

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

COMMENTARY NUMBER 504
January 2013 Housing Starts, PPI and PPI and CPI Revisions

February 20, 2013

January 2013 Housing Starts 61% Below High of January 2006

**Annualized January PPI Headline Inflation of 2.5%
Was 7.1%, Before Seasonal-Adjustment Muting**

**Revised Seasonally-Adjusted Inflation Data Suggestive of
Instabilities in Monthly Headline Reporting**

PLEASE NOTE: The next regular Commentary is scheduled for tomorrow, Thursday, February 21st, covering the January CPI, real retail sales, real earnings and existing-home sales.

Best wishes to all — John Williams

Opening Comments and Executive Summary. Today's (January 20th) *Commentary* is relatively brief, looking at the headline reporting instabilities indicated by the 2012 annual revisions, published by the Bureau of Labor Statistics (BLS), for the seasonally-adjusted producer price index (PPI) and consumer price index (CPI) numbers (in this *Opening Comments* section), and at the monthly headline releases for the January 2013 housing starts and PPI. A more comprehensive review of February business-activity and inflation data follows in tomorrow's *Commentary No. 505*, which will cover the January CPI data and related inflation-adjusted series.

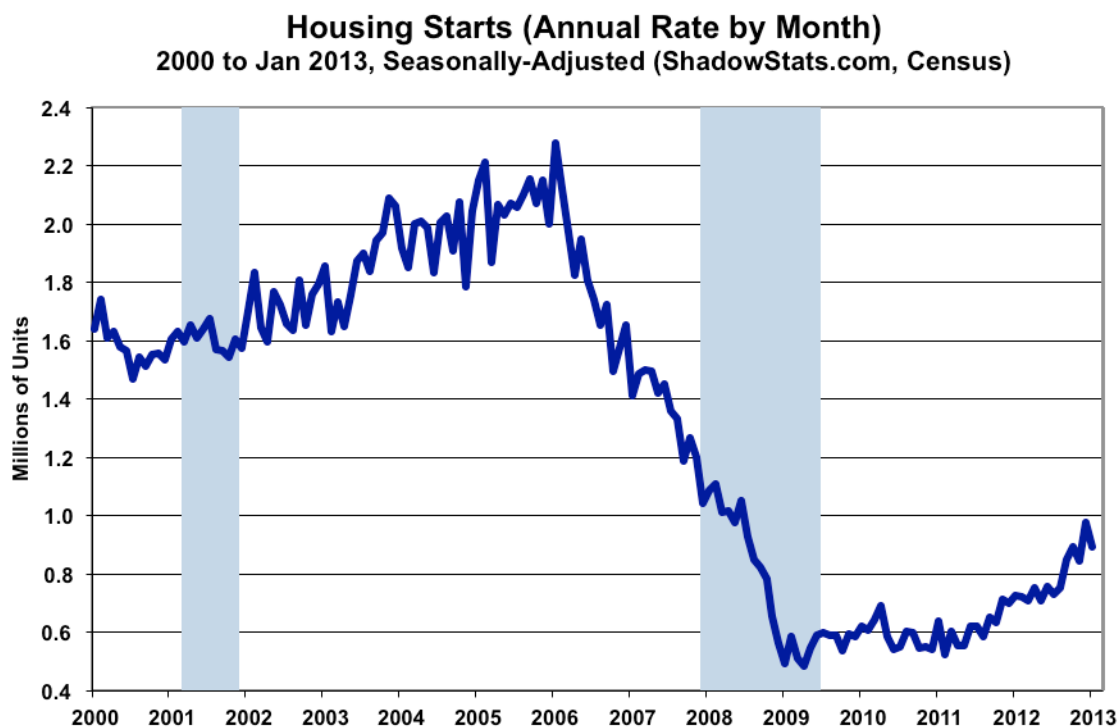
January housing starts fell by a statistically-insignificant headline 8.5%. The series appears to have resumed its bottom-bouncing, although at a level above cycle lows. Year-to-year change against previous low-level activity has started to slow again. Due to structural liquidity issues, the consumer remains unable to fuel a housing recovery.

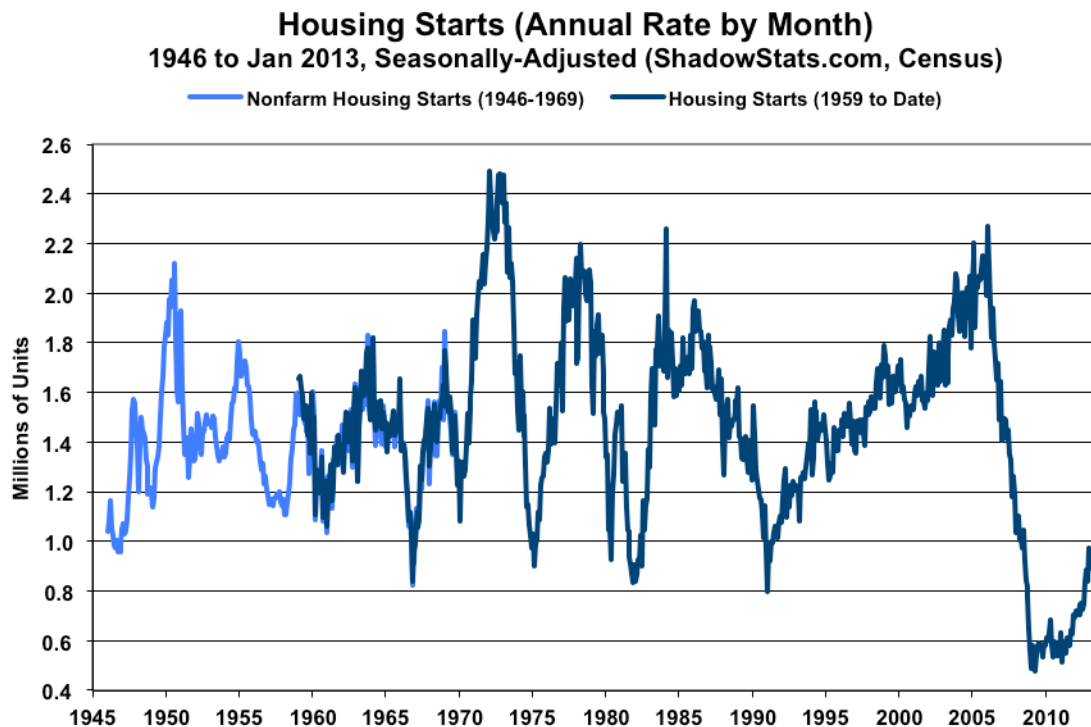
Not annualized, headline PPI inflation rose by 0.2% in January 2013, but that was despite heavy downside seasonal-adjustment pressures on energy and core pricing pressures. Net of the unstable seasonal-factor tweaks, headline January PPI rose by 0.6% for the month, by 1.4% year-to-year.

Just published annual revisions to the seasonally-adjusted CPI and PPI series are discussed and graphed in this *Opening Comments* section. With the unadjusted data unchanged, there is no shift in the year-to-year inflation patterns; there is no impact on the Shadow Stats alternate CPI measures. The shift in CPI monthly and quarterly inflation patterns, however, could impact the otherwise meaningless, annualized quarter-to-quarter growth patterns in GDP reporting.

January 2013 Housing Starts. The 8.5% headline monthly decline in January housing starts was statistically insignificant, as almost always has been the case in terms of headline change for this series in recent years. January starts came in at an annualized pace of 890,000 units, down from an upwardly revised 973,000 (previously 954,000 units) in December, which was up from a downwardly revised 841,000 (previously 851,000) units in November.

Off low levels of activity in the current cycle, January 2013 housing starts were 61% below the historic high level of activity seen in January 2006. The series appears to be stagnating again, albeit at levels still above those seen 2011 and the first three-quarters of 2012.





Of the accompanying graphs, the first shows shorter-term detail, from 2000 to date, while second reflects longer-range historic detail since the end of World War II. Seen in the first graph, January 2013 monthly housing starts activity backed off December's four-year high level and likely has entered a period of renewed stagnation. The current activity, though, remains well above the record monthly low seen for the present series in April 2009. Noticeable in the second graph, since September 2012, recent monthly levels of activity have notched above the levels of activity seen at the troughs of the most severe post-World War II declines in housing starts shown in the current series, or in the predecessor nonfarm housing starts series.

January 2013 PPI. In the context of just-published annual revisions to the monthly PPI data, the headline January, seasonally-adjusted finished-goods PPI rose by 0.20% (up by 0.57% unadjusted). That followed a revised seasonally-adjusted 0.25% (0.20%) monthly decline in December, and a revised 0.41% (previously 0.71%) decline in November. The revisions, back to January 2008—discussed in the next section—affected the adjusted data only, not the unadjusted numbers. The volatility and instabilities reflected in the revisions, however, show that the seasonally-adjusted headline reporting of inflation indeed can be distorted heavily, certainly uncertain.

That said, the current, seasonally-adjusted PPI inflation pace for January was muted by seasonal adjustments. The rounded 0.2% (annualized at 2.5%) seasonally-adjusted month-to-month inflation was 0.6% (annualized at 7.1%) unadjusted. That headline 0.2% January inflation rate was accounted for by an adjusted 0.4% monthly decline (an unadjusted 1.1% increase) in finished energy goods, more than offset by an adjusted 0.7% (unadjusted 0.6%) increase in food prices, plus an adjusted 0.2% gain (unadjusted

0.4% gain) in “core” inflation. Unadjusted and year-to-year, January’s total finished-goods PPI inflation rose to 1.41%, from preliminary reporting of 1.31% in December.

Revisions to Seasonally-Adjusted Inflation Reporting. As to the PPI (February 15th) and CPI (February 19th) revisions, which go back to January 2008, only the seasonally-adjusted PPI and CPI series were revised, the not-seasonally-adjusted series remained as initially reported. The unadjusted CPI—since it often is used as a benchmarking element in contracts—never is revised, unless an outright error in calculation is found. The unadjusted PPI undergoes a one-time regular revision, five months after the first estimate, incorporating later and more complete data than were available at the time of the initial report.

Since the unadjusted numbers are not revised, the basic year-to-year patterns of annual inflation do not change, only the month-to-month and quarterly patterns of inflation are affected. Accordingly, some quarter-to-quarter real (inflation-adjusted) GDP relative growth patterns may be altered by shifts in the CPI revisions, but those data generally are meaningless in the best of circumstances. The broader year-to-year patterns of inflation are not changed, but the year-to-year change in the GDP numbers, which the Bureau of Economic Analysis cannot estimate on a not-seasonally-adjusted basis, also may be altered in revision.

Where the ShadowStats alternate CPI measures (both 1980- and 1990-based) are estimated only on a not seasonally-adjusted basis, they are not affected by these revisions.

For both the PPI and the CPI revisions, there are two graphs and one table each. The first graph in each series shows the revised annualized quarterly inflation in blue, versus the prior reporting in red, for the last three years. The revisions go back to 2008, but the more-recent 2010-to-2012 period is shown so as to allow the visibility of the current changes.

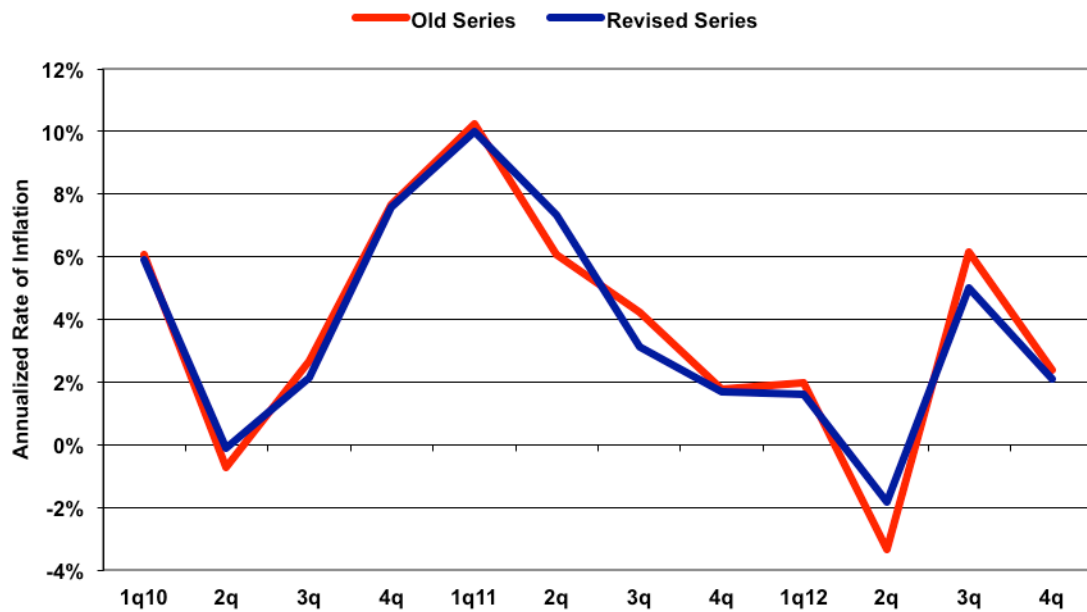
The second graph in each series shows the net magnitude of the annualized quarterly revisions, going back the full five years of revisions.

The table in each series shows the annualized monthly and quarterly inflation, as previously reported, as revised and in terms of net revision. The quarterly data go back the full five years; the monthly data cover only the two most recent years. Annualized rates are used here so that both the monthly and annual numbers are on a comparable basis.

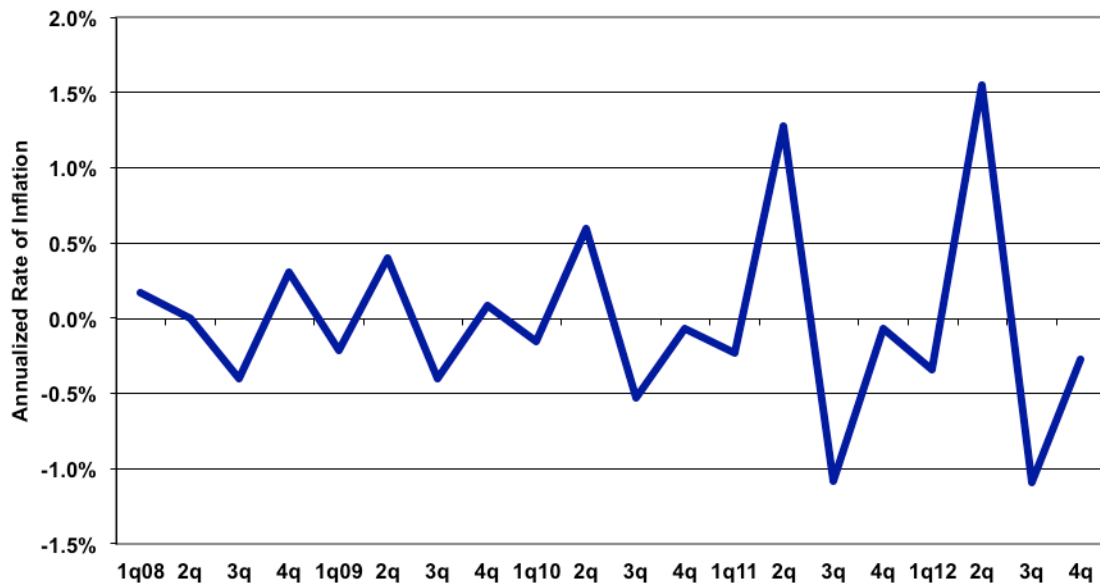
PPI Seasonal-Adjustment Revisions. Published on February 15th, revisions to the seasonally-adjusted finished-goods producer price index showed how volatile and unstable the monthly seasonal-adjustment process for the series can be. Smoothed on a quarterly basis, the more recent reporting (2011 and 2012) shows significant upside revisions to second-quarter inflation estimates, with first-, third- and fourth-quarter inflation revised lower.

The monthly revisions show enough volatility and instability to suggest that the most of the monthly headline inflation reports are not particularly meaningful.

2012 Revisions to Seasonally-Adjusted PPI
Annualized Quarterly Inflation, to 4q2012 (ShadowStats, BLS)



2012 Revisions to Seasonally-Adjusted PPI
Net Revisions to Annualized Quarterly Inflation, to 4q2012
(ShadowStats, BLS)



Revised PPI Seasonally-Adjusted Annual Inflation Rates Finished Goods, Annualized Monthly and Quarterly Rates, Sources: ShadowStats.com, BLS							
Month*	Last	Revised	Difference	Quarter	Last	Revised	Difference
Jan 2011	9.50%	8.09%	-1.41%	1q08	7.20%	7.36%	0.16%
Feb	14.44%	13.73%	-0.71%	2q08	10.25%	10.25%	0.00%
Mar	6.58%	8.64%	2.06%	3q08	10.15%	9.75%	-0.40%
Apr	8.58%	8.58%	0.00%	4q08	-18.72%	-18.42%	0.30%
May	0.63%	5.17%	4.53%	1q09	-7.17%	-7.39%	-0.21%
Jun	0.63%	-0.63%	-1.26%	2q09	2.05%	2.45%	0.40%
Jul	6.49%	7.14%	0.65%	3q09	4.59%	4.19%	-0.41%
Aug	2.54%	-3.69%	-6.22%	4q09	7.36%	7.44%	0.08%
Sep	11.86%	11.19%	-0.67%	1q10	6.03%	5.87%	-0.16%
Oct	-3.66%	-3.67%	-0.01%	2q10	-0.74%	-0.15%	0.59%
Nov	1.25%	5.10%	3.85%	3q10	2.64%	2.11%	-0.53%
Dec	-0.62%	-1.23%	-0.62%	4q10	7.63%	7.55%	-0.08%
Jan 2012	3.15%	1.25%	-1.90%	1q11	10.20%	9.97%	-0.23%
Feb	5.07%	3.79%	-1.28%	2q11	6.03%	7.31%	1.28%
Mar	-1.84%	0.62%	2.46%	3q11	4.20%	3.11%	-1.09%
Apr	-3.05%	-2.45%	0.60%	4q11	1.75%	1.68%	-0.07%
May	-11.72%	-7.19%	4.53%	1q12	1.95%	1.60%	-0.35%
Jun	1.90%	0.63%	-1.27%	2q12	-3.39%	-1.85%	1.55%
Jul	3.17%	4.45%	1.28%	3q12	6.10%	5.00%	-1.10%
Aug	21.14%	13.15%	-7.99%	4q12	2.34%	2.06%	-0.28%
Sep	15.07%	13.01%	-2.06%				
Oct	-1.80%	-1.81%	-0.01%				
Nov	-8.74%	-4.77%	3.97%				
Dec	-2.42%	-3.02%	-0.60%				

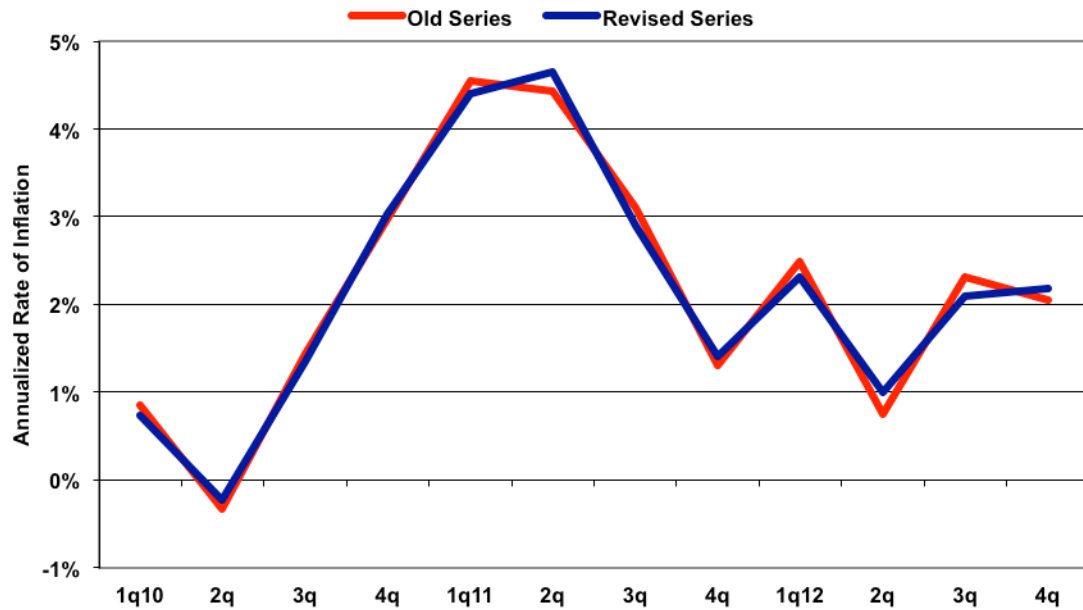
* Revisions were made back to January 2008.

CPI Seasonal-Adjustment Revisions. Published February 19th, the revisions reflected in the smoothed quarterly CPI data are not as volatile as those reported with the PPI, but the effects of the shifts in inflation data will extend to the monthly and/or quarterly patterns in real (inflation-adjusted) reporting of series such as retail sales, earnings and the GDP.

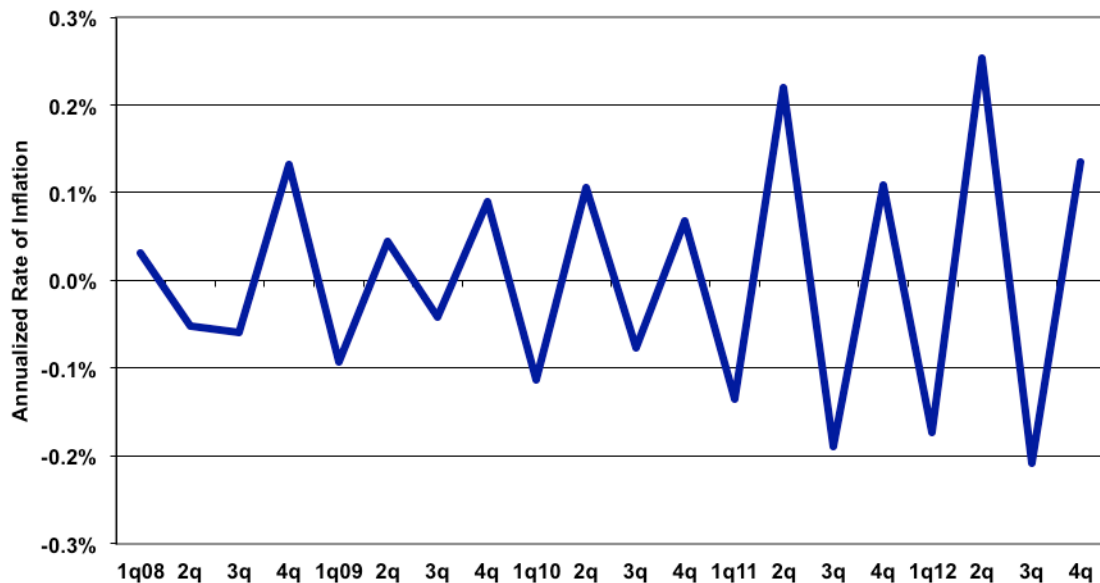
For example, the revised pattern of growth, shown in the first graph following, where the relative annualized CPI inflation in fourth-quarter 2012 now is higher than it was in third-quarter 2012, reversing the pattern of the previous reporting, the impact suggested is for a somewhat weaker headline growth number for the fourth-quarter GDP, in revision, and for a somewhat stronger third-quarter. Those changes in GDP, though, likely will not be seen until the July annual GDP revisions.

The second graph shows a fairly consistent pattern in the more-recent years of upside revisions to second- and fourth-quarter inflation, with downside revisions first- and third-quarter inflation estimates

2012 Revisions to Seasonally-Adjusted CPI-U
Annualized Quarterly Inflation, to 4q2012 (ShadowStats, BLS)



2012 Revisions to Seasonally-Adjusted CPI-U
Net Revisions to Annualized Quarterly Inflation, to 4q2012
(ShadowStats, BLS)



Revised CPI-U Seasonally-Adjusted Annual Inflation Rates Annualized Monthly and Quarterly Rates, Sources: ShadowStats.com, BLS							
Month*	Last	Revised	Difference	Quarter	Last	Revised	Difference
Jan 2011	3.44%	3.31%	-0.13%	1q08	4.37%	4.40%	0.03%
Feb	5.41%	4.66%	-0.74%	2q08	5.36%	5.31%	-0.05%
Mar	6.60%	6.67%	0.08%	3q08	6.37%	6.31%	-0.06%
Apr	4.59%	4.24%	-0.36%	4q08	-8.98%	-8.85%	0.13%
May	3.28%	4.75%	1.47%	1q09	-2.53%	-2.62%	-0.09%
Jun	1.09%	1.74%	0.65%	2q09	1.95%	1.99%	0.04%
Jul	3.68%	2.83%	-0.85%	3q09	3.58%	3.54%	-0.04%
Aug	4.07%	3.20%	-0.87%	4q09	3.02%	3.11%	0.09%
Sep	3.25%	3.04%	-0.21%	1q10	0.86%	0.74%	-0.11%
Oct	-0.35%	-0.13%	0.22%	2q10	-0.33%	-0.23%	0.10%
Nov	1.12%	1.71%	0.60%	3q10	1.43%	1.35%	-0.08%
Dec	0.10%	0.47%	0.37%	4q10	2.97%	3.03%	0.07%
Jan 2012	2.52%	2.50%	-0.02%	1q11	4.54%	4.41%	-0.14%
Feb	5.01%	3.47%	-1.54%	2q11	4.43%	4.65%	0.22%
Mar	3.55%	3.73%	0.18%	3q11	3.09%	2.90%	-0.19%
Apr	0.41%	0.01%	-0.41%	4q11	1.30%	1.41%	0.11%
May	-3.35%	-1.58%	1.77%	1q12	2.48%	2.31%	-0.17%
Jun	0.48%	1.46%	0.98%	2q12	0.75%	1.01%	0.25%
Jul	0.55%	-0.46%	-1.01%	3q12	2.30%	2.09%	-0.21%
Aug	7.48%	6.42%	-1.06%	4q12	2.05%	2.19%	0.13%
Sep	7.06%	6.45%	-0.61%				
Oct	1.76%	2.07%	0.31%				
Nov	-3.70%	-2.82%	0.87%				
Dec	-0.24%	0.34%	0.58%				

* Revisions were made back to January 2008.

[More-complete details on January housing starts and the regular PPI release are found in the Reporting Detail section.]

HYPERINFLATION WATCH

Hyperinflation Outlook: Summary. This brief summary of the outlook for current economic activity, systemic solvency and inflation/hyperinflation is unchanged from the previous *Commentary* but will be updated following tomorrow's (February 21st) *Commentary*. It is intended primarily for new subscribers, as well as for those who otherwise are not familiar with the hyperinflation report or the recent special commentaries, linked below. Those documents are suggested as background reading on the financial turmoil and currency upheaval facing the United States in the next year or two.

The November 27, 2012 [Special Commentary \(No. 485\)](#) updated [Hyperinflation 2012](#) and the broad outlooks for the economy and inflation, as well as for systemic stability and the U.S. dollar. These remain

the two primary articles outlining current conditions and the background to the hyperinflation forecast. The basics have not changed here, other than events keep moving towards the circumstance of a domestic hyperinflation by the end of 2014. Accordingly, the time is near for publishing a fully updated hyperinflation report, and a March timing on that is likely.

The economic and systemic solvency crises of the last eight years continue. There never was an actual recovery following the economic downturn that began in 2006 and collapsed into 2008 and 2009. What followed was a protracted period of business stagnation that began to turn down anew in second- and third-quarter 2012. The official recovery seen in GDP has been a statistical illusion generated by the use of understated inflation in calculating key economic series. Nonetheless, the renewed downturn likely will gain recognition as the second-dip in a double- or multiple-dip recession.

What continues to unfold in the systemic and economic crises is just an ongoing part of the 2008 panic and near-collapse of the system at the time. All the extraordinary actions and interventions bought a little time, but they did not resolve the various crises. That the crises continue can be seen in deteriorating economic activity and in the panicked actions by the Federal Reserve, where it proactively is monetizing U.S. Treasury debt at a pace suggestive of a Treasury that is unable to borrow otherwise.

The Fed's current liquidity actions also can be viewed as a signal of deepening problems in the banking system. As Mr. Bernanke admits, the Fed can do little to stimulate the economy, but it can create systemic liquidity and inflation. Nonetheless, the Fed's easing moves have been an ongoing effort to prop-up the banking system and also to provide back-up liquidity to the U.S. Treasury.

Despite the near-term political hype that Congress will come up with a plan to balance the budget in a ten-year time frame, little but gimmicked numbers and further smoke-and-mirrors are likely to come out of current negotiations. Ongoing economic woes assure that the usual budget forecasts—based on overly-optimistic economic projections—will fall far short of fiscal balance and propriety. Furthermore, chances remain nil for the government addressing the GAAP-based deficit that hit \$6.6 trillion in 2012, instead of the popularly followed, official cash-based accounting deficit in 2012 of \$1.1 trillion, as discussed in [*No. 500: Special Commentary*](#).

Efforts at delaying meaningful fiscal action, and at briefly postponing conflict over the Treasury's debt ceiling, have bought the politicians in Washington minimal time in the global financial markets, but the patience in the global markets is near exhaustion. The continuing unwillingness and political inability of the current government to address seriously the longer-range U.S. sovereign-solvency issues, only pushes along the regular unfolding of events that eventually will trigger a domestic hyperinflation, as discussed in [*Commentary No. 491*](#). The unfolding fiscal collapse, in combination with the Fed's direct monetization of Treasury debt, will tend to savage the U.S. dollar's exchange rate, to boost oil and gasoline prices, and to boost money supply growth and domestic U.S. inflation. Market tranquility likely will not last much longer, despite the tactics of delay by the politicians and obfuscation by the Federal Reserve. This should become increasingly evident as the disgruntled global markets begin to move against the U.S. dollar. A dollar selling panic is likely this year, with its effects and aftershocks setting hyperinflation into action in 2014.

REPORTING DETAIL

RESIDENTIAL CONSTRUCTION (January 2013)

Monthly Decline in January Housing Starts Was Statistically Insignificant. Although off historic low levels of activity in the current cycle, January 2013 housing starts were 61% below the historic high level of activity seen in January 2006. The headline January decline of 8.5% for the month, however, was statistically insignificant, as is usual for the monthly numbers. Possibly reflecting some seasonal-factor catch up from reporting distortions in December 2012, the series appears to be stagnating again, albeit at levels above those seen 2011 and the first three-quarters of 2012.

The housing-starts series remains particularly volatile, usually suffering large monthly revisions, as well as irregular monthly distortions from a host of other factors, as discussed in [Hyperinflation 2012](#) and [No. 485: Special Commentary](#). As discussed in [Commentary No. 502](#), underlying structural liquidity issues continue to impair the consumer's ability to fuel a boom in housing, let alone a boom in retail sales and personal consumption.

Housing Starts January 2013 Reporting. The Census Bureau reported today, February 20th, a statistically-insignificant, month-to-month headline decline in seasonally-adjusted January 2013 housing starts of 8.5% (a 6.7% decline before prior-period revisions) +/-13.2% (all confidence intervals are at the 95% level). December housing starts activity revised to a 15.7% monthly gain (initially estimated as a increase of 12.1%), due largely to an upside revision in apartment starts.

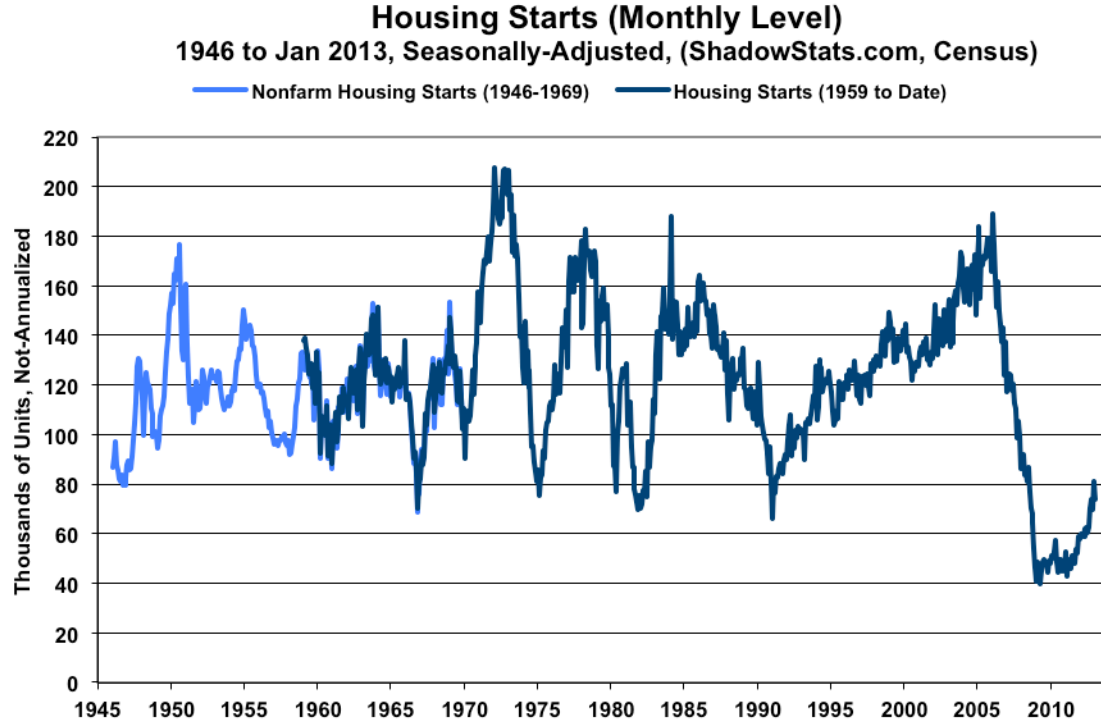
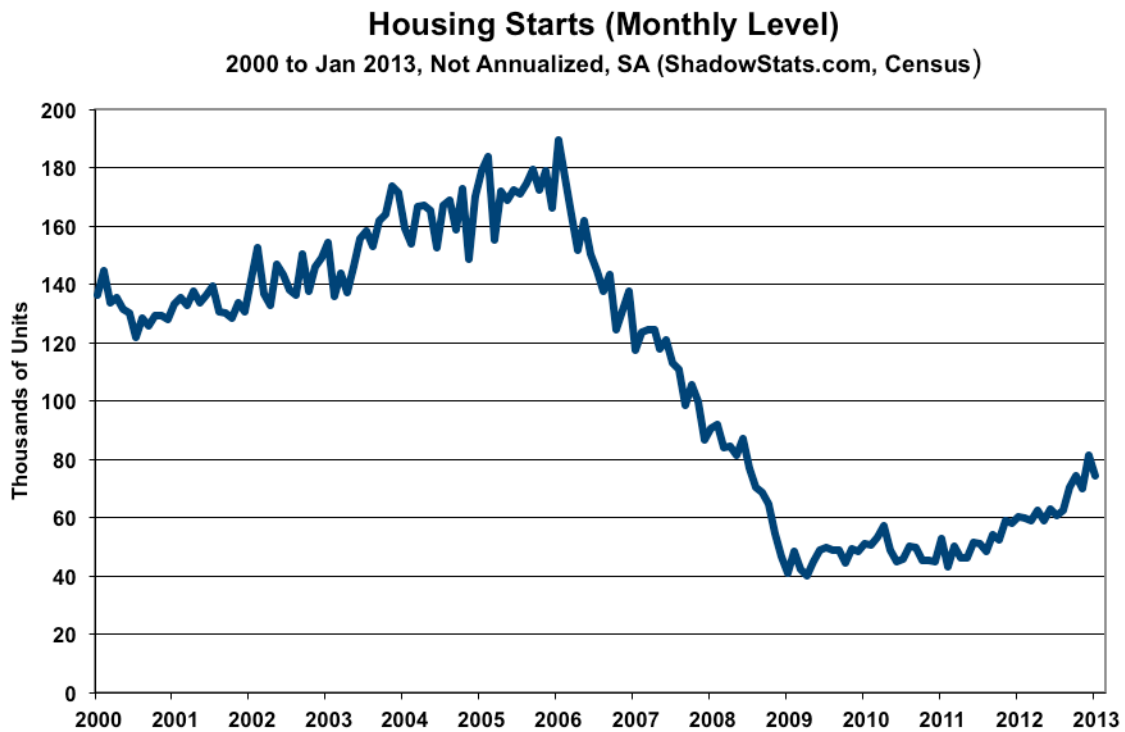
Starts for single-unit structures in January rose by a statistically-insignificant 0.8% +/- 13.7% for the month, following a revised 6.7% (previously 8.1%) gain in December.

Activity in starts for apartment buildings (5 units or more) remained volatile, but, as usual, it was no more than statistical noise. Month-to-month, apartment building starts fell by a statistically-insignificant 26.1% +/- 40.6% in January, versus a revised 34.9% (previously a 23.1%) gain in December.

The year-to-year growth in aggregate January 2013 housing starts slowed to a statistically-significant increase of 23.6% +/- 15.7%, following a revised 39.5% (previously 36.9%) annual gain in December, but, again, that remains in the continued context of what has been a protracted period of low-level bottom-bouncing in a highly unstable series.

The official reporting of monthly housing starts is expressed at an annualized monthly pace, which was 890,000 for January 2013. Due to the regular, extreme volatility in this monthly series, however, it is more meaningful to look at actual, non-annualized monthly number. The graphed patterns are the exactly same, it is just that the monthly levels tend to be a little more realistic.

The regular graphs (in annualized millions) for this series are shown in the *Opening Comments and Executive Summary* section. The same graphs in thousands of actual starts per month are shown in the accompanying two graphs.



Current monthly housing starts activity backed off December's four-year high level, but remained well above the record monthly low seen for the present series in April 2009. Since September 2012, monthly levels of activity have notched above the levels of activity seen at the troughs of the most severe post-World War II declines in housing starts shown in the current series, or in the predecessor nonfarm housing starts series.

PRODUCER PRICE INDEX—PPI (January 2013)

Food and “Core” Inflation Pushed January Wholesale Prices Up by 0.2%. Seasonal adjustments suppressed reporting of energy and core inflation, but the headline January PPI inflation still reflected a headline gain of 0.2%.

As reported this morning, February 20th, by the Bureau of Labor Statistics (BLS), in the context of just-published annual revisions to the monthly PPI data, the regularly-volatile, seasonally-adjusted finished-goods producer price index (PPI) for January 2013 rose by 0.20% (up by 0.57% unadjusted). That followed a December 2012 revised seasonally-adjusted monthly decline of 0.25% (previously down by 0.20%). Unadjusted, the December monthly PPI was down by an unrevised 0.46%. The monthly November decline was revised to 0.41%, from an initial headline decline of 0.71%. Unadjusted, the November decline of 0.92% was unrevised.

The monthly revisions back to January 2008, which, again, did not touch the unadjusted data, are discussed in the *Opening Comments* section.

The rounded 0.2% seasonally-adjusted (0.6% unadjusted) gain reported in headline monthly inflation for January 2013 was accounted for by an adjusted 0.4% month-to-month decline (an unadjusted 1.1% increase) in finished energy goods, more than offset by an adjusted 0.7% (unadjusted 0.6%) increase in food prices, plus an adjusted 0.2% gain (unadjusted 0.4% gain) in “core” inflation.

Unadjusted and year-to-year, January's total finished-goods PPI rose to 1.41% annual inflation, from preliminary reporting of 1.31% in December.

Annual change in the PPI has weakened on a monthly basis from a 7.08% near-term peak seen in July 2011, after which the annual numbers began going against a year-ago period where Mr. Bernanke was running QE2, meeting with early success in debasing the U.S. Dollar and generating an increase in oil prices. QE3's impact, so far, has been minimal, but with monetary action picking up, and with oil prices pushing higher, that should change fairly quickly.

Core Finished Goods. “Core” inflation is net of food and energy inflation. The concept of core inflation as a realistic measure of full inflation is nonsensical, where food and energy account for 41.4% of the finished goods PPI (24.6% of the CPI-U, 27.6% of the CPI-W).

That said, the core measure, is useful as an indication of how energy prices (in particular) are impacting the broad economy. For January 2013, the seasonally-adjusted month-to-month core PPI was up 0.22% (up by 0.44% unadjusted), following a revised 0.11% (previously 0.5%) gain for December, and an unrevised unadjusted 0.05% monthly contraction in December. Year-to-year, unadjusted January core

finished-goods inflation slowed to 1.77%, from 2.00% in December. A comparison of core PPI with core CPI-U year-to-year growth in January will be graphed in tomorrow's February 20th *Commentary*.

Intermediate and Crude Goods. Reflecting rising oil prices constrained by seasonal adjustments, on a month-to-month basis, seasonally-adjusted January 2013 intermediate-goods prices were unchanged, following a revised 0.1% (previously 0.3%) increase in December, with January crude-goods prices up by 0.8%, following a revised December increase of 1.4% (previously 2.5%).

Year-to-year inflation in unadjusted January 2013 intermediate goods rose by 0.3%, after an increase of 0.3% in December. Year-to-year inflation in January crude goods rose by 1.5%, following an annual gain of 1.6% in December.

WEEK AHEAD

Weaker Economic and Stronger Inflation Data Are Likely. Beyond the dissipating effects of the repair, replacement and reconstruction activity generated by Hurricane Sandy, and in anticipation of the likely negative impact of expanded QE3 and the ongoing fiscal crisis/debt-ceiling negotiations on the currency markets, reporting in the months and year ahead generally should reflect higher-than-expected inflation and indicate weaker-than-expected economic results. Increasingly, previously unreported economic weakness should continue to show up in prior-period revisions.

Significant reporting-quality problems continue with most major economic series. Headline reporting issues remain tied largely to systemic distortions of seasonal adjustments, distortions that have been induced by the still-ongoing economic turmoil of the last five years. The recent economic collapse has been without precedent in the post-World War II era of modern economic reporting. These distortions have thrown into question the statistical-significance of the headline month-to-month reporting for many popular economic series. In any event, where reported numbers are too far removed from common experience, they tend to be viewed by the public with extreme skepticism.

Still, recognition of an intensifying double-dip recession continues to gain, while recognition of a mounting inflation threat has been rekindled by the Fed's monetary policies. The political system would like to see the issues disappear, and it still appears to be trying to work numerical slight-of-hand with series such as the GDP and related projections of the federal budget deficit. The media do their best to avoid publicizing unhappy economic news or, otherwise, they put a happy spin on the numbers. Pushing the politicians and media, the financial markets and related spinmeisters 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, as discussed in [Hyperinflation 2012](#) and [No. 485: Special Commentary](#).

Consumer Price Index—CPI (January 2013). The annual revisions to the seasonally-adjusted monthly CPI data were published February 19th and covered earlier in his *Commentary*. The release by the Bureau of Labor Statistics (BLS) of the January 2013 CPI numbers is scheduled for tomorrow, Thursday, February 21st. Given the timing of the recent surge in gasoline prices, in combination with regular swings in seasonal factors, the more-significant upturn in consumer inflation should be seen in the

reporting of February 2013 data, with the pending January 2013 headline number likely to be minimally-positive to flat.

Seasonally-unadjusted, monthly-average gasoline prices rose by 0.3% in January 2013, per the Department of Energy, but that small monthly gain should be more than offset on the downside by BLS seasonal-adjustment calculations. In January 2012, an unadjusted monthly gain of 3.6% in gasoline prices was reduced to a just-revised 0.5% (previously a 0.9%) gain by downside seasonal adjustments. With continued upside pressures, however, from both food and core inflation, there is fair chance that the January 2013 headline number will match minimally-positive to unchanged levels that appear to be expected by the markets.

Year-to-year, CPI-U inflation would increase or decrease in January 2013 reporting, dependent on the seasonally-adjusted monthly change, versus a reported (unrevised) 0.21% monthly inflation rate in January 2012. The adjusted change is used here, since that is how consensus expectations are expressed. To approximate the annual unadjusted inflation rate for January 2013, 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 the December 2012 annual inflation rate of 1.74%. A flat to minimally-positive headline monthly CPI-U inflation could have taken January annual inflation into the 1.5% to 1.6% range

Existing- and New-Home Sales (January 2013). January existing-home sales also are due for release tomorrow, Thursday, February 21st, from the National Association of Realtors, while the January new-home sales report from the Census Bureau is not due out until Tuesday, February 26th. Whether existing or new sales, an entrenched pattern of stagnation likely has continued in both series, with the pending reports of monthly change in sales activity not likely to be statistically-significant.
