

COMMENTARY NUMBER 522
Federal Debt Limit, State-by-State Unemployment, Consumer Credit

May 9, 2013

Federal Debt Ceiling Suspension Only Goes through May 18th

**State-by-State ShadowStats-Alternate Unemployment Measure Ranges from
8.0% in North Dakota to 35.4% in Nevada, California at 30.8%**

PLEASE NOTE: The next regular Commentary is scheduled for Monday, May 13th, covering April retail sales. Subsequent Commentaries on Wednesday, May 15th, will cover the April PPI and industrial production, and on Thursday, May 16th, will cover the April CPI and housing starts.

Best wishes to all — John Williams

OPENING COMMENTS

The temporary suspension of the federal-debt ceiling is about to expire, and needed Congressional action could push the U.S. fiscal crisis and long-range solvency problems back into the global limelight.

Due to a lack of major economic releases this week, new economic commentary is limited in this missive, and there is no *Reporting Detail* section. The *Opening Comments* section, however, encompasses an analysis of state-by-state unemployment rates as of March 2013, using both official Bureau of Labor

Statistics (BLS) reporting and ShadowStats estimates, as well as a graph of consumer credit outstanding, updated for the March 2013 detail.

The *Hyperinflation Watch* section has an updated summary. As noted there, the next fully-updated hyperinflation report is targeted for publication in mid-to-late June, following publication of related, underlying *Special Reports*, a new one on “employment/unemployment and the economy” in early-June, which will follow the May publication of updated and expanded versions of the *Money Supply* special report and the *Public Commentary on Inflation*. The general outlook for the economy, systemic stability and inflation has not changed; the fundamentals remain the same. In the event of a major change in outlook, it always would be covered in an immediate *Commentary* or *Alert*.

Festering Fiscal Crisis Ready to Explode Anew? Ten days from now, the statutory federal debt limit will come back into effect. Yet, the debt subject to that limit exceeded the legal constraint by \$363.5 billion as of May 7th. Per the [Daily Treasury Statement](#) of May 7th, the “Act of February 4, 2013 temporarily suspended the debt limit through [Saturday] May 18, 2013.” The preceding numbers were in Table II-C of that statement. So, the debt ceiling needs to be raised by May 19th.

At the time of the debt-ceiling suspension, Congress agreed to do that, to increase the debt limit—prior to the expiration of the suspension—to a level appropriate to continue funding government operations. Yet, that imminent process is likely to bring the festering fiscal crisis to the fore, once again, with the risk of roiling political Washington as well as the domestic and global financial markets.

State-by-State Unemployment Rates. The following three tables show two versions of state-by-state unemployment rates. The first version (Table 1) shows the data published by the [Bureau of Labor Statistics \(BLS\)](#), with annual-average unemployment rates for the year-ended March 2013, covering the headline U.3 and the broader U.6 unemployment rates. As discussed in [Commentary No. 521](#), the defining element of U.3 is that the unemployed have to have looked actively for work within the last four weeks. If the last active job search was more than four weeks but less than one year before, then the unemployed are counted as discouraged workers. U.6, includes U.3 adjusted for those who are working part-time for economic reasons (i.e. cannot find a full-time job), plus those marginally-attached to the labor force (including short-term discouraged workers).

Tables 2 and 3 are estimated for the single month of March 2013 (as opposed to the full year through March), with U.3, U.6 and the ShadowStats Alternate Unemployment Measure. The ShadowStats measure is U.6 plus the long-term discouraged workers. As short-term discouraged workers regularly roll out of U.6 into long-term status, the ShadowStats measure increasingly has diverged to the upside, away from the current downtrends in U.3 and U.6. Again, see [Commentary No. 521](#) for further detail.

The monthly March 2013 breakout of U.3 by state is as published by the BLS (April is not available). Based on BLS reporting, including the aggregate U.6 for March, historical patterns of the four-quarter reporting by state and monthly aggregate reporting for U.6, and historical patterns of monthly employment versus population estimates by state, ShadowStats has modeled and provides rough estimates of the broader monthly unemployment numbers by state. Again, these are rough estimates, but they are indicative of the wide variation in economic activity by state and region.

Table 1

Official State-by-State Unemployment Rates for Year-Ended March 2013 Headline U-3 versus the Broader U-6 Unemployment Rate As published by Bureau of Labor Statistics. (Sources: ShadowStats, BLS)					
Alphabetical by State			Ranked Highest to Lowest by U-6 Rate		
State/District	U-3	U-6	State/District	U-3	U-6
Alabama	8.1%	13.5%	Nevada	10.8%	19.6%
Alaska	7.0%	12.7%	California	9.9%	18.8%
Arizona	8.0%	15.6%	Oregon	8.9%	17.2%
Arkansas	7.7%	13.4%	Rhode Island	9.8%	16.7%
California	9.9%	18.8%	Washington	8.0%	16.4%
Colorado	7.7%	14.1%	Michigan	8.9%	16.2%
Connecticut	8.4%	14.8%	North Carolina	9.2%	16.2%
Delaware	7.6%	14.1%	Illinois	9.0%	16.1%
District of Columbia	8.6%	13.8%	New Jersey	9.3%	15.7%
Florida	8.2%	15.5%	Arizona	8.0%	15.6%
Georgia	8.9%	15.6%	Georgia	8.9%	15.6%
Hawaii	5.7%	12.0%	South Carolina	9.1%	15.6%
Idaho	6.7%	13.5%	Florida	8.2%	15.5%
Illinois	9.0%	16.1%	Mississippi	9.3%	15.5%
Indiana	8.5%	14.3%	Connecticut	8.4%	14.8%
Iowa	5.1%	9.8%	New York	8.5%	14.7%
Kansas	5.5%	10.6%	Maine	7.4%	14.5%
Kentucky	7.8%	13.8%	United States	7.9%	14.5%
Louisiana	7.1%	12.2%	Indiana	8.5%	14.3%
Maine	7.4%	14.5%	Colorado	7.7%	14.1%
Maryland	6.8%	12.0%	Delaware	7.6%	14.1%
Massachusetts	6.6%	12.8%	Pennsylvania	7.9%	13.9%
Michigan	8.9%	16.2%	Tennessee	7.9%	13.9%
Minnesota	5.5%	11.4%	District of Columbia	8.6%	13.8%
Mississippi	9.3%	15.5%	Kentucky	7.8%	13.8%
Missouri	6.8%	12.2%	New Mexico	7.1%	13.6%
Montana	6.0%	13.3%	Alabama	8.1%	13.5%
Nebraska	4.0%	8.6%	Idaho	6.7%	13.5%
Nevada	10.8%	19.6%	Ohio	7.2%	13.5%
New Hampshire	5.8%	11.5%	Arkansas	7.7%	13.4%
New Jersey	9.3%	15.7%	Montana	6.0%	13.3%
New Mexico	7.1%	13.6%	Wisconsin	7.2%	13.3%
New York	8.5%	14.7%	West Virginia	7.5%	12.9%
North Carolina	9.2%	16.2%	Massachusetts	6.6%	12.8%
North Dakota	3.2%	6.2%	Alaska	7.0%	12.7%
Ohio	7.2%	13.5%	Louisiana	7.1%	12.2%
Oklahoma	5.2%	9.8%	Missouri	6.8%	12.2%
Oregon	8.9%	17.2%	Hawaii	5.7%	12.0%
Pennsylvania	7.9%	13.9%	Maryland	6.8%	12.0%
Rhode Island	9.8%	16.7%	Texas	6.6%	11.6%
South Carolina	9.1%	15.6%	Virginia	5.7%	11.6%
South Dakota	4.4%	8.1%	New Hampshire	5.8%	11.5%
Tennessee	7.9%	13.9%	Minnesota	5.5%	11.4%
Texas	6.6%	11.6%	Utah	5.3%	10.9%
Utah	5.3%	10.9%	Kansas	5.5%	10.6%
Vermont	4.8%	10.5%	Vermont	4.8%	10.5%
Virginia	5.7%	11.6%	Iowa	5.1%	9.8%
Washington	8.0%	16.4%	Oklahoma	5.2%	9.8%
West Virginia	7.5%	12.9%	Wyoming	5.3%	9.5%
Wisconsin	7.2%	13.3%	Nebraska	4.0%	8.6%
Wyoming	5.3%	9.5%	South Dakota	4.4%	8.1%
United States	7.9%	14.5%	North Dakota	3.2%	6.2%

Table 2

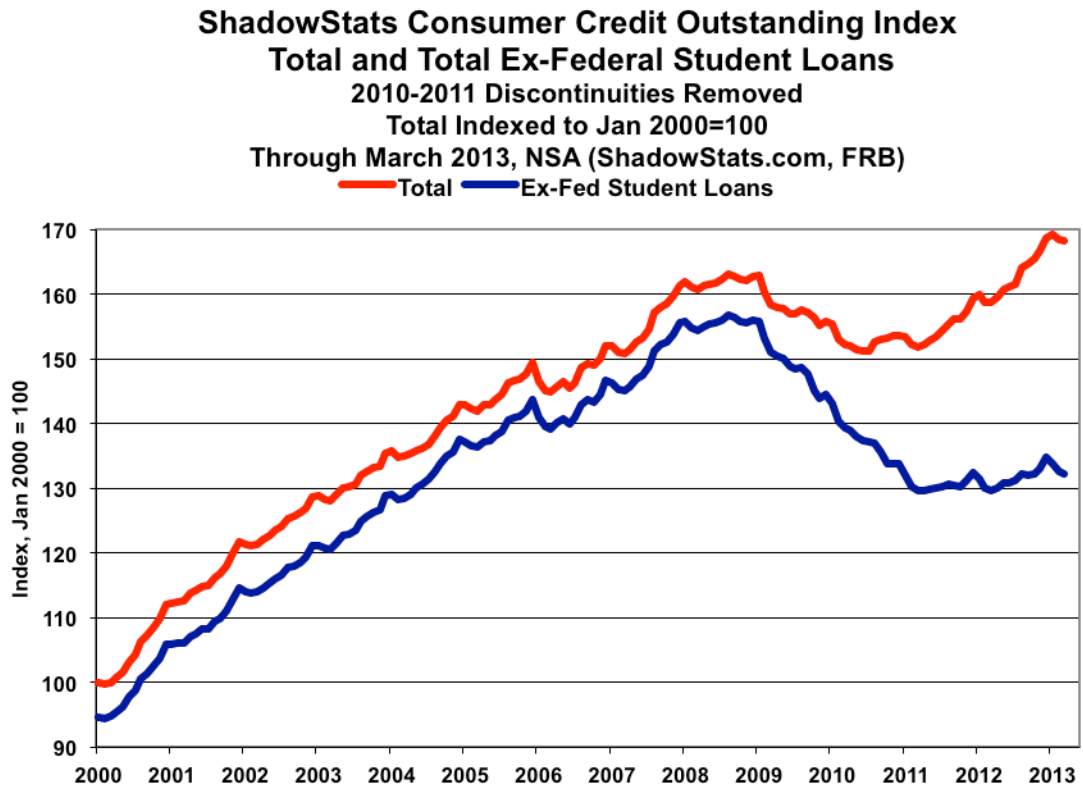
State-by-State Unemployment Rates for March 2013 Alternative Measures U-3, U-6, ShadowStats Monthly state break-out of U-3 as published by Bureau of Labor Statistics (BLS); monthly U-6 state break-out and ShadowStats measure estimated by ShadowStats (see text)			
State/District	U-3	U-6	ShadowStats Alternate
Alabama	7.2%	12.2%	21.3%
Alaska	6.2%	11.6%	18.9%
Arizona	7.9%	15.1%	27.2%
Arkansas	7.2%	12.5%	19.5%
California	9.4%	17.7%	30.8%
Colorado	7.1%	13.1%	22.8%
Connecticut	8.0%	14.0%	22.1%
Delaware	7.3%	13.4%	28.0%
District of Columbia	8.5%	13.4%	15.8%
Florida	7.5%	14.4%	22.4%
Georgia	8.4%	14.7%	27.6%
Hawaii	5.1%	10.8%	21.5%
Idaho	6.2%	12.6%	21.8%
Illinois	9.5%	16.1%	26.2%
Indiana	8.7%	14.0%	25.7%
Iowa	4.9%	9.3%	14.2%
Kansas	5.6%	10.5%	14.7%
Kentucky	8.0%	13.6%	18.8%
Louisiana	6.2%	11.1%	14.8%
Maine	7.1%	13.8%	21.7%
Maryland	6.6%	11.5%	16.9%
Massachusetts	6.4%	12.2%	20.5%
Michigan	8.5%	15.3%	32.7%
Minnesota	5.4%	11.0%	18.3%
Mississippi	9.4%	15.2%	23.2%
Missouri	6.7%	11.7%	21.3%
Montana	5.6%	12.5%	20.0%
Nebraska	3.8%	8.2%	10.7%
Nevada	9.7%	18.1%	35.4%
New Hampshire	5.7%	11.1%	18.0%
New Jersey	9.0%	15.0%	21.4%
New Mexico	6.9%	13.0%	20.3%
New York	8.2%	14.0%	19.9%
North Carolina	9.2%	15.7%	27.8%
North Dakota	3.3%	6.1%	8.0%
Ohio	7.1%	13.0%	21.0%
Oklahoma	5.0%	9.3%	12.9%
Oregon	8.2%	16.0%	30.4%
Pennsylvania	7.9%	13.5%	17.6%
Rhode Island	9.1%	15.6%	22.2%
South Carolina	8.4%	14.5%	27.0%
South Dakota	4.3%	7.6%	11.2%
Tennessee	7.9%	13.3%	21.9%
Texas	6.4%	11.0%	16.1%
Utah	4.9%	10.1%	17.6%
Vermont	4.1%	9.5%	13.7%
Virginia	5.3%	11.0%	15.3%
Washington	7.3%	15.4%	25.9%
West Virginia	7.0%	12.1%	15.9%
Wisconsin	7.1%	12.8%	22.8%
Wyoming	4.9%	8.8%	12.4%
United States	7.6%	13.8%	22.9%

Table 3

State-by-State Unemployment Rates for March 2013 Ranked Highest to Lowest by ShadowStats-Alternate Monthly state break-out of U-3 as published by Bureau of Labor Statistics (BLS); monthly U-6 state break-out and ShadowStats measure estimated by ShadowStats (see text)			
State/District	U-3	U-6	ShadowStats Alternate
Nevada	9.7%	18.1%	35.4%
Michigan	8.5%	15.3%	32.7%
California	9.4%	17.7%	30.8%
Oregon	8.2%	16.0%	30.4%
Delaware	7.3%	13.4%	28.0%
North Carolina	9.2%	15.7%	27.8%
Georgia	8.4%	14.7%	27.6%
Arizona	7.9%	15.1%	27.2%
South Carolina	8.4%	14.5%	27.0%
Illinois	9.5%	16.1%	26.2%
Washington	7.3%	15.4%	25.9%
Indiana	8.7%	14.0%	25.7%
Mississippi	9.4%	15.2%	23.2%
United States	7.6%	13.8%	22.9%
Colorado	7.1%	13.1%	22.8%
Wisconsin	7.1%	12.8%	22.8%
Florida	7.5%	14.4%	22.4%
Rhode Island	9.1%	15.6%	22.2%
Connecticut	8.0%	14.0%	22.1%
Tennessee	7.9%	13.3%	21.9%
Idaho	6.2%	12.6%	21.8%
Maine	7.1%	13.8%	21.7%
Hawaii	5.1%	10.8%	21.5%
New Jersey	9.0%	15.0%	21.4%
Missouri	6.7%	11.7%	21.3%
Alabama	7.2%	12.2%	21.3%
Ohio	7.1%	13.0%	21.0%
Massachusetts	6.4%	12.2%	20.5%
New Mexico	6.9%	13.0%	20.3%
Montana	5.6%	12.5%	20.0%
New York	8.2%	14.0%	19.9%
Arkansas	7.2%	12.5%	19.5%
Alaska	6.2%	11.6%	18.9%
Kentucky	8.0%	13.6%	18.8%
Minnesota	5.4%	11.0%	18.3%
New Hampshire	5.7%	11.1%	18.0%
Pennsylvania	7.9%	13.5%	17.6%
Utah	4.9%	10.1%	17.6%
Maryland	6.6%	11.5%	16.9%
Texas	6.4%	11.0%	16.1%
West Virginia	7.0%	12.1%	15.9%
District of Columbia	8.5%	13.4%	15.8%
Virginia	5.3%	11.0%	15.3%
Louisiana	6.2%	11.1%	14.8%
Kansas	5.6%	10.5%	14.7%
Iowa	4.9%	9.3%	14.2%
Vermont	4.1%	9.5%	13.7%
Oklahoma	5.0%	9.3%	12.9%
Wyoming	4.9%	8.8%	12.4%
South Dakota	4.3%	7.6%	11.2%
Nebraska	3.8%	8.2%	10.7%
North Dakota	3.3%	6.1%	8.0%

Faltering March Consumer Credit Outstanding Remained in Stagnation, Net of Government Student Loans. The following graph of consumer credit outstanding reflects the data for March 2013, as reported by the Federal Reserve Board (FRB) on May 7th. Activity in the graph has been indexed for total consumer credit = 100, as of January 2000. The levels also have been adjusted to remove a reporting discontinuity from the FRB data in the 2010-to-2011 period.

The plotted data shown are not adjusted for inflation or for seasonal factors (seasonally-adjusted detail is not available). The detail shows that the “recovering” growth in consumer credit has been due entirely to explosive growth of the federal government’s student loans. Growth in other loans, which normally would tend to fuel consumer spending, generally is not there. Without growth in income (see [Commentary No. 519](#)) or credit, consumers remain in a position where they cannot fuel sustainable growth in consumption, which accounts for more than 70% of GDP.



HYPERINFLATION WATCH

Hyperinflation Outlook—Minor Update. *This synopsis is changed from the prior Commentary, where indicated by underlined text, otherwise it is as published in Commentary No. 517 of April 17th. 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 in mid-to-late June, following publication in May of related underlying *Special Reports*, a new report on “employment/unemployment and the economy” in early-June, which will follow further updated and expanded versions of the *Money Supply* special report and the *Public Commentary on Inflation*.

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 [Commentary No. 519](#), and [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 still 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 softening annual growth in the broad money supply, despite a soaring pace of annual growth in the monetary base, and in global banking-system stress, as reflected in the recent Cyprus crisis and continuing 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 Administration's budget for fiscal-year 2014 released, these issues should be coming to a head very soon. The temporary suspension of the statutory federal debt limit expires May 18th, and Congressional action to raise the debt ceiling is mandatory before then, with the current (May 7th) debt more than \$350 billion above that debt limit. There still appears to be no chance of a forthcoming, substantive agreement on balancing the federal deficit.

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 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 so—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.

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), construction spending (July 1st) 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](#).

Retail Sales (April 2013). Scheduled for release on Monday, May 13th, by the Census Bureau, the headline April 2013 retail sales number likely will offer a downside surprise to developing, slightly negative market expectations. With mounting structural stresses on consumer liquidity, including lack of real income growth, rising taxes, and constrained credit (see the *Opening Comments*), odds favor a downside surprise and negative reading in the headline, nominal retail sales number.

Real retail sales (net of inflation adjustment) will be addressed in a separate *Commentary* on Thursday May 16th, along with the detail on the April 2013 CPI-U. Depending on the magnitude of the seasonally-adjusted decline in the April CPI, the inflation-adjusted sales numbers likely will show negligible monthly change.

Index of Industrial Production (April 2013). The release of detail on the April 2013 index of industrial production is scheduled for Wednesday, May 15th, by the Federal Reserve Board. With inventories still too high for existing demand levels, an outright monthly contraction in production—below developing flat expectations—is a fair bet for April reporting. Reporting in this series remains extremely volatile and subject to significant monthly revisions. Recent reporting generally has been stronger than would be suggested by the underlying fundamentals.

Producer Price Index—PPI (April 2013). The April 2013 PPI also is scheduled for release on Wednesday, May 15th, but by the Bureau of Labor Statistics (BLS). As with CPI, seasonal adjustments will hit energy costs heavily on the downside. Depending on the oil contract followed, oil prices, on average, were down 0.1-to-5.7 percentage points for the month. Accordingly, adjusted energy inflation should be enough of a drag to pull the adjusted PPI into sharp monthly contraction.

Consumer Price Index—CPI (April 2013). The release by the Bureau of Labor Statistics (BLS) of the April 2013 CPI numbers is scheduled for Thursday, May 16th. The CPI could come in below an already-negative developing market consensus.

Average gasoline prices declined by 3.7% month-to-month, on a not-seasonally-adjusted basis, per the Department of Energy. The BLS seasonal adjustments should push gasoline prices into an even steeper decline. As recently revised, an unadjusted monthly gain of 1.8% in April 2012 gasoline prices was turned to a 2.9% decline by downside seasonal adjustments. Similar effects in the April 2013 number could generate a negative 0.4-percentage-point contribution to the aggregate CPI, which appears to be below developing expectations. There should be some offsetting upside pressures inflation from food prices and core inflation

Year-to-year, CPI-U inflation would increase or decrease in 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%. For example, a headline 0.3% monthly decline would reduce April annual inflation to about 1.2%.

Residential Construction (April 2013). Also, on Thursday, May 16th, the estimate of April housing starts activity will be published by the Census Bureau. Despite developing market expectations of a small headline decline, reported month-to-month changes likely will continue to be statistically-insignificant.

In the wake of a 75% collapse in activity from 2006 through 2008, and an ensuing four-year pattern of housing starts stagnation at historically low levels, little has changed. There remains no chance of a near-term, sustainable turnaround in the housing construction market, unless there is a fundamental upturn in consumer and banking liquidity conditions. That has not happened.
