

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

COMMENTARY NUMBER 517
**Gold Update, March CPI, Industrial Production, Housing Starts,
Real Retail Sales and Earnings**

April 17, 2013

**Gold Strength Has Been Fundamental, Not Speculative,
and Unavoidable Fundamentals Promise Much Higher Gold Prices**

March Year-to-Year Inflation: 1.5% (CPI-U), 1.3% (CPI-W), 9.1% (ShadowStats)

**March Real Retail Sales Fell by 0.25%;
Annual Real Growth Signaled Intensifying Downturn**

**March Production Gain of 0.4% was 0.1% Loss,
Net of Unseasonable-Weather Boost to Utilities**

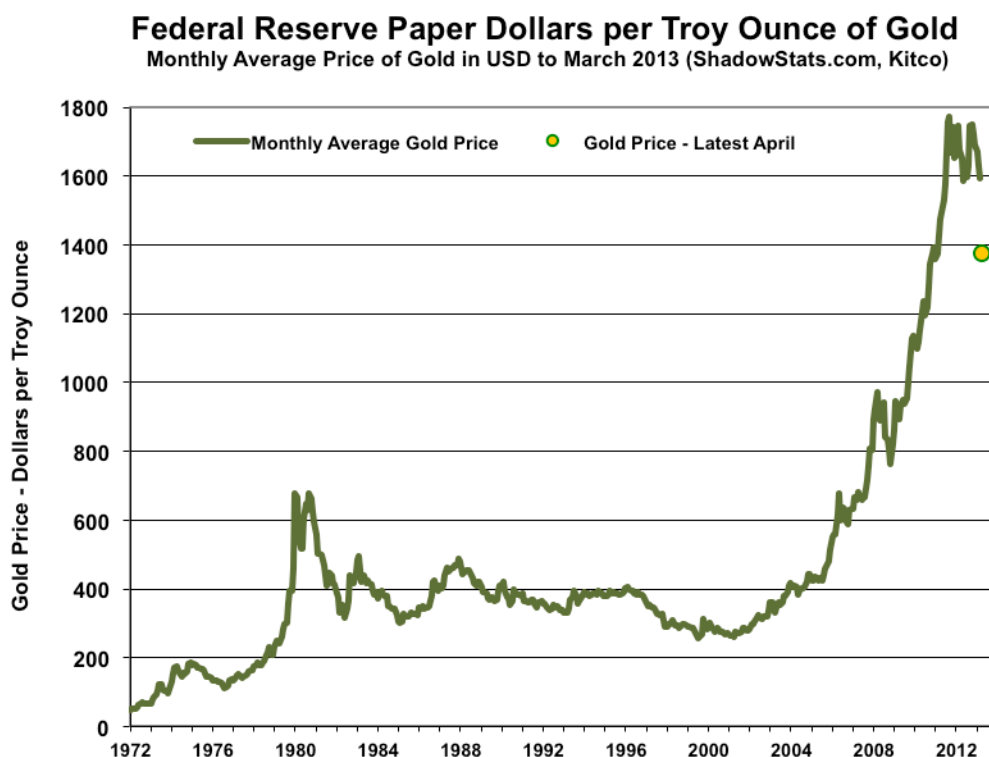
**March One-Unit Housing Starts Fell 4.8%, in Low-Level Stagnation,
Multiple-Unit (Apartment) Starts in Recovery**

PLEASE NOTE: The next regular Commentary is scheduled for Wednesday, April 24th, covering March new orders for durable goods, existing- and new-home sales. A Commentary on Friday, April 26th, will cover the release of the initial estimate of first-quarter 2013 GDP.

Best wishes to all — John Williams

OPENING COMMENTS AND EXECUTIVE SUMMARY

Strong Gold Prices Have Been and Should Remain Fundamentally Based. Subsequent to the comments in [Commentary No. 516](#) on the gold-market turmoil of April 12th, the gold market went through a panicked sell-off on April 15th. The market appeared to stabilize somewhat on April 16th, with continuing stability as we go to press on the 17th. The following brief comments are in supplement to the above-linked earlier assessment.



Gold price reflected by the dot is around \$1375 per troy ounce, as of late-afternoon trading on the April 17th.

A variety of stories have circulated as to what triggered the sell-off. A common thread to those stories is that a massive amount of selling of gold-related derivatives was introduced into the system, probably from a single source, with the effect of slamming the price of gold, triggering margin calls and other elements that pushed gold selling into what appears to have been a short-lived selling panic. The selling probably is not over; certainly high levels of volatility in the price of gold will continue, as has been the common circumstance over several decades (see the above graph).

With no direct inside information available to ShadowStats, there is little that can be added here as to the proximal trigger of the crash. There are, however, several brief observations:

- Not a speculative bubble, the general upturn in gold prices in the last decade was fundamental, based on deteriorating systemic fundamentals (bad for the system, good for gold), in terms of still-ongoing and intensifying massive U.S. fiscal malfeasance and extraordinary Federal Reserve efforts to debase the U.S. dollar.
- The fiscal and dollar-debasement issues likely will come into renewed public and global-market focus, anew, in the next several months. Those holding soft assets denominated in U.S. dollars increasingly still will look to physical gold as a store-of-wealth and as a primary hedge against the looming loss of purchasing in the U.S. dollar.
- The gold “crash” was not based on a shift in those fundamentals. It most likely resulted from a deliberate action and/or from a severe systemic distortion, involving financial and/or fiduciary irregularities. Unless this was a deliberate action by a central bank, those background matters likely will surface soon, if they have not already surfaced in the stories published by reputable commentators.
- The anti-gold community—Central Banks and Wall Street, and their shills in the popular financial media—already are using the recent turmoil to discourage new gold investment. Yet, gold consistently has outperformed the stock market in recent years. Even with the “crash,” gold still has shown tremendous real gains (adjusted for official consumer inflation) since the beginning of 2000, while the real DJIA and S&P still are underwater on a similar basis (see [Commentary No. 509](#)). The graphs in that *Commentary* will be updated in the next missive.
- The general outlook for a hyperinflation by the end 2014 remains in place. An updated hyperinflation report is planned for next month.
- Physical gold remains the primary hedge here, but it has to be in place, and it has to be held through the developing crises—irrespective of short-term market volatility—in order to provide the desired asset protection.

Most Recent Reporting of March 2013 Inflation and Economic Activity. Headline inflation data were negative in March, for both the producer price index (PPI) and the consumer price index (CPI), thanks primarily to seasonal-adjustment factors that suppressed energy-related inflation. Otherwise monthly inflation, as commonly experienced, rose. The pace of annual inflation slowed, however, due largely to the irregular and not-seasonally-adjusted movements in those same energy prices. On the upside for inflation, potential weakness in the U.S. dollar during the next several months is a likely candidate to boost short-range inflation concerns.

In terms of the April 16th economic releases, real retail sales disappointed expectations, while apparent headline gains in industrial production and housing had their special circumstances, as will be discussed later in this general section. Of some significance, annual growth in both real retail sales and production has fallen to levels not seen since the onset of the official 2007 recession. In the present circumstance,

“recession” signals here can best be read as indicators of a re-intensifying downturn in an ongoing, severe economic contraction.

The “advance” estimate of first-quarter gross domestic product (GDP) activity is due for release next week (April 26th). While the GDP is the most-worthless and the most-heavily-guessed-at and massaged government economic series, it also is the mostly widely followed series. In terms of underlying economic reporting for first-quarter 2013, so far, the relative first-quarter versus second-quarter growth patterns in the various series, as they relate to quarterly GDP growth, are as follows: trade deficit change is negative, payroll growth is neutral, growth in retail sales is less positive, growth in both housing starts and industrial production is more positive. In aggregate, a first-quarter 2013 headline GDP growth rate of roughly one-percent would be consistent with these data and the previous quarter’s 0.4% headline growth.

March 2013 Consumer Price Index. As reported by the Bureau of Labor Statistics (BLS), the headline CPI-U declined by 0.18% in March, but it was up by 0.26% before seasonal adjustments. The headline February number was a seasonally-adjusted 0.68% (up by 0.82% unadjusted). As can happen at this time of year, seasonal adjustments to gasoline prices suppressed the headline monthly inflation rate, turning unadjusted monthly inflation into headline deflation. From the standpoint of consumers looking at their expenses, where actual monthly cash flows do not get seasonally adjusted, physically, these numbers are not overly meaningful.

Among the other major CPI-U monthly components was a not-too-credible “unchanged” level in monthly food prices, both before and after seasonal adjustments, while an unadjusted 0.27% increase in “core” inflation (net of food and energy prices) was reduced to a gain of 0.11%, after adjustment.

Not seasonally adjusted, March 2013 year-to-year inflation for the CPI-U was 1.47%, down from 1.98% in February, due largely to irregular variability in gasoline prices. While those numbers are consistently prepared and are not seasonally adjusted, there are other issues in terms methodological changes—made to the series in recent decades—that were designed so as to understate the government’s reporting of consumer inflation (see the updated [Public Comment on Inflation Measurement and the Chained-CPI](#)).

Year-to-year “core” inflation eased to 1.89% in March, versus 2.00% in February. The CPI-U numbers were in contrast to the core-PPI growth, which held at 1.71% in March, for the second month. The graph comparing annual core-PPI with core-CPI-U inflation is located in the *CPI* portion of the *Reporting Detail* section.

In other reporting, the March 2013 headline CPI-W declined by 0.25% for the month (up by 0.28% unadjusted), versus a headline gain of 0.81% (up by 0.95% unadjusted) in February. Unadjusted, March 2013 year-to-year CPI-W inflation was 1.33%, down from 1.94% in February. Initial reporting of year-to-year inflation for the March 2013 C-CPI-U was 1.41%, versus 1.80% in February.

The ShadowStats-Alternate Consumer Inflation Measure (1990-based)—year-to-year consumer inflation was roughly 4.9% in March 2013, versus 5.4% in February. The ShadowStats-Alternate Consumer Inflation Measure (1980-Based) fell to about 9.1% in March, versus 9.6% in February.

Separately, despite publicly planted hints to the contrary, the Federal Reserve should continue its direct purchasing and monetization of U.S. Treasury securities. Renewed political turmoil remains likely in upcoming budget and debt-ceiling negotiations. Further, in a developing trend of movement away from

the global reserve-currency status of the U.S. dollar, France and China purportedly have agreed to direct currency transactions, bypassing the U.S. currency. In combination, those factors should generate significant downside pressure on the exchange-rate value of the U.S. dollar in the next several months, irrespective of other near-term market turbulence, intervention and supportive, official jawboning. Heavy selling of the U.S. dollar against the other major Western currencies would tend to boost domestic consumer inflation, rapidly, with quick spikes in the prices of oil and gasoline. Such dollar movement also should be coincident with upside movement in the prices of precious metals.

March 2013 Real (Inflation-Adjusted) Retail Sales. The headline 0.43% decline in nominal (not-adjusted-for-inflation) March 2013 retail sales was mitigated partially by the 0.18% headline contraction in the CPI-U. Net of inflation, the headline decline in real retail sales for March was 0.25%. That followed a revised, real monthly growth rate of 0.35% (previously 0.37%) in February.

Year-to-year, March 2013 real retail sales rose at an annual pace of 1.33%, versus a downwardly-revised 2.33% (previously 2.59%) in February. The last time this series saw a pattern of regular decline into a pace of annual growth at or below the current reading, was in 2007, coming into the formal 2007 recession. Real annual growth has fallen to the level whereby it is signaling a renewed downturn in broad economic activity that otherwise should surface in official economic reporting.

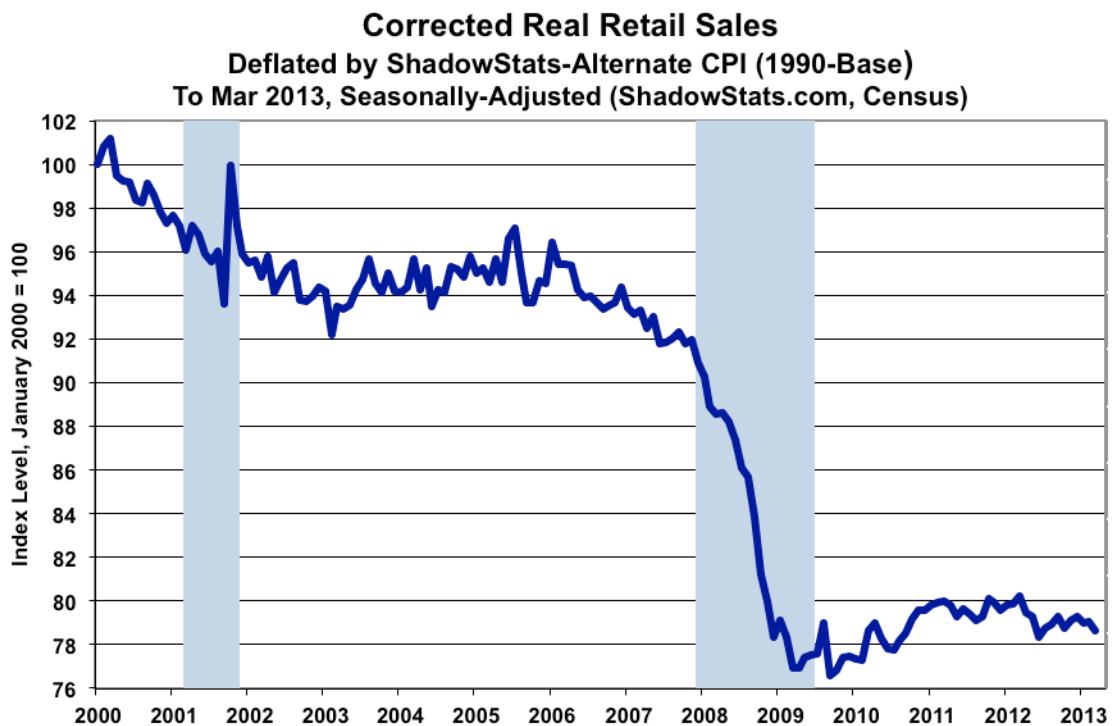
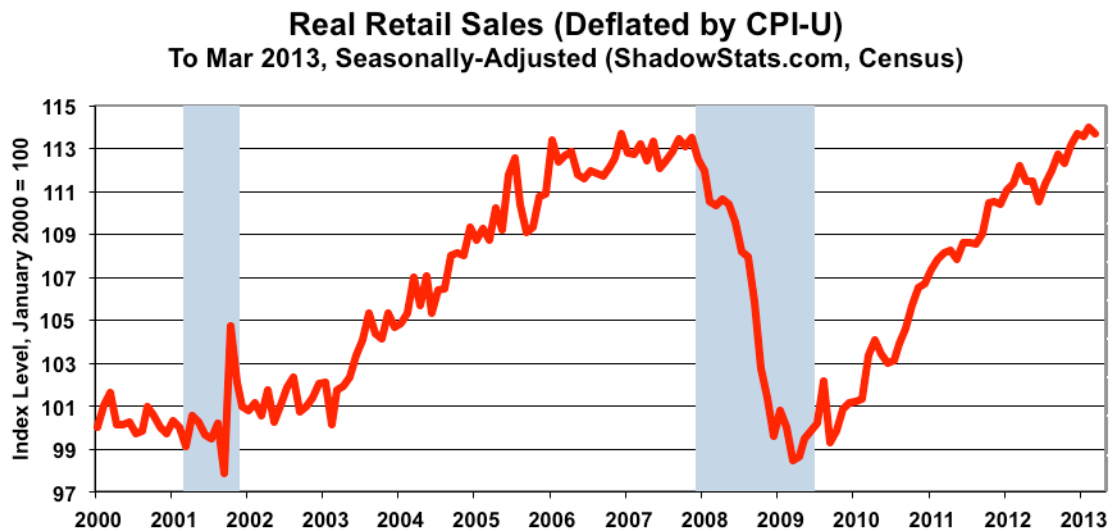
There has been no change in the underlying consumer-liquidity structural problems that are constraining consumption. There is nothing that would support a sustainable turnaround in retail sales, personal consumption, housing or general economic activity. There never was a recovery, and there is no recovery underway, just general bottom-bouncing that is turning down anew.

As official consumer inflation resumes its seasonally-adjusted upturn in the months ahead, and as overall retail sales continue to suffer from an intensifying consumer liquidity squeeze, these data should trend meaningfully lower, in what eventually will gain recognition as a formal, double-dip recession.

The first graph following reflects official real retail sales reporting, which, at least temporarily, has regained its pre-recession level. That pattern does not hold, however, if the series is corrected for understated inflation, as shown in the second graph. Corrected for the use of understated inflation rates used in the economic deflation process, a renewed downturn in activity—following an extended period of low-level stagnation—actually began in second- or third-quarter 2012.

Corrected Retail Sales. The first graph reflects real retail sales as reported by the St. Louis Fed, deflated by the CPI-U, but it is indexed to January 2000 = 100. The CPI-U, however, understates inflation (see the updated [Public Comment on Inflation](#)), with the effect of overstating inflation-adjusted growth.

Instead of being deflated by the CPI-U, the “corrected” real retail numbers in the second graph use the ShadowStats-Alternate Inflation Measure (1990-Base) for deflation. As discussed in [Hyperinflation 2012](#) and [Special Commentary \(No. 485\)](#), with the higher inflation of the ShadowStats measure, the revamped numbers show a pattern of plunge and stagnation. The recent topping-out process now has reverted to renewed decline, as of second-quarter 2012, in a series that had been bottom-bouncing along a low-level plateau of economic activity, following the unofficial economic collapse from 2006 into 2009. The two retail sales charts are indexed to a consistent scale.



March 2013 Real (Inflation-Adjusted) Average Weekly Earnings. Real average weekly earnings for March 2013, as reflected in the production and nonsupervisory employees series, showed a seasonally-adjusted monthly gain of 0.2% (deflated by the CPI-W), up a notch from a revised 0.1% gain (previously “unchanged”) in February. Unadjusted and year-to-year, March 2013 real earnings gained by 0.7%, versus a revised 0.5% (previously 0.1%) gain in February, and versus a revised annual decline of 1.4%

(previously 0.1%) in January. Both the monthly and annual fluctuations in this series are irregular, and current reporting remains well within the normal bounds of volatility. The most recent variability here reflects large monthly fluctuations in the headline CPI-W as well as in estimated average hours worked.

The graph of real average weekly earnings is located in the *CPI* portion of the *Reporting Detail* section. It shows that official real earnings, today, still have not recovered their inflation-adjusted levels of the early-1970s, and, at best, have been flat for the last decade. Deflated by the ShadowStats measure, real earnings have been in fairly regular decline for the last four decades, which is much closer to common experience than the pattern suggested by the CPI-W.

March 2013 Industrial Production. In the context of recently published benchmark revisions (see [Commentary No. 512](#)), which restated the detail of the industrial production index back to 1919, with net downside revisions to activity in the most-recent years, headline March 2013 industrial production was reported with a monthly headline gain of 0.41%, versus a February gain of 1.08%.

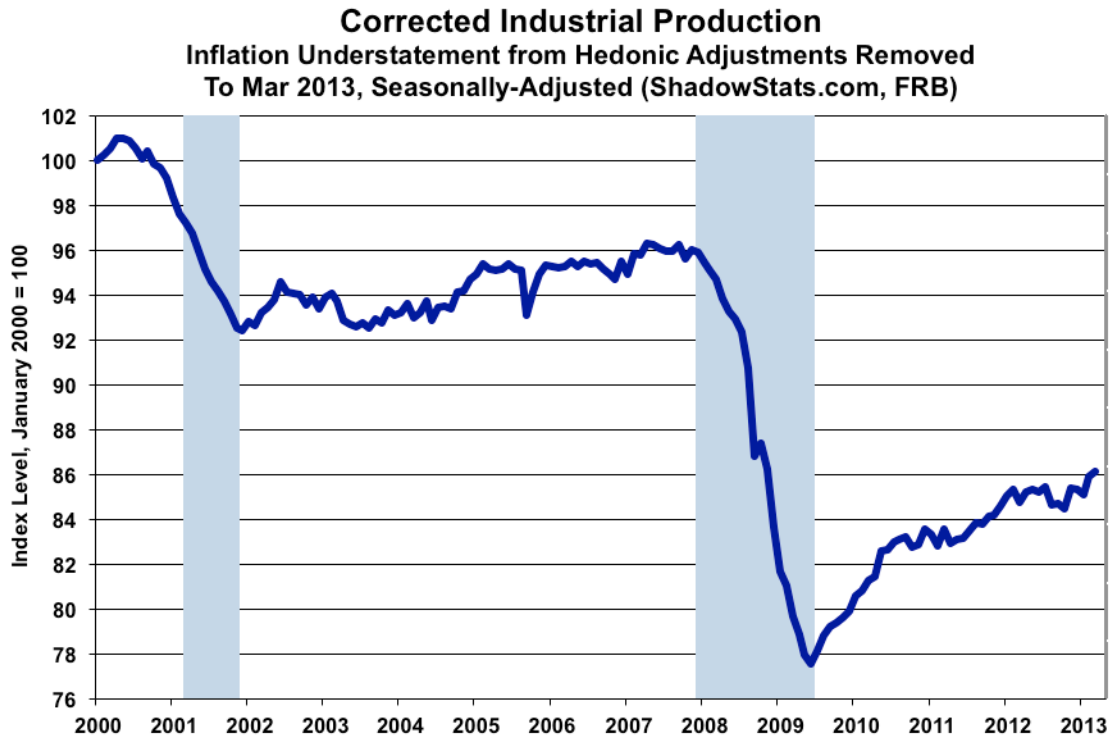
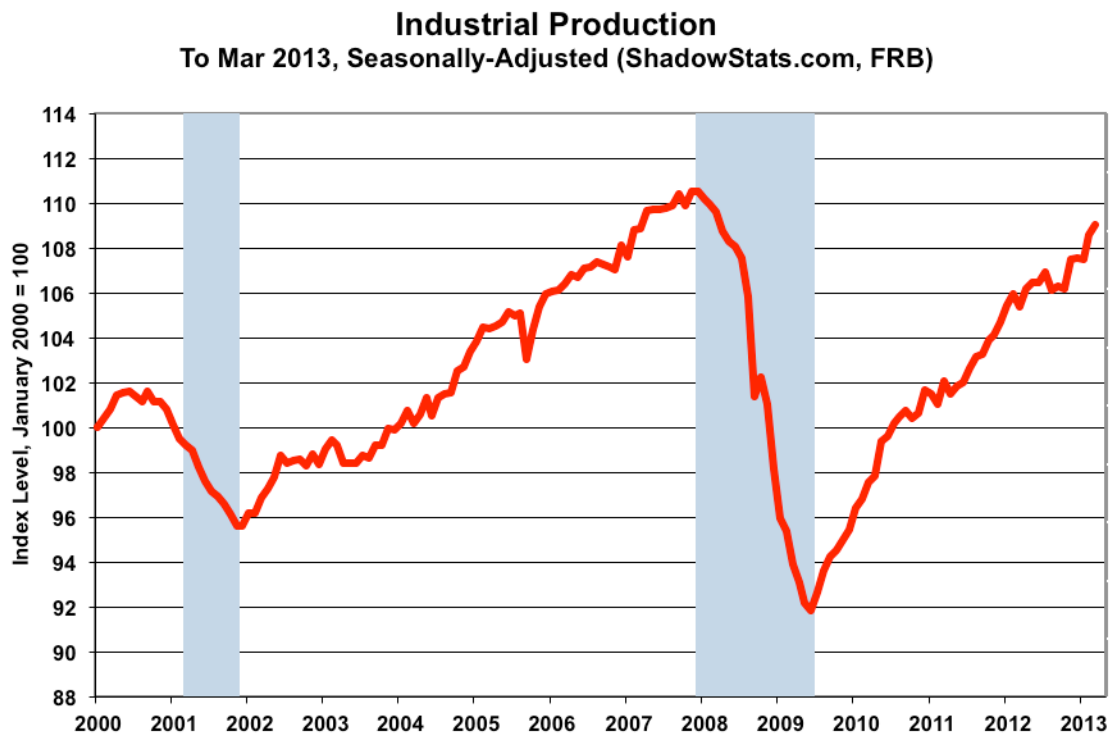
As currently reported by the Federal Reserve, unseasonably cold weather spiked utility usage and related total industrial production in each month of first-quarter 2013. Net of the seasonally-adjusted weather distortions, January production was down by 0.3% for the month, as opposed to the headline 0.1% contraction; February production was up by 0.8% for the month, as opposed to the headline 1.1% gain; and the just-published March production was down by 0.1% for the month, as opposed to the headline 0.4% gain.

For example, the 0.4% headline monthly gain for aggregate March production was due fully to a 5.3% spike in utility usage, which was due to unseasonably cold weather. Net of utilities, production fell by 0.1%, reflected in a 0.1% monthly contraction in manufacturing and a 0.2% monthly decline in mining.

Also reflecting significant weather effects, year-to-year growth in March production rose to 3.47%, from a 2.49% in February. Shy of March's weather distortions, the last time that year-to-year production growth slowed to current levels was at the formal onset of the 2007 recession. The signal here, as with real retail sales, is for an intensifying downturn in an already-troubled economic environment.

Corrected Industrial Production. Hedonic quality adjustments understate the inflation used in calculating components of industrial production, with the effect of overstating the inflation-adjusted growth reported in the headline industrial production series (see [Special Commentary \(No. 485\)](#) and [Public Comment on Inflation](#)). The two graphs following address that issue. The first reflects official industrial production reporting, indexed to January 2000 = 100, instead of the Fed's index that is set at 2007 = 100. The 2000 indexing is used simply to provide for some consistency in this series of revamped graphics. The second graph is a corrected version of the first, with estimated hedonic-inflation adjustments backed-out of the official deflator.

The "corrected" graph does show some growth in the period following the official June 2009 near-term trough in production activity. Yet, that upturn has been far shy of the full recovery reported in the GDP. Production levels have not regained pre-recession highs (even uncorrected), but, instead, entered a period of protracted low-level stagnation in 2012, with a quarterly contraction in third-quarter 2012, followed by continued low-level stagnation with the recent boosts from the weather instabilities.

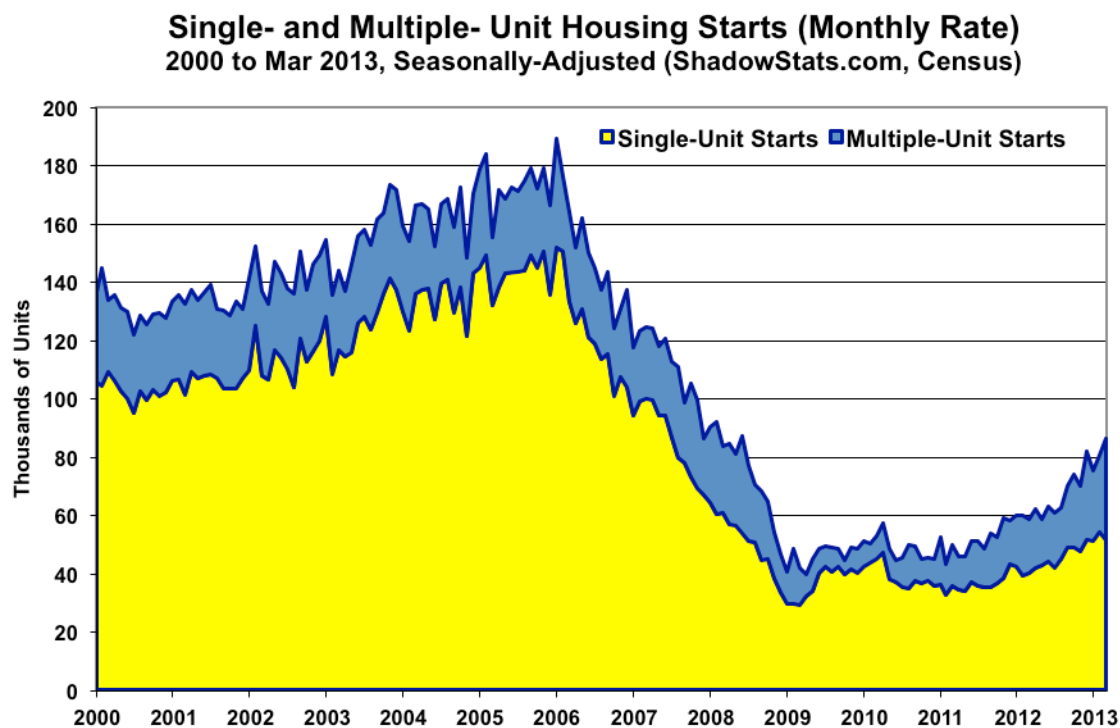


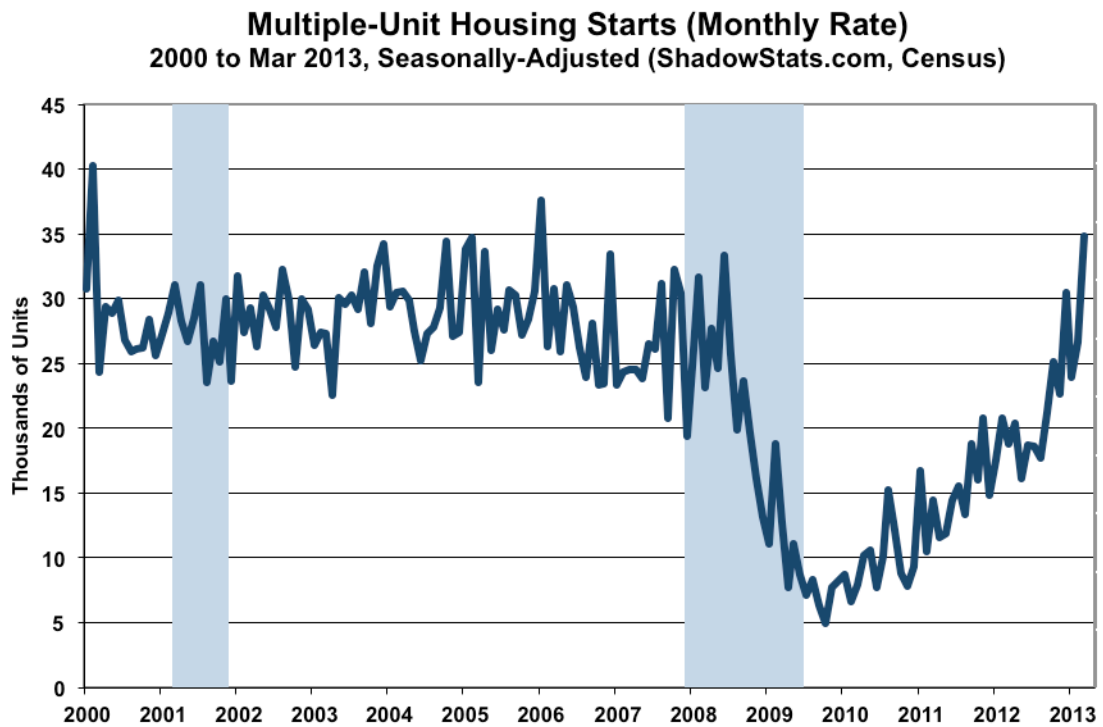
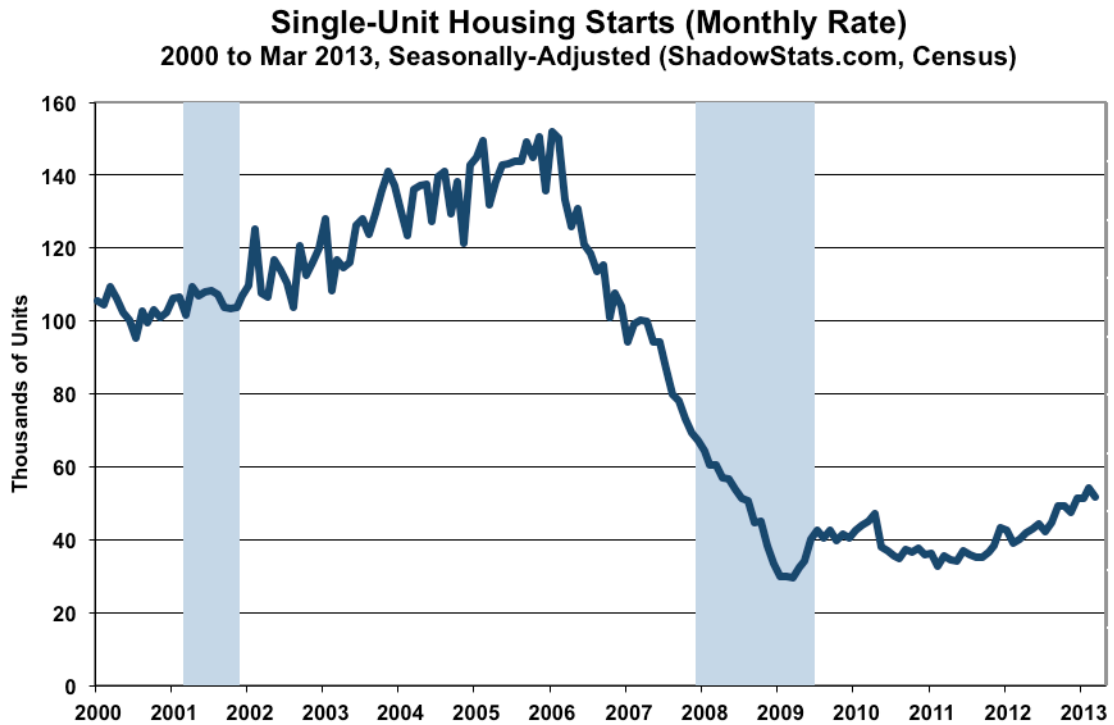
March 2013 Housing Starts. Headline March 2013 housing starts showed a statistically-insignificant monthly gain of 7.0%, versus a revised February gain of 7.3% (previously a 0.8% increase). Current aggregate monthly housing starts activity level is at a post-housing-crash high, well above the record monthly low seen for the present series in April 2009, but the March headline number still is 54% below the 2006 series high. Year-to-year growth in aggregate March housing starts was a statistically-significant increase of 46.7%, following a revised 34.8% (previously 27.7%) annual gain in February.

The statistically-insignificant 7.0% monthly gain in housing starts was composed of a statistically-insignificant 4.8% contraction in one-unit housing starts, which are following a pattern of stagnation; combined with a statistically-insignificant 33.1% monthly gain in starts of multiple-unit structures (a 26.9% monthly gain in structures with five units or more), which is following a pattern of recovery.

This highly volatile and irregular housing starts series tends to show mixed patterns, partially because it is reported as a mix of residential construction products, with one-unit housing starts that generally are for individual consumption resulting in new home sales, versus multi-unit starts that generally reflect the building of rental and apartment units. Consistent with new- and existing-home sales, activity in single-unit starts generally has remained stagnant in the post-housing-crash environment, while the multiple-unit starts have remained highly unstable and irregular, but generally moving higher, to pre-crash levels. The patterns there can be seen in the accompanying graphs.

With the private-housing market difficulties, former homeowners or those not entering the home-owning market have pushed demand higher for rental units. Unfortunately, though, liquidity-impaired consumers can have difficulties with renting as well as with owning their residences.





New Housing Starts Graphs. ShadowStats is pleased to introduce the preceding three new graphs on housing starts, which break-up the component reporting between one-unit and multiple-unit housing starts. The Census Bureau breaks its headline data into three categories beyond “total.” Those structure definitions are “1 unit,” “2 to 4 units,” and “5 units or more.” Due to lack of “meeting reliability standards,” Census does not publish the actual numbers for the “2 to 4 units,” although the numbers could be imputed. Accordingly, ShadowStats has broken the data into two sub-categories: “single-unit” and “multiple-unit” starts. The multiple-unit category simple is the total count, minus the single-unit count.

While the Census Bureau reports the seasonally-adjusted data in terms of an annualized rate, the series here are so volatile month-to-month, that using a monthly level of activity is more realistic. Whether graphed at a monthly rate, or annualized rate, the graphs show the exact same form.

The first graph shows total housing starts, broken into single- and multiple-unit categories. The second and third graphs show the respective single- and multiple-unit categories individually. Again, the single-unit structures plot shows a pattern of collapse, followed by low-level stagnation, while the multiple-unit structures graph shows a highly-volatile pattern of collapse and a recovery to pre-recession levels.

[Further details on March consumer inflation and related real retail sales and earnings, industrial production and housing starts are found in the Reporting Detail section.]

HYPERINFLATION WATCH

Hyperinflation Outlook—Updated. *Updated text is underlined; otherwise, this synopsis is unchanged from that published in Commentary No. 516 of April 12th. The summary outlook here is intended for new subscribers and for readers looking for a condensed version of the broad overview of economic, inflation and financial circumstances, or who otherwise are not familiar with the hyperinflation report or special commentaries, linked below. Those latter 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 outlook 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. Nonetheless, the next fully-updated hyperinflation report is targeted for publication around mid-May.

Nothing is normal: not the economy, not the financial system, not the financial markets and not the political system. The system remains still in the throes and aftershocks of the 2008 panic and the near-systemic collapse, and from the ongoing responses to same by the Federal Reserve and federal government. Further panic is possible and hyperinflation is inevitable.

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 (see [Public Comment on Inflation](#)).

Nonetheless, given the nature of official reporting, 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 turmoil. 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.

Before the mid-April rout in gold prices, there had been mounting hype about the Fed potentially pulling back on its “easing” and a coincident Wall Street push to talk-down gold prices. Those factors still appear to be little more than hype, designed for jawboning to support the U.S. dollar and to soften gold, in advance of the still-festering crises in the federal-budget and debt-ceiling negotiations. Despite orchestrated public calls for “prudence” by the Fed, the underlying and deteriorating financial-system and economic instabilities have self-trapped the Fed into an expanding-liquidity or easing role that likely will not be escaped until the ultimate demise of the U.S. dollar. Further complicating the circumstance for the U.S. currency is the increasing tendency of major U.S. trading partners to move away from using the dollar in international trade, such as seen most recently in the developing relationship between France and China.

The Fed’s recent and ongoing liquidity actions themselves suggest a signal of deepening problems in the financial system. Mr. Bernanke admits that the Fed can do little to stimulate the economy, but it can create systemic liquidity and inflation. Accordingly, the Fed’s continuing easing moves appear to have been primarily an effort to prop-up the banking system and also to provide back-up liquidity to the U.S. Treasury, under the political cover of a “weakening economy.” Mounting signs of intensifying domestic banking-system stress are seen in a renewed weakening of broad money growth, despite a soaring monetary base, and in global banking-system stress, as reflected in the recent Cyprus crisis and its ongoing aftershocks.

Both Houses of Congress recently put forth outlines of ten-year budget proposals that are shy on detail. The ten-year plan by the Republican-controlled House proposes to balance the cash-based deficit as well as to address issues related to unfunded liabilities. The plan put forth by the Democrat-controlled Senate does not look to balance the cash-based deficit. Given continued political contentiousness and the use of unrealistically positive economic assumptions to help the budget projections along, little but gimmicked numbers and further smoke-and-mirrors are likely to come out of upcoming negotiations. With the release of the Administration’s budget for fiscal-year 2014, these issues should be coming to a head, now, in April and May; there still appears to be no chance of a substantive agreement.

Indeed, ongoing and deepening economic woes assure that the usual budget forecasts—based on overly-optimistic economic projections—will fall far short of fiscal balance and propriety. Chances also remain nil for the government fully addressing the GAAP-based deficit that hit \$6.6 trillion in 2012, let alone balancing the popularly-followed, official cash-based accounting deficit that was \$1.1 trillion in 2012 (see [No. 500: Special Commentary](#)).

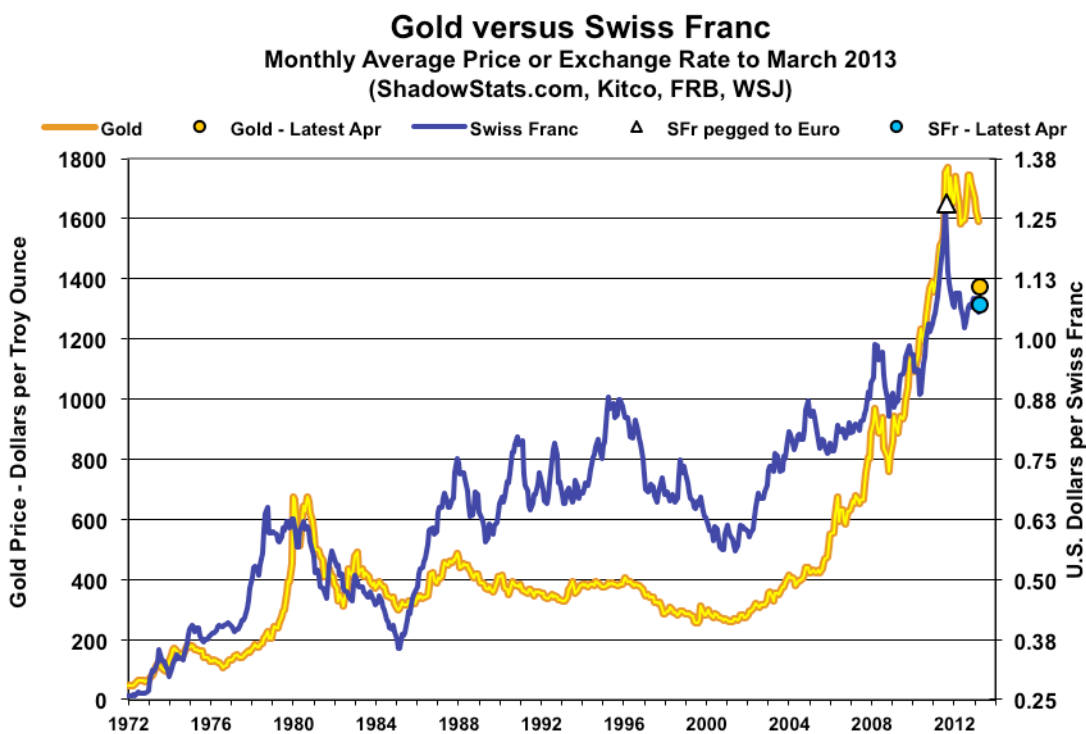
Efforts at delaying meaningful fiscal action, and at briefly postponing conflict over the Treasury’s debt ceiling, have bought the politicians in Washington minimal time in the global financial markets, but the time largely has run out and patience in the global markets is near exhaustion. The continuing

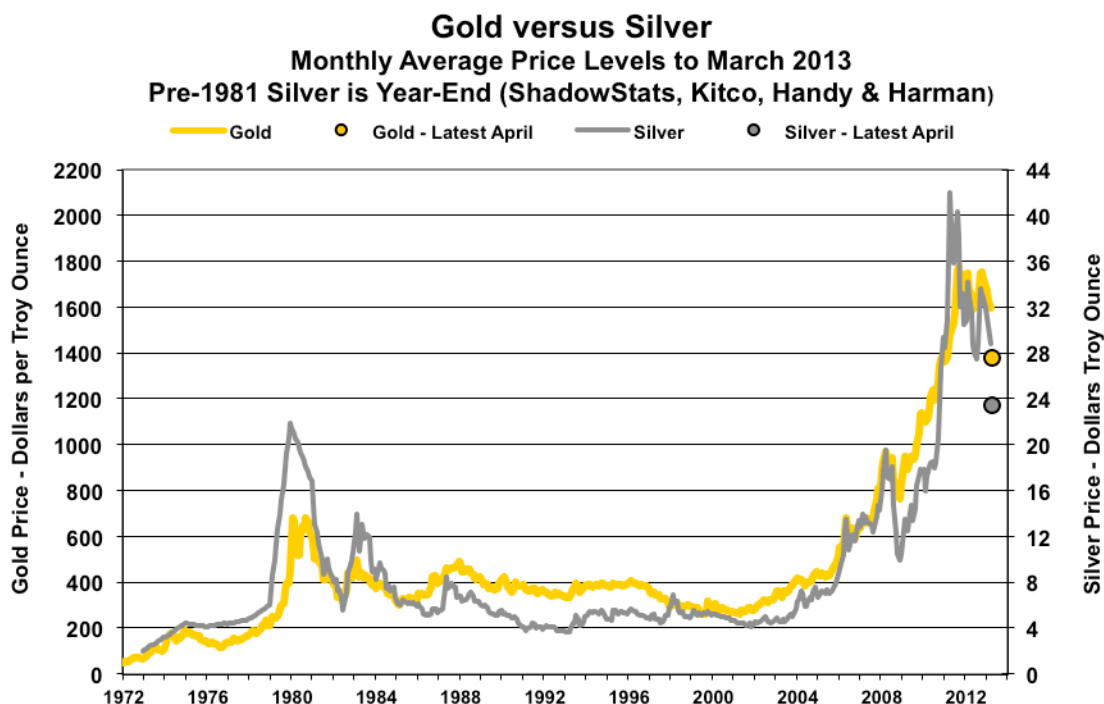
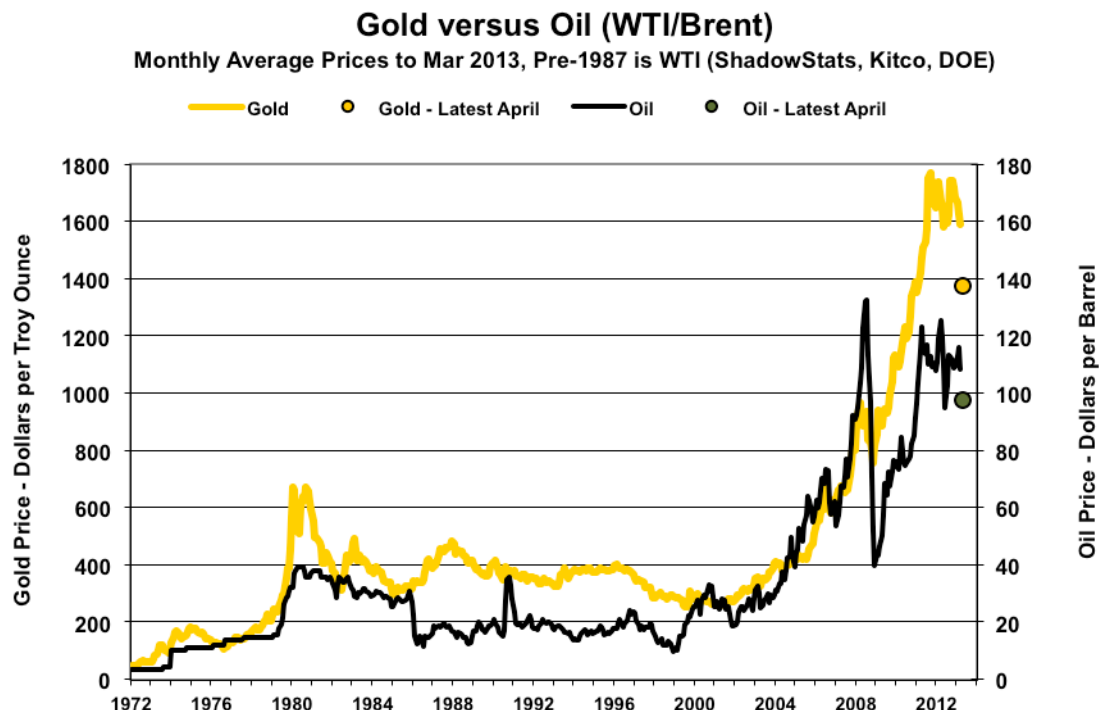
unwillingness and political inability of the current government to address seriously the longer-range U.S. sovereign-solvency issues, only pushes along the regular unfolding of events that eventually will trigger a domestic hyperinflation, as discussed in [Commentary No. 491](#).

The unfolding fiscal catastrophe, in combination with the Fed's direct monetization of Treasury debt, eventually (more likely sooner rather than later) will savage the U.S. dollar's exchange rate, boosting oil and gasoline prices, and boosting money supply growth and domestic U.S. inflation. Relative 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 sustainably against the U.S. dollar. A dollar-selling panic is likely this year—of reasonably high risk in the next month or two—with its effects and aftershocks setting hyperinflation into action in 2014. Gold remains the primary and long-range hedge against the upcoming debasement of the U.S. dollar, irrespective of any near-term price gyrations in the gold market.

The rise in the price of gold in recent years was fundamental. The recent panicked sell-off in gold was not. With the underlying fundamentals of ongoing dollar-debasement in place, the upside potential for gold, in dollar terms, is limited only by its inverse relationship to the purchasing power of the U.S. dollar (eventually headed effectively to zero). Again, physical gold—held for the longer term—remains as a store of wealth, the primary hedge against the loss of U.S. dollar purchasing power.





Monthly Gold Graphs. Preceding are the regular graphs of gold prices versus the Swiss franc, oil prices and silver prices that usually accompany the *Commentary* on the monthly CPI release. What should

prove to be a short-lived crash in precious metals prices and a sharp decline in oil prices is reflected in these graphs. The dollar is not much changed—actually has seen some relative weakness—versus the Swiss franc. The “latest April” points in the graphs are late-day April 17th market prices in the U.S.

REPORTING DETAIL

CONSUMER PRICE INDEX—CPI (March 2013)

Headline March Consumer Inflation Depressed by Gasoline-Price Seasonal Adjustments. Seasonal adjustments again depressed monthly consumer inflation, as reported by the Bureau of Labor Statistics (BLS). The headline March CPI-U monthly contraction of 0.18% was an increase of 0.26%, before seasonal adjustments. In like manner, the headline monthly inflation of 0.68% in February was 0.82%, unadjusted. From the standpoint of consumers looking at their expenses, where actual monthly cash flows do not get seasonally adjusted, physically, these numbers are not particularly meaningful. Given instabilities in the seasonal-adjustment process, these numbers are not particularly meaningful even to those who use the adjusted data for other reasons, such as adjusting retail sales reporting for inflation effects.

On a year-to-year basis, March 2013 inflation slowed to 1.47% from 1.98% in February. While those numbers are prepared consistently and are not seasonally adjusted, there are other issues in terms of methodological changes—made to the series in recent decades—that were designed to understate the government’s reporting of consumer inflation, as discussed in the updated [Public Comment on Inflation Measurement and the Chained-CPI](#).

Separately, despite publicly planted hints to the contrary, the Federal Reserve should continue its direct purchasing and monetization of U.S. Treasury securities. Renewed political turmoil also remains likely in upcoming budget and debt-ceiling negotiations. Further, in a developing trend of movement away from the global reserve-currency status of the U.S. dollar, France and China purportedly have agreed to direct currency transactions, bypassing the U.S. currency. In combination, those factors should generate significant downside pressure on the exchange rate value of the U.S. dollar in the next several months, irrespective of other near-term market turbulence, intervention and supportive, official jawboning. Heavy selling of the U.S. dollar against the other major Western currencies would tend to boost domestic consumer inflation, rapidly, with quick spikes in the prices of oil and gasoline.

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. Since it is fully substitution based, the series tends to reflect lower inflation than the other CPI measures. Accordingly, the C-CPI-U is the “new inflation” measure being considered by Congress and the White House as a tool for reducing Social Security cost-of-living adjustments by stealth.*

*The **ShadowStats 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. There are two measures, where the first is based on reporting methodologies in place as of 1980, and the second is based on reporting methodologies in place as of 1990.*

CPI-U. The BLS reported on April 16th that the headline, seasonally-adjusted CPI-U for March 2013 fell by 0.18% for the month (rose by 0.26% unadjusted), versus a seasonally-adjusted 0.68% gain in February (up by 0.82% unadjusted). As can happen at this time of year, seasonal adjustments suppressed the headline monthly inflation rate, turning unadjusted monthly inflation into headline deflation.

A small gain in nominal (not-adjusted-for-inflation) gasoline prices was turned negative by seasonal factors. Unadjusted monthly-average gasoline prices rose by 1.4% March, per the BLS, where the more-comprehensive surveying of the Department of Energy showed an unadjusted monthly gain of 1.2%. Seasonal-adjustments turned the unadjusted BLS monthly gain in gasoline prices into a seasonally-adjusted decline of 4.4%. Overall, unadjusted energy prices gained 0.6% for the month, which was a decline of 2.6%, net of seasonal factors.

Among the other major CPI components was a not-too-credible “unchanged” level in monthly food prices, both before and after seasonal adjustments, while an unadjusted 0.3% increase in “core” inflation (net of food and energy prices) was reduced to a gain of 0.1%, after adjustment.

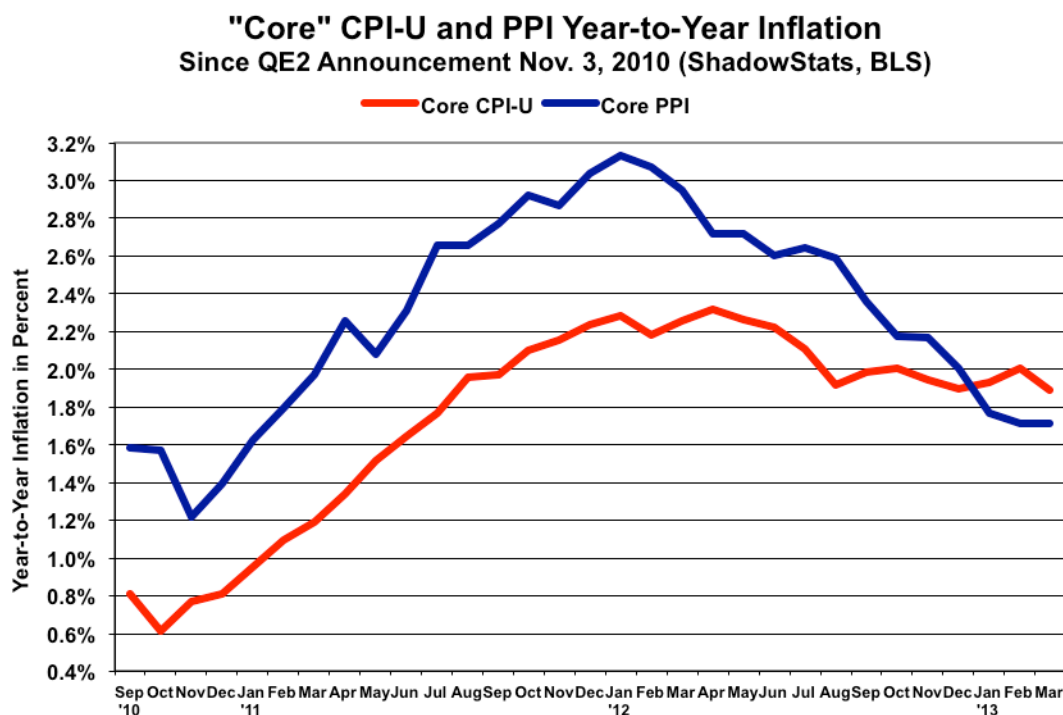
Not seasonally adjusted, March 2013 year-to-year inflation for the CPI-U was 1.47%, down from 1.98% in February.

Year-to-year, CPI-U inflation would increase or decrease in next month's April 2013 reporting, dependent on the seasonally-adjusted monthly change, versus a reported "unchanged" monthly inflation rate in April 2012. The adjusted change is used here, since that is how consensus expectations are expressed. To approximate the annual unadjusted inflation rate for April 2013, the difference in April's headline monthly change (or forecast of same), versus the year-ago monthly change, should be added to or subtracted directly from the March 2013 annual inflation rate of 1.47%.

Core CPI-U. Seasonally-adjusted March 2013 "core" CPI-U inflation (net of food and energy inflation) rose by 0.11% month-to-month, versus a gain of 0.27% unadjusted.

Twenty-one of the last twenty-eight months have shown rising year-to-year, or annual, core CPI-U inflation (net of food and energy inflation), with the year-to-year core rate easing to 1.89% in March, versus 2.00% in February. The CPI numbers were in contrast with the core-PPI growth, which held at 1.71% in March, for the second month.

The March 2013 CPI-U year-to-year core rate still was well above the core inflation of 0.61%, in November 2010, when Federal Reserve Chairman Bernanke introduced QE2 in a successful bid to debase the U.S. dollar, with the effect of spiking oil prices. The recent expansion in QE3 into monetization of Treasury debt already appears to have created sporadic upside pressures here. Nonetheless, the core annual inflation numbers in March 2013 for both the CPI-U and PPI reflected the ongoing impact of higher energy prices in the broad economy, as shown in the accompanying graph.



CPI-W. The March 2013 headline, seasonally-adjusted CPI-W, which is a narrower series and has greater weighting for gasoline than does the CPI-U, declined by 0.25% for the month (up by 0.28% unadjusted), versus a seasonally-adjusted monthly gain of by 0.81% for the month (up by 0.95% unadjusted) in February.

Unadjusted, March 2013 year-to-year CPI-W inflation was 1.33%, down from a 1.94% annual rate in February.

Chained-CPI-U. The initial reporting of year-to-year inflation for the March 2013 C-CPI-U was 1.41%, versus 1.80% in February 2013.

The Chained-CPI-U is the fully substitution-based series that once again is being hyped by the President (in his fiscal-2014 budget) and Congress as a way to reduce cost-of-living payments for Social Security, etc., by stealth. This would be an outright fraud on the public, continuing a pattern of similar, earlier successful efforts at deceptive inflation reporting, seen in the past several decades (see the discussion in the updated [Public Commentary on Inflation Measurement and Chained-CPI](#)).

Alternate Consumer Inflation Measures. Adjusted to pre-Clinton methodologies—the ShadowStats-Alternate Consumer Inflation Measure (1990-based)—annual CPI inflation was roughly 4.9% in March 2013, versus 5.4% in February.

The ShadowStats-Alternate Consumer Inflation Measure (1980-Based), which reverses gimmicked changes to official CPI reporting methodologies back to 1980, fell to about 9.1% (9.11% for those using the extra digit) in March 2013, versus an annual inflation rate of 9.6% in February.

Note: The ShadowStats-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 of what consumers view as out-of-pocket expenditures. Roughly five percentage points of the additive ShadowStats adjustment reflect the BLS's formal estimate of the annual impact of methodological changes; roughly two percentage points reflect changes by the BLS, where ShadowStats has estimated the impact not otherwise published by the BLS. (See the update [Public Commentary on Inflation Measurement and Chained-CPI](#) for further detail.)

Gold and Silver Highs Adjusted for CPI-U/ShadowStats 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) for gold on January 21, 1980 would be \$2,543 per troy ounce, based on March 2013 CPI-U-adjusted dollars, and \$10,024 per troy ounce, based on March 2013 ShadowStats-Alternate-CPI (1980-Based) adjusted dollars (all series not seasonally adjusted).

In like manner, the all-time high nominal 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

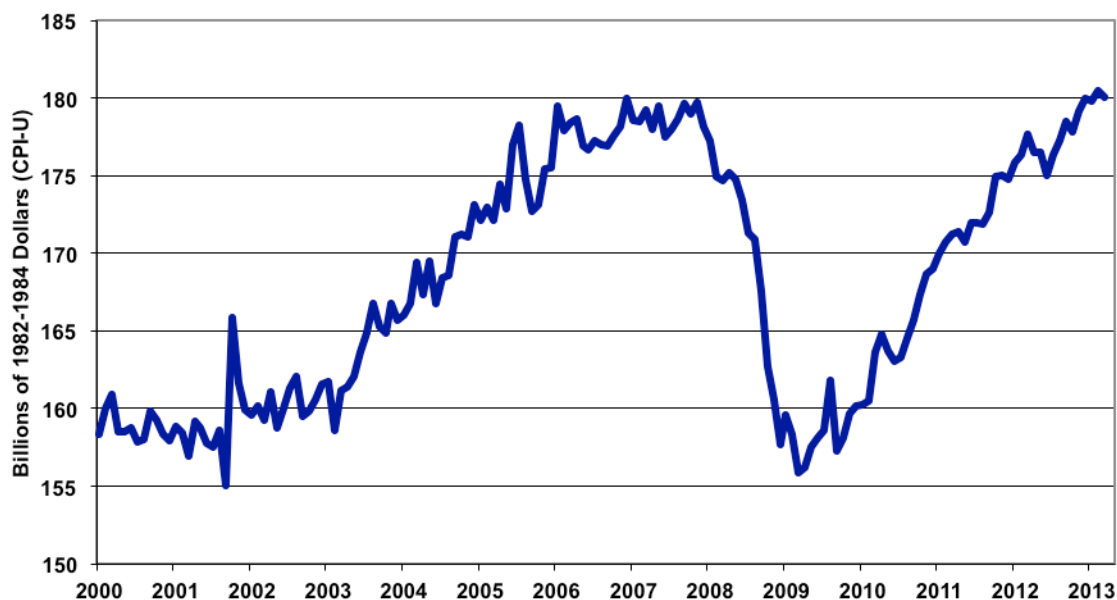
1980, including in terms of inflation-adjusted dollars. Based on March 2013 CPI-U inflation, the 1980 silver-price peak would be \$148 per troy ounce and would be \$583 per troy ounce in terms of March 2013 ShadowStats-Alternate-CPI (1980-based) adjusted dollars (again, all series not seasonally adjusted).

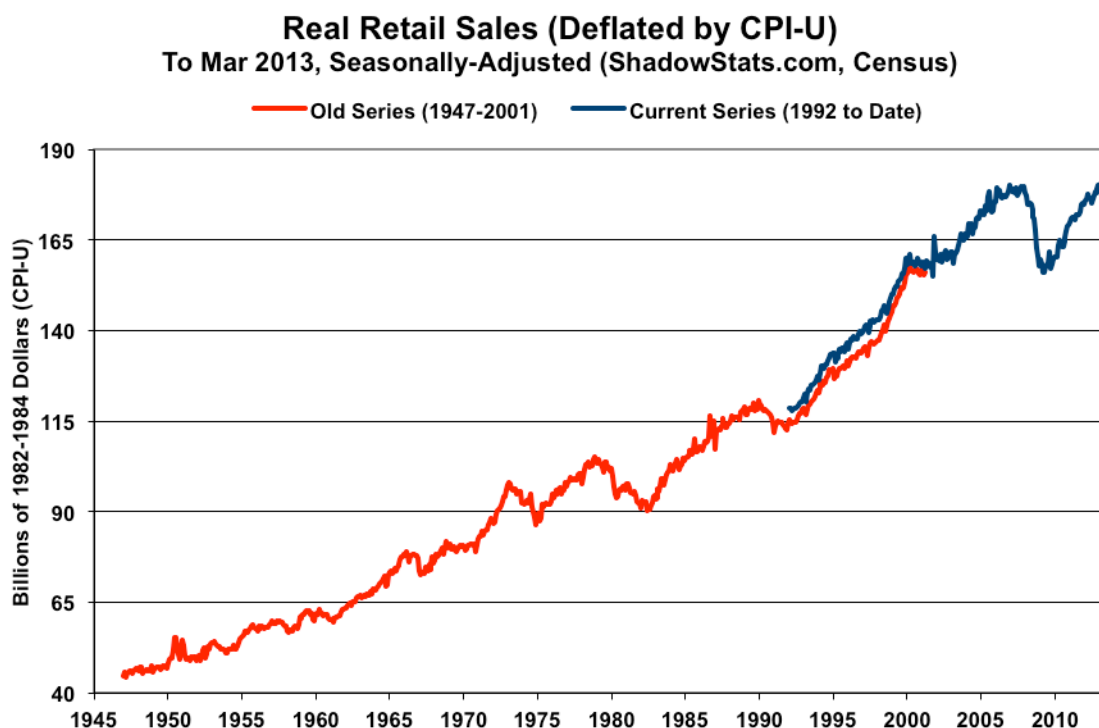
As shown in Table 1 on page 50 of [Hyperinflation 2012](#), and as updated in Table III on page 40 of [Special Commentary \(No. 485\)](#), over the decades, the increases in gold and silver prices have compensated for more than the loss of the purchasing power of the U.S. dollar as reflected by CPI inflation, while they effectively have compensated fully for the loss of purchasing power of the dollar based on the ShadowStats-Alternate Consumer Price Measure (1980-Methodologies Base). See the *Opening Comments* for a discussion on the current turmoil in the precious metals markets, and for the plot of monthly average gold prices regularly found in this section.

Real (Inflation-Adjusted) Retail Sales. The nominal (not-adjusted-for inflation) decline in March 2013 retail sales was mitigated partially by the 0.18% headline contraction in the CPI-U. The headline decline of 0.43% in nominal March retail sales, accordingly, reflected a real contraction of 0.25%. That followed a revised real monthly growth rate of 0.35% (previously 0.37%) in February. See [Commentary No. 516](#) for nominal reporting detail on March sales.

Year-to-year, March 2013 real retail sales rose at an annual pace of 1.33%, versus a downwardly-revised 2.33% (previously 2.59%) in February. The last time this series saw a pattern of regular decline in the pace of annual growth, where annual fell to the current reading or below, was in 2007, coming into the formal 2007 recession. Real growth has fallen to the level whereby it would be signaling a pending recession, if the economy were normal. In the current circumstance, this signal likely will serve as an indicator of a renewed downturn in broad economic activity.

Real Retail Sales (Deflated by CPI-U)
To Mar 2013, Seasonally-Adjusted (ShadowStats.com, Census)





Hitting Pre-Recession Levels. The first of the two preceding graphs shows the level of real retail sales activity (deflated by the CPI-U) since 2000. The second graph shows the same series in full post-World War II detail. With March 2013 reporting, the headline real retail sales series just has recovered pre-recession levels, the only major economic series to do so, other than the GDP, which did that more than a year ago and has kept rising well beyond the reported activity of any other series, since. There is no major economic series showing the GDP's pattern of official, full recovery and extended new growth.

The apparent “recovery” in the real retail sales series (as well as in the GDP) is due to the understatement of the rate of inflation used in deflating retail sales and other series. As discussed more fully in [Hyperinflation 2012](#) and [Special Commentary \(No. 485\)](#), deflation by too-low an inflation number (such as the CPI-U) results in the deflated series overstating inflation-adjusted economic growth.

With the deflation rates corrected for understated inflation, the recent pattern of real sales activity turns increasingly flat-to-negative, as shown in the latest “corrected” real retail sales graph in the *Opening Comments* section. The corrected graph shows the post-2009 period of protracted stagnation ended, and a period of renewed economic contraction began in second-quarter 2012. The corrected real retail sales numbers use the ShadowStats-Alternate Inflation Measure (1990-Base) for deflation instead of the CPI-U.

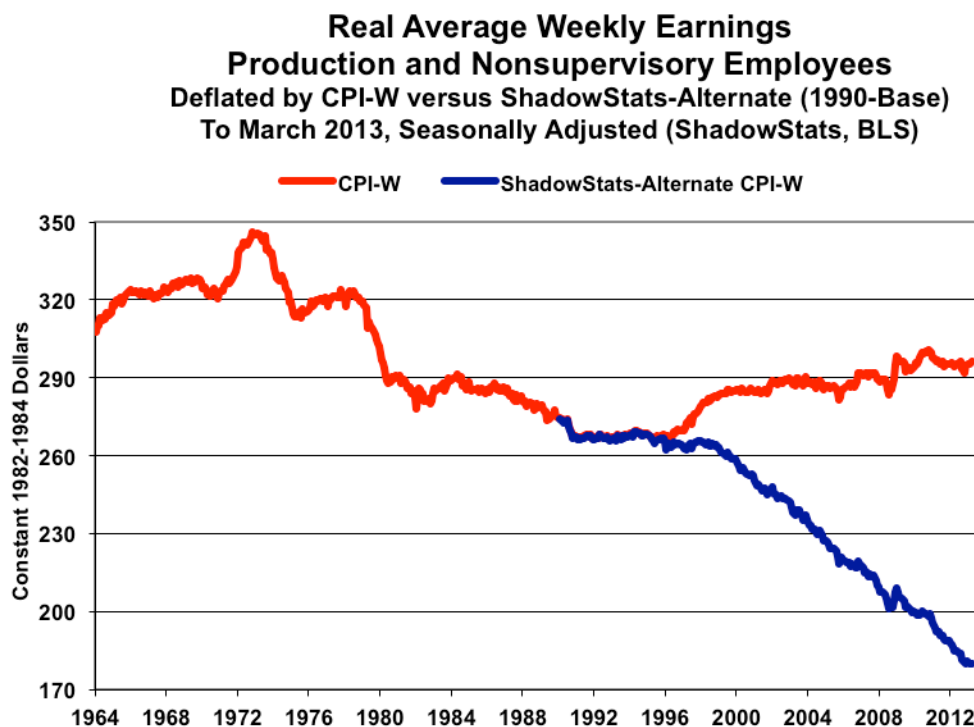
There has been no change in the underlying consumer-liquidity fundamentals. There is nothing that would support a sustainable turnaround in retail sales, personal consumption, housing or general economic activity. There never was a recovery, and there is no recovery underway, just general bottom-bouncing that is turning down anew.

As official consumer inflation resumes its upturn in the months ahead, and as overall retail sales continue to suffer from the ongoing consumer liquidity squeeze—as reflected partially by real earnings difficulties, discussed in the next section, again in the *Special Commentary* linked above and in [Commentary No. 469](#)—these data should trend meaningfully lower, in what eventually will gain recognition as a formal, double-dip recession.

Real (Inflation-Adjusted) Earnings. Coincident with the CPI release for March 2013 on April 16th, the BLS published real (inflation-adjusted) average weekly earnings for March 2013.

The production and nonsupervisory employees series showed a seasonally-adjusted monthly gain for March 2013 of 0.2% in real average weekly earnings (deflated by the CPI-W), up a notch from a revised 0.1% gain (previously “unchanged”) in February.

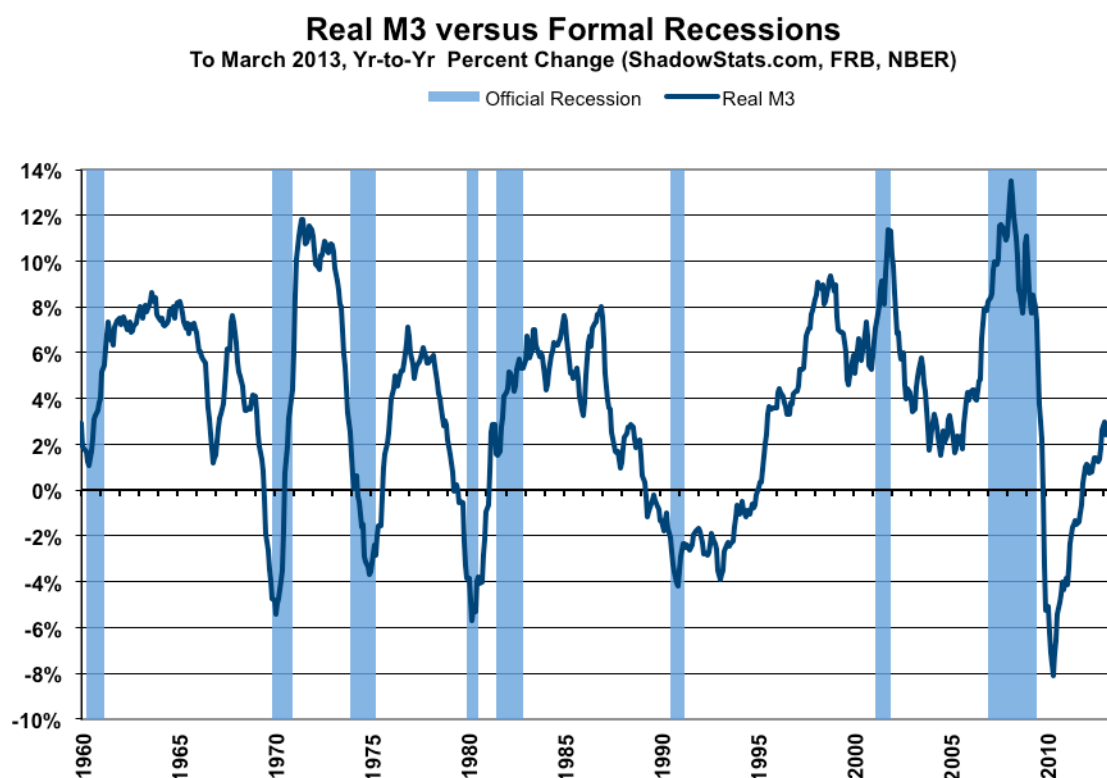
Unadjusted and year-to-year, March 2013 real earnings gained by 0.7%, versus a revised 0.5% (previously 0.1%) gain in February, and versus a revised annual decline of 1.4% (previously 0.1%) in January. Both the monthly and annual fluctuations in this series are irregular, and current reporting remains well within the normal bounds of volatility.



The accompanying graph of the real average earnings, shows the earnings as officially deflated by the BLS (red-line), and as adjusted for the ShadowStats-Alternate CPI Measure, 1990-based (blue-line). As the inflation-depressing methodologies of the 1990s began to kick-in, the artificially weakened CPI-W

(also used in calculating Social Security cost-of-living adjustments) helped to prop up the reported real earnings.

Official real earnings today still have not recovered their inflation-adjusted levels of the early-1970s, and, at best, have been flat for the last decade. Deflated by the ShadowStats measure, real earnings have been in fairly regular decline for the last four decades, which is much closer to common experience than the pattern suggested by the CPI-W. See [Public Commentary on Inflation Measurement and Chained-CPI](#) for further detail.



Real Money Supply M3. The signal for a double-dip or ongoing recession, based on annual contraction in the real (inflation-adjusted) broad money supply (M3), discussed in [Hyperinflation 2012](#), remains in place and continues, despite real annual M3 growth having turned to the upside. As shown in the preceding graph—based on March 2013 CPI-U reporting and the latest ShadowStats-Ongoing M3 Estimate—annual inflation-adjusted growth in M3 for March 2013 rose to 2.8%, from an unrevised 2.4% in February. The difference was split between a continuing decline in M3 annual growth and a more-than-offsetting decline in year-to-year CPI-U inflation.

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, even though there had been no

upturn since the economy hit bottom in mid-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 continued into 2011 and 2012, with significant new softness in recent reporting. Actual post-2009 economic activity has remained at low levels—in protracted stagnation—as discussed in [*Special Commentary \(No. 485\)*](#).

A renewed downturn in official data is becoming more obvious, and that eventually should lead to official recognition of a double-dip recession. Reality remains that the economic collapse into 2009 was followed by a plateau of low-level economic activity—no upturn or recovery, no end to the official 2007 recession—and the unfolding renewed downturn remains nothing more than a continuation and re-intensification of the downturn that began unofficially in 2006.

INDEX OF INDUSTRIAL PRODUCTION (March 2013)

First-Quarter 2013 Production Growth Bloated by Unseasonable-Weather Effects. As currently estimated by the Federal Reserve, unseasonably cold weather spiked utility usage and related total industrial production in each month of first-quarter 2013. Net of the seasonally-adjusted weather distortions, January production was down by 0.3% for the month, as opposed to the headline 0.1% contraction; February production was up by 0.8% for the month, as opposed to the headline 1.1% gain; and the just-published March production was down by 0.1% for the month, as opposed to the headline 0.4% gain. As reported, the bloated, annualized quarterly growth rate for first-quarter 2013 was 5.0%, up from 2.3% in fourth-quarter 2012. That suggests some upside reporting pressure on the “advance” estimate of first-quarter 2013 GDP, due for release on April 26th (see *Opening Comments*).

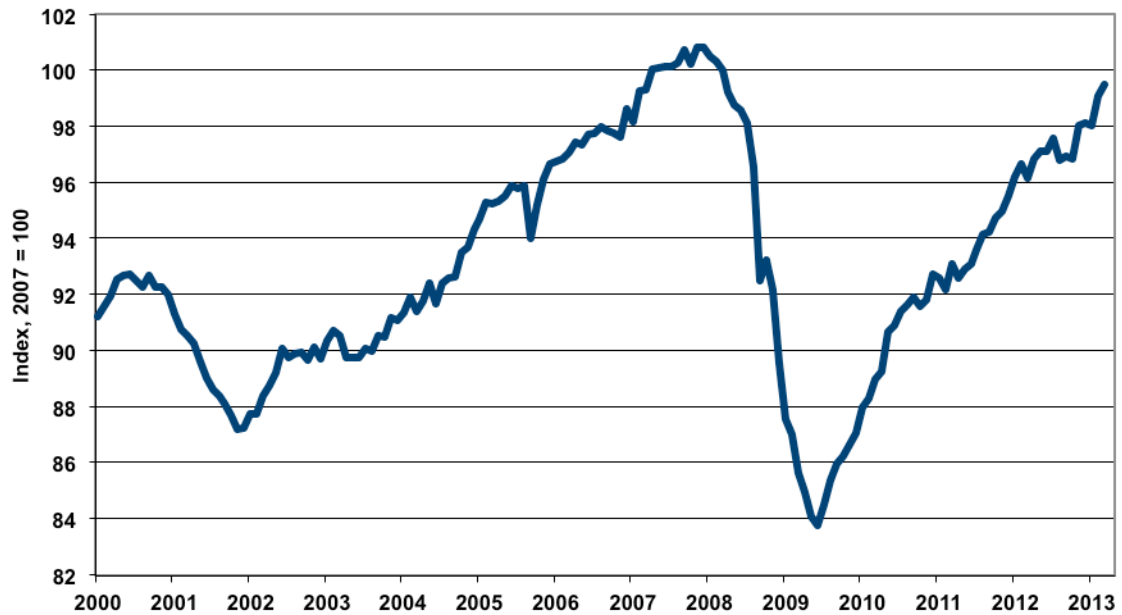
Revised February 2013 Monthly Reporting. Following the March 22nd benchmark revisions to the industrial production series, the revised headline, seasonally-adjusted monthly gain for February 2013 production was 0.75% (previously 0.71%), versus 0.15% (previously 0.05%) in January 2013, and against 0.14% (previously 0.27%) in December 2012. The revisions to annual growth were to the downside, with revised year-to-year gains of 2.46% (previously 2.52%) in February 2013, 2.19% (previously 2.28%) in January 2013 and 2.76% (previously 2.93%) in December 2012.

March 2013 Industrial Production. In the context of those benchmark revisions, which restated the detail of the industrial production index back to 1919, with net downside revisions to activity in the most-recent years (see [*Commentary No. 512*](#)), the Federal Reserve Board released its estimate for March 2013 production activity on April 16th. Seasonally-adjusted March 2013 industrial production showed a monthly headline gain of 0.41%, versus a revised 1.08% gain in February (previously 0.75%).

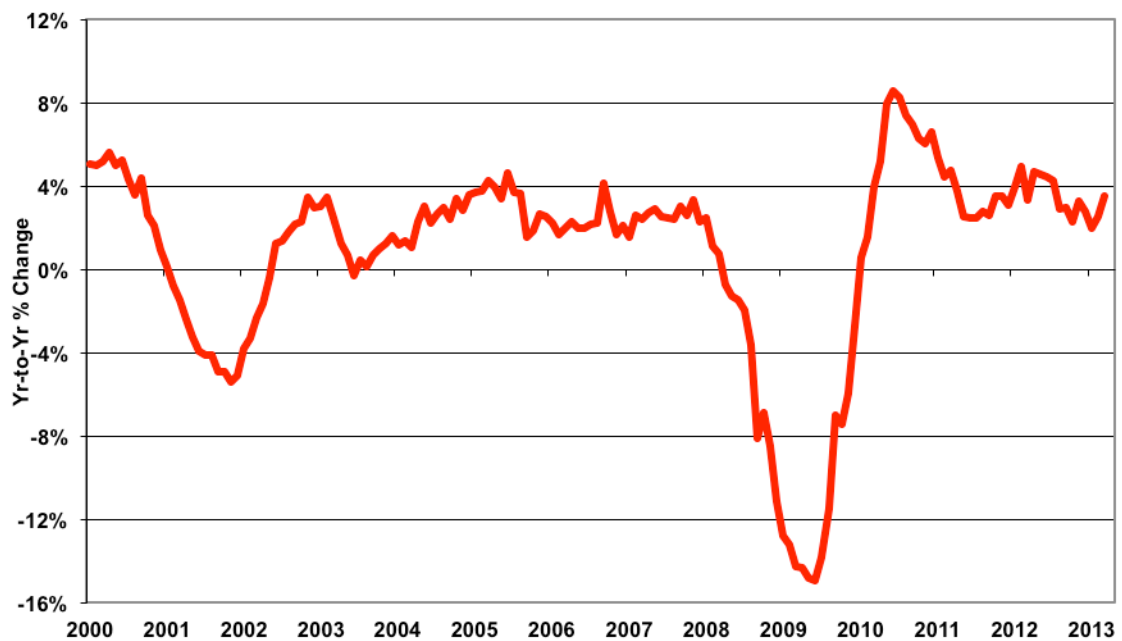
As noted at the beginning of this section, the 0.4% headline monthly gain in aggregate production was due fully to a 5.3% spike in utility usage, which was due to unseasonably cold weather. Net of utilities, production fell by 0.1%, reflected in a 0.1% monthly contraction in manufacturing and a 0.2% monthly decline in mining.

Also due largely to weather effects, year-to-year growth in March production rose to 3.47%, from a revised 2.49% (previously 2.46%) in February. Shy of March’s weather distortions, the last time that year-to-year production growth slowed to current levels was at the formal onset of the 2007 recession.

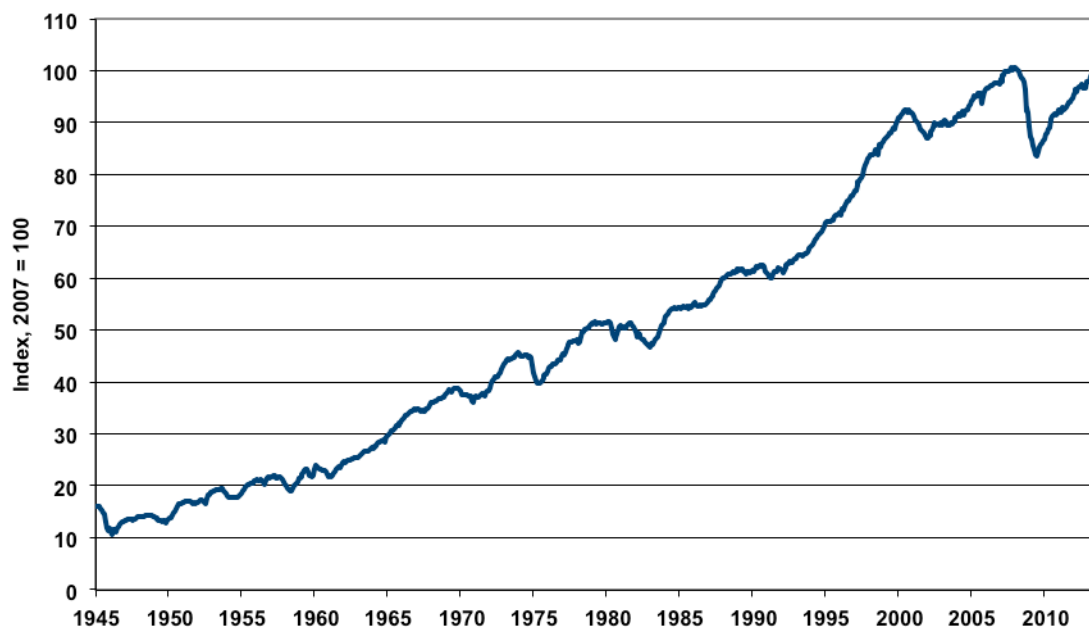
Index of Industrial Production
To Mar 2013, Seasonally-Adjusted (FRB)



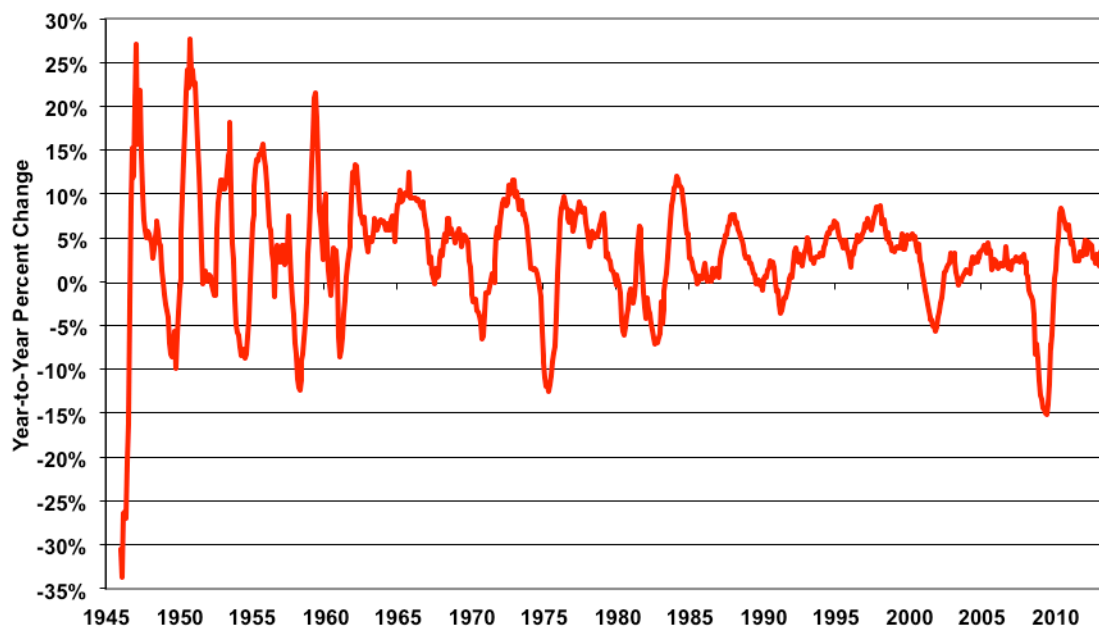
Industrial Production Year-to-Year % Change
To March 2013, Seasonally-Adjusted (ShadowStats.com, FRB)



Index of Industrial Production
To Mar 2013, Seasonally-Adjusted (ShadowStats, FRB)



Index of Industrial Production (Yr/Yr %)
To Mar 2013, Seasonally-Adjusted (ShadowStats, FRB)



The “recovery” in industrial production is reflected in the preceding two sets of graphs. The first graph in the first set shows the monthly level of the production index, while second shows the year-to-year or annual percent change in the same series for the recent historical detail in the period beginning in 2000. The second set of graphs shows the same data in historical context since World War II.

Current annual growth remains well off the recent relative peak annual growth of the series, which was revised 8.50% (previously 8.13%) in June 2010, going against the official June 2009 trough of the economic collapse. Indeed, the revised year-to-year contraction of 15.02% (previously 15.15%) 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.

Although official production levels have moved higher since the June 2009 trough of the official 2007 recession, the series still remains somewhat shy of a full recovery, unlike the GDP.

Corrected for the understatement of inflation used in deflating portions of the industrial production index, the series has shown more of a bottom-bouncing and recent-downturn pattern, since 2009, where it appears to have topped out coming into 2012, then trending lower and then somewhat higher with recent weather boosts. The corrected production series is discussed and graphed in the *Opening Comments* section. Please note also that index base for those graphs showing the production level, both the corrected graph and the accompanying graph based on official reporting, is January 2000 = 100, instead of the Federal Reserve’s official 2007 = 100, used in the graphs here.

RESIDENTIAL CONSTRUCTION (February 2013)

March Housing Starts Sent a Mixed Message. The statistically-insignificant 7.0% monthly gain in housing starts was composed of a statistically-insignificant 4.8% contraction in one-unit housing starts, combined with a statistically-insignificant 33.1% monthly gain in starts of multiple-unit structures (a 26.9% monthly gain in structures with five units or more).

This highly volatile and irregular housing starts series tends to show mixed patterns, partially because it is reported as a mix of residential construction products, with one-unit housing starts that generally are for individual consumption resulting in new home sales, versus multi-unit starts that generally reflect the building of rental and apartment units. As discussed and graphed in the *Opening Comments* section, activity in single-unit starts generally have remained stagnant in the post-housing-crash environment, while the multiple-unit starts have remained highly unstable and irregular, but generally moving up to pre-crash levels. With the private-housing market difficulties, former homeowners or those not entering the home-owning market have pushed demand higher for rental units. Unfortunately, though, liquidity-impaired consumers can have difficulties with renting as well as with owning their residences.

The new graphs in the *Opening Comments* section will be incorporated into this section in future monthly reporting of the involved series.

March 2013 Housing Starts Reporting. The Census Bureau reported, on April 16th, a statistically-insignificant, month-to-month headline gain in seasonally-adjusted March 2013 housing starts of 7.0% (a 13.0% gain before prior-period revisions) +/- 13.8% (all confidence intervals are at the 95% level). February housing starts activity revised to a 7.3% (previously 0.8%) monthly gain.

The current aggregate monthly housing starts activity level is at a post-housing-crash high, well above the record monthly low seen for the present series in April 2009, but the March headline number still is 54% below the 2006 series high.

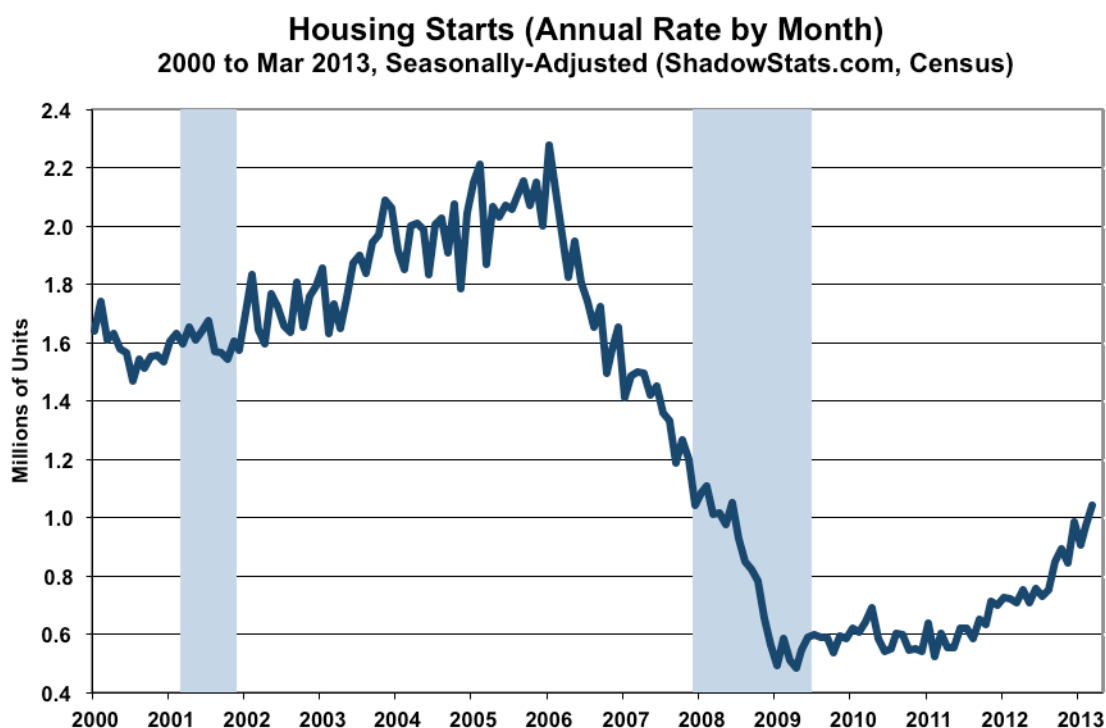
Starts for single-unit structures in March fell by a statistically-insignificant 4.8% +/- 12.6% for the month, following a revised 5.5% (previously 0.5%) gain in February.

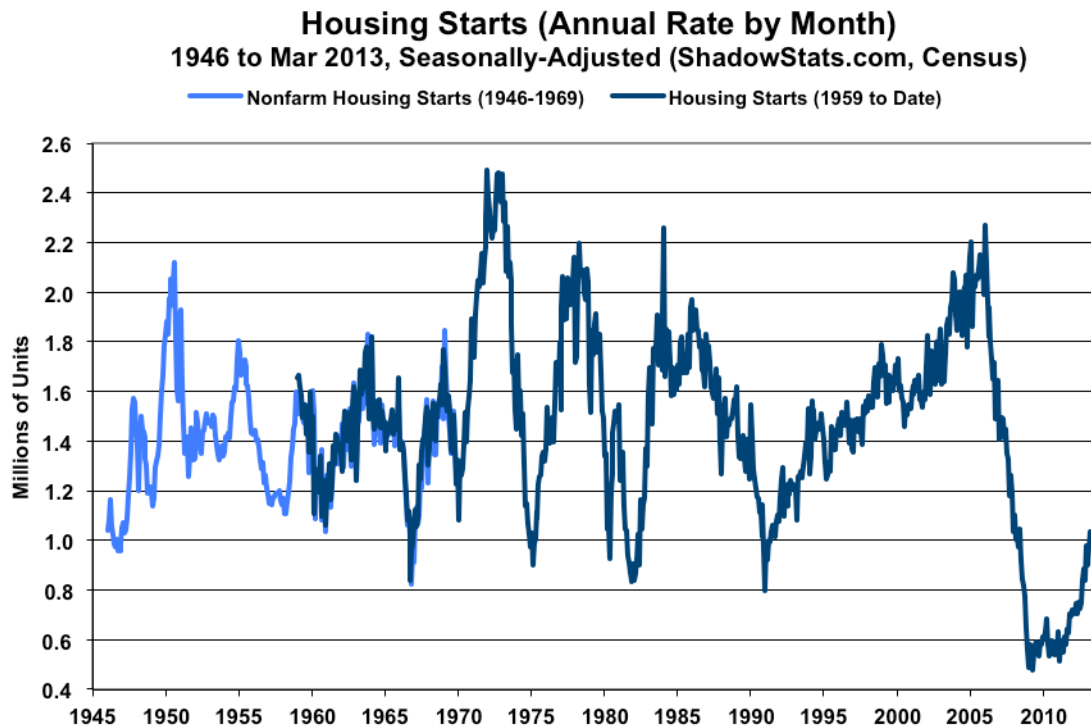
Reporting of activity in starts for apartment buildings (5 units or more) remained highly unstable and not meaningful. Month-to-month, March's apartment building starts rose by a statistically-insignificant 26.9% +/- 34.3%, versus a revised 12.4% (previously a 0.7%) gain in February.

The year-to-year growth in aggregate March 2013 housing starts was a statistically-significant increase of 46.7% +/- 33.6%, following a revised 34.8% (previously 27.7%) annual gain in February.

The official reporting of housing starts is expressed at an annualized monthly pace, which was 1,036,000 for March 2013. Due to the regular, extreme volatility in this monthly series, however, it is more meaningful to look at the actual, non-annualized monthly number. The graphed patterns are the same; it is just that the monthly levels tend to be a little more realistic.

Again, the graphs in the *Opening Comments* section, which will be incorporated in this section in the future, reflect the seasonally adjusted monthly rates, not the annualized numbers. The regular graphs (in annualized millions) for this series follow.





WEEK AHEAD

Weaker Economic and Stronger Inflation Data Should Surface in the Near-Term. Reflecting the intensifying structural liquidity constraints on the consumer, and in anticipation of the likely negative impact, of the continuing and expanded QE3 and the still-pending fiscal crisis/debt-ceiling negotiations, on the U.S. dollar in the currency markets, reporting in the months and year ahead generally should reflect higher-than-expected inflation and weaker-than-expected economic results. Increasingly, previous estimates of economic activity should revise lower, particularly in upcoming annual benchmark revisions, as was seen for industrial production, and as pending for new orders for durable goods (May 17th), retail sales (May 31st), trade deficit (June 4th) and GDP (July 31st—comprehensive overhaul and redefinition back to 1929).

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](#).

Existing- and New-Home Sales (March 2013). March existing-home sales are due for release on Monday, April 22nd, from the National Association of Realtors, with the March new-home sales report from the Census Bureau due Tuesday, April 23rd. As is the usual circumstance with these highly volatile and unstable series, whether existing or new sales, an entrenched pattern of stagnation likely has continued for both, with the pending reports of monthly change in sales activity not likely to be statistically-significant, particularly in the context of prior-month revisions. These series should show some ongoing relationship to the trend in single-unit housing starts (see the *Opening Comments* section).

New Orders for Durable Goods (March 2013). The reporting of March 2013 new orders for durable goods is scheduled for Wednesday, April 24th, by the Census Bureau. Despite the continuing sharp and irregular volatility in commercial aircraft orders, new orders generally have been stagnant-to-trending lower. That trend likely will continue, with a general intensification of downside movement in orders during the next several months.

In terms of the inflation contribution to the monthly and annual change in new orders, the seasonally-adjusted, month-to-month increase in the March 2013 PPI finished goods capital equipment index was 0.1%, with year-to-year unadjusted inflation at 0.9%. Due to hedonic-quality adjustments to this portion of the PPI series, however, as with the GDP numbers, those inflation data understate inflation reality and, correspondingly, overstate inflation-adjusted growth, by perhaps three-percentage points per year.

Gross Domestic Product—GDP (First-Quarter 2013, First or “Advance” Estimate). The “advance” estimate of first-quarter 2013 GDP is due for release on Friday, April 26th, by the Bureau of Economic Analysis (BEA). Developing market consensus is for a pick-up in growth from the annualized headline 0.4% for fourth-quarter 2012. Recent economic reporting, indeed, would tend to suggest that a higher growth rate is likely for the initial first-quarter estimate, but even with the report likely to be targeted at overly-optimistic consensus guesses, headline reporting is a fair bet to come in below expectations.

In terms of underlying economic reporting for first-quarter 2013, so far, the relative first-quarter versus second-quarter growth patterns in the various series, as they relate to quarterly GDP growth, are as follows: trade deficit change is negative, payroll growth is neutral, growth in retail sales is less positive, growth in housing starts and industrial production are more positive. In aggregate, a headline growth rate of roughly one-percent would be consistent with these data and the previous quarter’s GDP reporting, but the eventual market consensus likely will top that.

Whatever is reported most likely will not be statistically significant. It also will be fully revamped in the upcoming revisions and overhaul to the GDP series—back through 1929—due for release on July 30th. As with other series, those revisions should show economic growth in recent years has been weaker than currently is being reported.