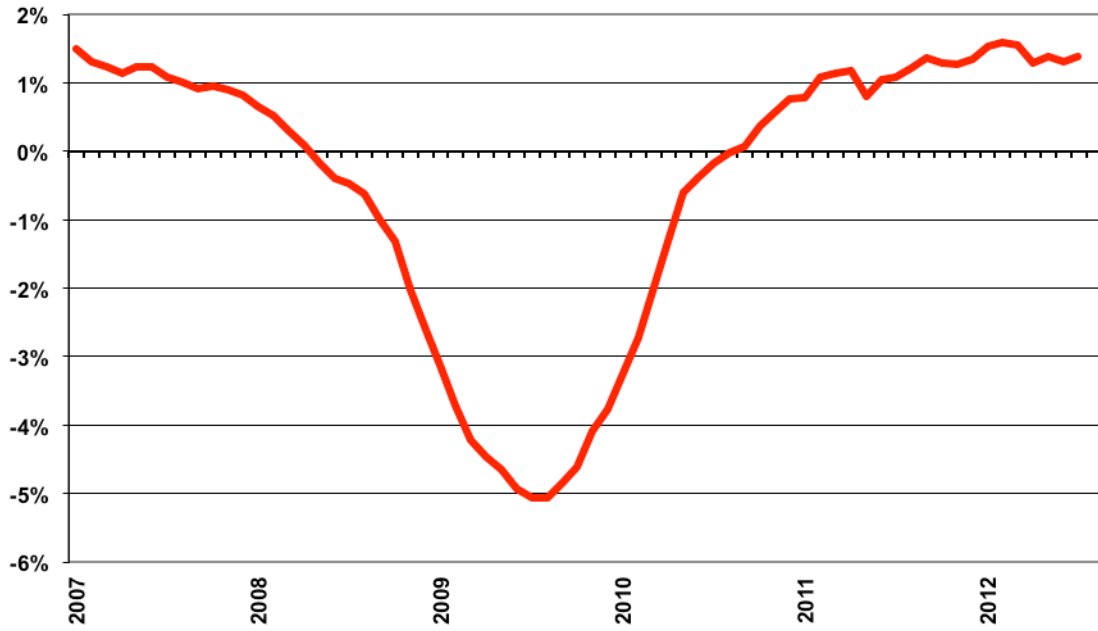
Nonfarm Payrolls
Not Seasonally Adjusted, Yr-to-Yr % Change, to July 2012 (BLS)
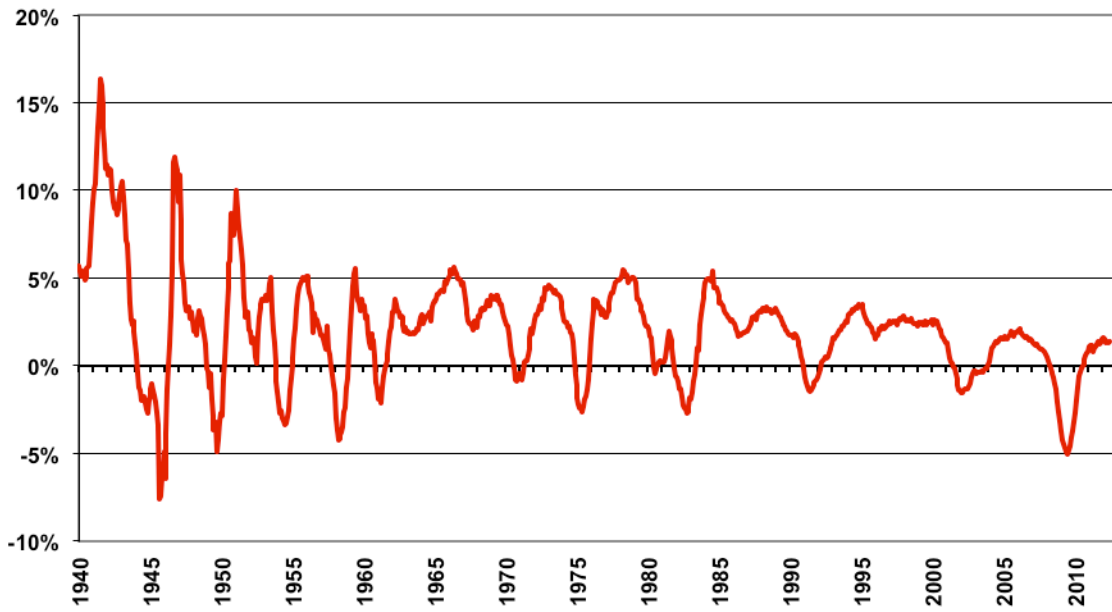
Concurrent Seasonal Factor Distortions. Unreported, seasonally-adjusted monthly payroll numbers still are showing a shift of first-half of the year jobs to the second-half of the year, as shown in the accompanying graph, with a new adjustment bump around June that masked the bulk of a downside revision to unadjusted June 2012 reporting.

Despite revisions in the monthly data each month that go back years, the BLS only publishes two months of revisions with each nonfarm payrolls release (May and June in the current instance), so as not to confuse data users. (The BLS publishes no revised data on a monthly basis for the household survey, despite similar seasonal-adjustment approach, as discussed in the *Opening Comments and Executive Summary*, *Commentary No. 451* and *Commentary No. 453*). As a result, the reported May-through-July 2012 seasonally-adjusted payroll data are not consistent with earlier reporting. Conceivably, the shifting and unstable seasonal adjustments could move 80,000 jobs or more from earlier periods and insert them into the current period as new jobs, without there being any published evidence of that happening. The following graph suggests that something along those lines happened with July reporting.

Seasonally-Adjusted Nonfarm Payroll Employment
Difference Between Actual Series and
Distorted Official Reporting Levels by Reporting Month
Thousands of Jobs (SGS, BLS)

The issues with the BLS's concurrent seasonal factor adjustments and related inconsistencies in the monthly reporting of the historical time series are further discussed and detailed in the ShadowStats.com posting on May 2nd of *Unpublished Payroll Data*.

Incomplete and Inconsistent BLS Payroll Reporting. Six months have passed since the annual benchmark revisions to payroll employment, and the latest concurrent seasonal factors show renewed misreporting of the BLS's own historical payroll levels, as well as ongoing instabilities in the BLS's seasonal factors.

As discussed in prior writings (see *Hyperinflation 2012*, for example), seasonal-factor estimation for most economic series has been distorted severely by the extreme depth and duration of the economic contraction. These distortions are exacerbated for payroll employment data based on the BLS's monthly seasonal-factor re-estimations and lack of full reporting.

Where the BLS recalculates the monthly seasonal factors each month for payroll employment, going back a number of years, outside of benchmarks, it only publishes the revised data for the last two months of reporting. The benchmark revision that accompanied the release of January 2012 payrolls, in theory, included a full update of the revised concurrent seasonally-adjusted data (actually it is off by a month or two). In the preceding graph, though, the latest revised (but not published by the BLS) adjusted payroll data show increasingly volatile, monthly seasonal-adjustment distortions of up to 80,000 jobs per month, with previously-reported payroll employment being shifted from the first-half to the second-half of the year. If seasonal-adjustment factors were stable in month-to-month reporting, which they should be under normal circumstances, then the graph of differences would be flat and at zero.

Note: A further big issue remains that the month-to-month seasonally-adjusted payroll data have become increasingly worthless, with reporting errors likely now well beyond the official 95% confidence interval of +/- 129,000 jobs in the reported monthly payroll change. Yet the media and the markets tout the data as meaningful, usually without question or qualification.

Birth-Death/Bias Factor Adjustment. Despite the ongoing and regular overstatement of monthly payroll employment—as evidenced usually by regular and massive, annual downward benchmark revisions (2011 excepted)—the BLS generally adds in upside monthly biases to the payroll employment numbers. The process was created simply by adding in a monthly "bias factor," so as to prevent the otherwise potential political embarrassment of the BLS understating monthly jobs growth. The "bias factor" process resulted from an actual such embarrassment, with the underestimation of jobs growth coming out of the 1983 recession. That process eventually was recast as the now infamous Birth-Death Model (BDM), which purportedly models the effects of new business creation versus existing business bankruptcies.

July 2012 Bias. The not-seasonally-adjusted July 2012 bias was a positive 52,000, versus a positive 124,000 in June 2012, and versus a current estimation of a 5,000 upside bias in July 2011. The aggregate upside bias for the last 12 months was 548,000 in July, versus 501,000 in June. At present that is a monthly average of roughly 46,000 jobs created out of thin air, on top of some indeterminable amount of other jobs that are lost in the economy from business closings. Those losses simply are assumed away by the BLS as part of the BDM, as discussed below.

Problems with the Model. The aggregated upside annual reporting bias in the BDM reflects an ongoing assumption of a net positive jobs creation by new companies versus those going out business. Such becomes a self-fulfilling system, as the upside biases boost reporting for financial-market and political needs, with relatively good headline data, while often also setting up downside benchmark revisions for the next year, which traditionally are ignored by the media and the politicians. Where the BLS cannot measure meaningfully the impact of jobs loss and jobs creation from employers starting up or going out of business, on a timely basis (within at least five years, if ever), such information is estimated by the BLS along with the addition of a bias-factor generated by the BDM.

Positive assumptions—commonly built into government statistical reporting and modeling—tend to result in overstated official estimates of general economic growth. Along with happy guesstimates, there

usually are underlying assumptions of perpetual economic growth in most models. Accordingly, the functioning and relevance of those models become impaired during periods of economic downturn, and the current downturn has been the most severe—in depth as well as duration—since the Great Depression.

Indeed, historically, the BDM biases have tended to overstate payroll employment levels—to understate employment declines—during recessions.   There is a faulty underlying premise here that jobs created by start-up companies in this downturn have more than offset jobs lost by companies going out of business. So, if a company fails to report its payrolls because it has gone out of business, the BLS assumes the firm still has its previously-reported employees and adjusts those numbers for the trend in the company's industry.

Further, the presumed net additional "surplus" jobs created by start-up firms, get added on to the payroll estimates each month as a special add-factor. These add-factors are set now to add an average of about 48,000 jobs per month in the current year, but the actual overstatement of monthly jobs likely exceeds that number by a significant amount. With the underlying economy continuing to falter, I expect a significant downside benchmark revision for 2012 (based on the upcoming March 2012 benchmark that will be published in 2013), given current details of the BLS's overly positive estimates.

HOUSEHOLD SURVEY DETAILS. As discussed in the *Opening Comments and Executive Summary*, *Commentary No. 451* and *Commentary No. 453*, seasonally-adjusted month-to-month comparisons of components in the household survey having no meaning other than from the impact they have as hyped by the media and Wall Street. The 0.1 percentage-point increase reported in the July headline unemployment rate could have been that, but the headline number just as easily could have shown a larger increase or even a decrease. There is no way to tell, given current BLS reporting policies; the BLS calculates but does not report consistent data, as part of the standard monthly estimation process.

With that as background, following are the meaningless seasonally-adjusted numbers and absolutely worthless month-to-month comparisons, that will cause today's markets to gyrate, will excite the popular press and will lead political candidates to pontificate. Separately, the not-seasonally-adjusted numbers are consistent in their preparation.

Headline Household Employment. Based on the July household survey, which counts the number of people with jobs, as opposed to the payroll survey that counts the number of jobs (including multiple job holders more than once), July 2012 employment fell by 195,000, versus an estimated June gain of 128,000. As just discussed above, though the seasonally-adjusted monthly change here is meaningless, due to the underlying data being inconsistent on a month-to-month basis.

Unemployment Rates. The reported July 2012 seasonally-adjusted headline (U.3) unemployment rate of 8.25% virtually was unchanged from the 8.22% that was separately and inconsistently estimated for June. The official 95% confidence interval for the headline number is +/- 0.23% percentage point. As discussed above, however, the headline monthly change here is worthless, due to underlying data inconsistencies. On an unadjusted basis, July's U.3 unemployment rate was 8.6%, versus June's 8.4%.
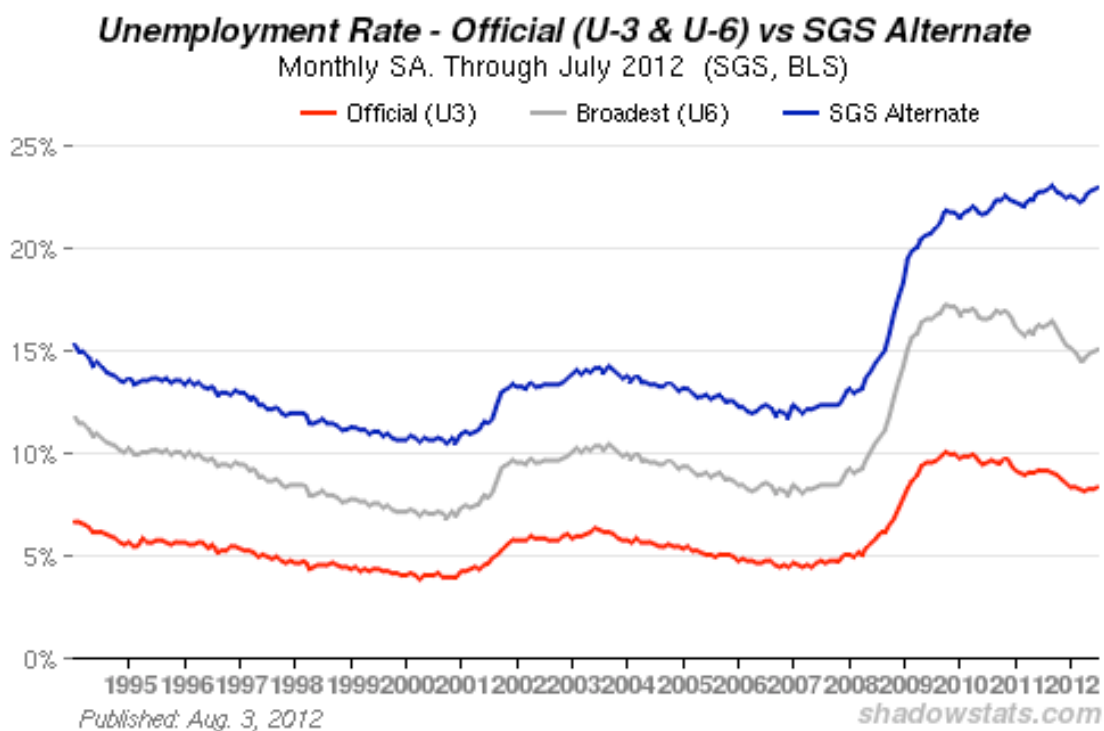
The broadest unemployment rate published by the BLS, U.6 includes accounting for those marginally attached to the labor force (including short-term discouraged workers) and those who are employed part-time for economic reasons (they cannot find a full-time job). The July U.6 unemployment rate rose to a

seasonally-adjusted 15.0%, versus 14.9% in June. The unadjusted July U.6 rate rose to 15.2%, up from 15.1% in June.

Discouraged Workers. The count of short-term discouraged workers (never seasonally-adjusted) rose to 852,000 in July from 821,000 in June. The increase there suggests net deterioration in employment conditions. It reflected the balance of the headline unemployed—increasingly giving up looking for work—leaving the U.3 unemployment category and being rolled into the U.6 measure as short-term "discouraged workers," versus those moving from short-term status into the netherworld of long-term discouraged-worker status. It is the long-term discouraged worker category that defines the SGS-Alternate Unemployment Measure.

In 1994, during the Clinton Administration, "discouraged workers"—those who had given up looking for a job because there were no jobs to be had—were redefined so as to be counted only if they had been "discouraged" for less than a year. This time qualification defined away the long-term discouraged workers. The remaining short-term discouraged workers (less than one year) are included in U.6.

Adding the SGS estimate of excluded long-term discouraged workers back into the total unemployed and labor force, unemployment—more in line with common experience as estimated by the SGS-Alternate Unemployment Measure—rose to 22.9% in July, which is just one notch shy of the current cycle high of 23.0% seen in September 2011. The June estimate was 22.8%. The SGS estimate generally is built on top of the official U.6 reporting, and tends to follow its relative monthly movements. Accordingly, the SGS measure will suffer some of the current seasonal-adjustment woes afflicting the base series.

Unemployment Rate - Official (U-3 & U-6) vs SGS Alternate
Monthly SA. Through July 2012 (SGS, BLS)
Official (U3)   Broadest (U6)   SGS Alternate
Published: Aug. 3, 2012
shadowstats.com

There continues to be a noticeable divergence in the Shadow Stats series versus U.6. The reason for this is that U.6, again, only includes discouraged workers who have been discouraged for less than a year. As

the discouraged-worker status ages, those that go beyond one year fall off the government counting, and new workers enter "discouraged" status. Accordingly, with the continual rollover, the flow of headline workers continues into the short-term discouraged workers (U.6), and from U.6 into long-term discouraged worker status (Shadow Stats Measure), at what has been an accelerating pace. See the Alternate Data tab for more detail.

As discussed in previous writings, an unemployment rate nearing 23% might raise questions in terms of a comparison with the purported peak unemployment in the Great Depression (1933) of 25%. The SGS level likely is about as bad as the peak unemployment seen in the 1973 to 1975 recession. The Great Depression unemployment rate was estimated well after the fact, with 27% of those employed working on farms. Today, less that 2% work on farms. Accordingly, for purposes of Great Depression comparison, I would look at the estimated peak nonfarm unemployment rate in 1933 of 34% to 35%.

Week Ahead. *Market recognition of an intensifying double-dip recession is taking a somewhat stronger hold, at the moment, while recognition of a mounting inflation threat remains sparse. The political system would like to see the issues disappear until after the election; the media does its best to avoid publicizing unhappy economic news or to put a happy spin on the numbers; 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 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.

U.S. Trade Balance (June 2012). Details of the June trade deficit will be released on Thursday, August 9th. With June the missing month needed for making a reasonable estimate of trade activity in second-quarter 2012, an unusually large narrowing or widening of the June deficit versus May would have the likely impact of contributing respectively to an upside or downside revision to the heavily guesstimated "advance" estimate of second-quarter GDP. The initial GDP estimate was based on the results of just two months of second-quarter trade data.

The June deficit likely will be wider than market expectations, with implications for a negative impact on the first revision to second-quarter GDP, which is due for release on August 29th.

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