

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

**COMMENTARY NUMBER 628**

**April Housing Starts**

**May 16, 2014**

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**Housing-Starts Activity Remained Stagnant**

**13.2% Headline Gain in Starts Was in Normal Range of Volatility and  
Not Statistically Meaningful**

**“Renewed” Broad Economic Downturn Continues to Unfold**

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*PLEASE NOTE: The next regular Commentary is scheduled for Friday, May 23rd, covering April new- and existing-home sales.*

*Best wishes to all — John Williams*

**OPENING COMMENTS AND EXECUTIVE COMMENTARY**

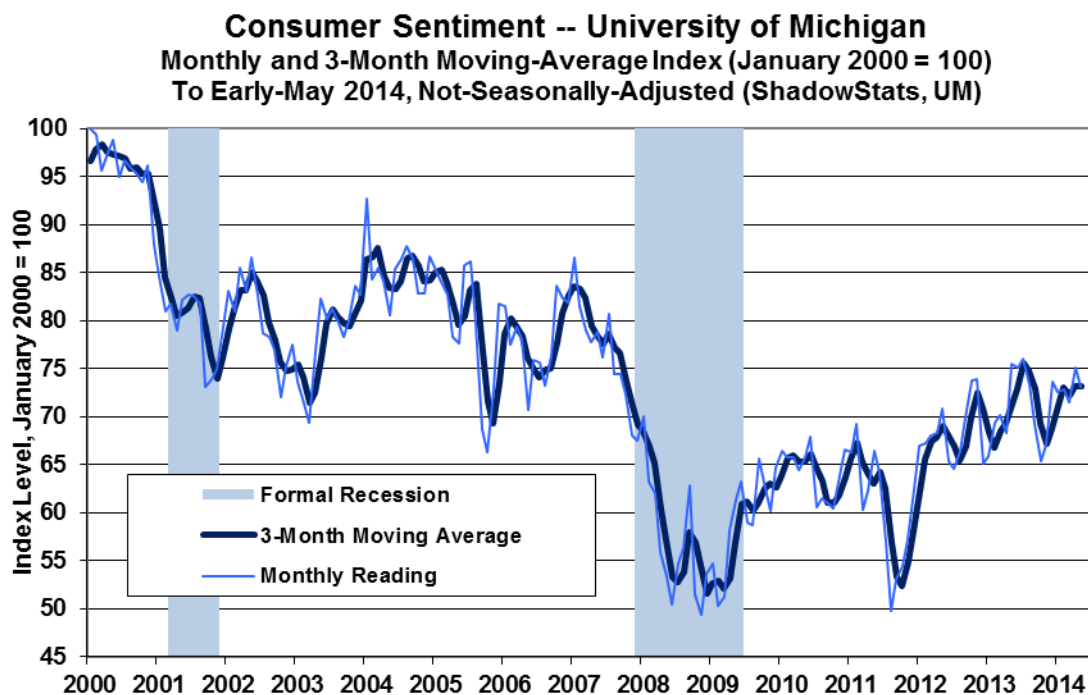
**Economy Continues to Turn Down Anew.** Given the recent downside benchmark revisions to industrial production and particularly to retail sales, and given the latest economic numbers for March and April, which so far have been weak but not suggestive otherwise of a significant revision to first-quarter 2014 GDP, July 30th likely will be a meaningful day in economic reporting. The annual revisions to GDP are published then, and the first-quarter 2014 GDP headline growth of 0.1% likely will be taken

negative, at that time, if it has not turned down already in intervening revisions. At the same time, the “advance” estimate of second-quarter 2014 GDP will be published, and it, too, likely will be in quarterly contraction.

Reporting so far in April has been suggestive of continuing economic deterioration. The problems with the April unemployment reporting were heavily suggestive of sharp distortions and deterioration in the current labor market. Perhaps more indicative of underlying economic reality, the Conference Board reported, in the April 30th press release covering its April online help-wanted advertising survey, that the April reading “leaves the job market basically flat for the year.”

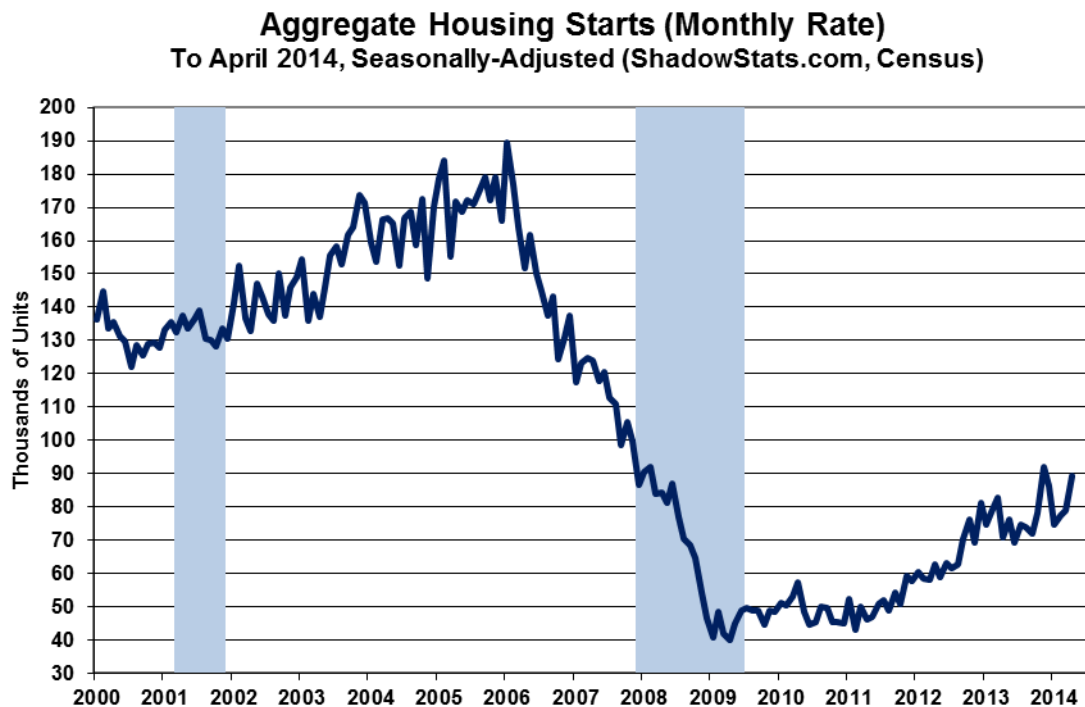
April real retail sales and industrial production fell for the month, contrary to initial market expectations. Today’s (May 16th) report on April housing starts activity showed monthly volatility that is common to this series, but nothing that would suggest anything more positive than stagnation, against a first-quarter contraction. At the same time, April inflation picked up beyond early market expectations. These factors, in combination suggest that the economy has turned to the downside, anew. Given the ongoing liquidity issues facing the consumer, there is little to suggest that meaningful, upside surprises are pending for near-term economic reporting.

**Early-May 2014 Consumer Sentiment.** Following is the latest graph of consumer sentiment, updated for this morning’s reporting of the early-May 2014 number, which fell by 2.7% relative to April’s level. As recently discussed in [Commentary No. 626](#), the levels of the consumer-confidence and consumer-sentiment numbers are holding deep in what traditionally has been recession territory.



There has been no easing of the structural liquidity problems fundamentally constraining consumer activity. Without growth in real income; without the ability or the will to expand debt meaningfully; and without the confidence to take on new debt, where possible; the consumer simply cannot sustain real growth in retail sales, housing or in the dominant, personal-consumption component of the GDP. There never was an economic recovery, and there is no recovery underway, just general bottom-bouncing that broadly is turning down anew.

**Housing Starts—April 2014—Latest and Revised Numbers Show Current Stagnation.** The April 2014 housing-starts report revised seasonal adjustments back through January 2012. The monthly data did not shift much, except for a relative spike to October numbers, where the revisions to the aggregate detail reflected relatively higher activity—shifted away from other months—in the 5-units-or-more category. All the accompanying graphs reflect the revised numbers. As a result of the reshuffling in activity from earlier quarters into fourth-quarter 2013, and with minimal changes to the first-quarter 2014 estimate, the annualized pace of quarterly contraction (GDP style) in first-quarter 2014, versus fourth-quarter 2013, deepened to a revised 34.0% (previously down by 29.7%). Year-to-year change for first-quarter 2014 also remained in contraction, down by a revised 2.4% (previously 3.6%).



The monthly gain of 13.2% in April housing starts was dominated by a 39.6% jump in multiple-unit starts (5-units-or-more spiked 42.9%), while the single-unit category—most reflective of individual demand for housing and consumer liquidity—was up by just 0.8%. Generally, the headline gains were not statistically-significant, although the 5-units-or-more gain of 42.9% was marginally significant.

Aggregate housing starts in April 2014 still were 52.8% below the pre-recession high seen in January 2006, and first-quarter 2014 activity contracted both quarter-to-quarter and year-to-year. Given the usual statistical insignificance of the broad monthly change (again the case in April), and the frequent, large prior-period revisions, the April 2014 number is indistinguishable, in terms of statistical significance, from the pace of first-quarter activity and should be viewed, accordingly, as relatively-stagnant activity versus first-quarter 2014.

***April 2014 Housing-Starts Headline Reporting.*** Seasonally-adjusted, headline April 2014 housing starts rose by a statistically-insignificant of 13.2%. Net of prior-period revisions, April housing starts rose by 13.3%. March starts were up a revised 2.0%, following a revised 3.5% gain in February. Reporting in the housing starts series has been highly unstable in recent years, to the extent that headline month-to-month changes in activity rarely are statistically-significant.

Against an unusually-weak April 2013 (down by a month-to-month headline 14.7%), year-to-year change in the seasonally-adjusted, aggregate April 2014 housing-starts measure was a statistically-significant gain of 26.4%, versus a revised 4.7% annual contraction in March, and a revised 2.4% decline in February.

***By-Unit Category.*** Where the irregular housing starts series can show varying patterns, that partially is due to a reporting mix of residential construction products, with the largest physical-count category of one-unit housing starts—generally for individual consumption—resulting in new home sales, versus multi-unit starts that generally reflect the building of rental and apartment units.

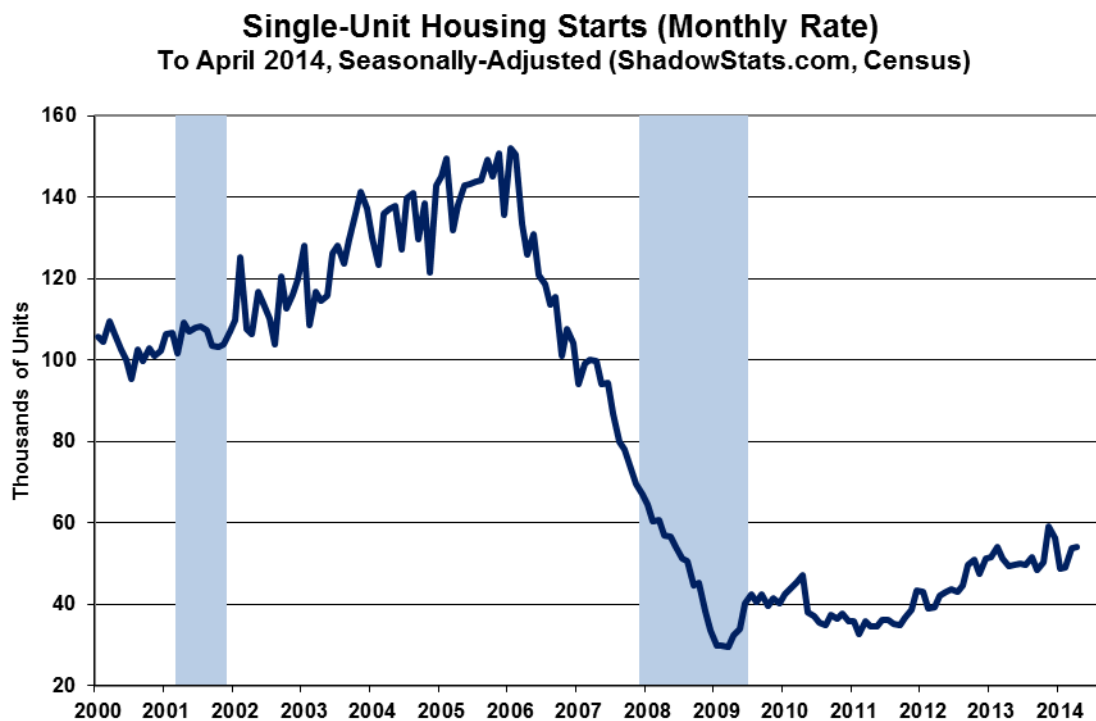
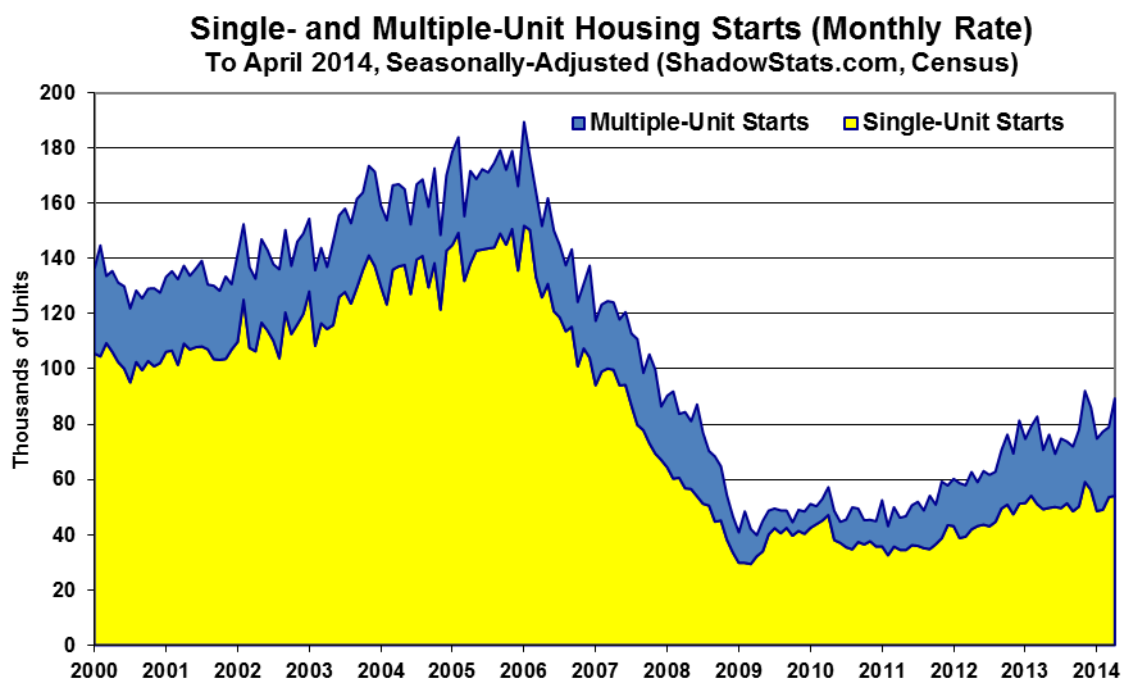
Housing starts for single-unit structures in April rose month-to-month by a statistically-insignificant 0.8%, following a revised 9.3% gain in March, and a revised 1.0% gain in February. April's year-to-year gain of 9.8% was marginally statistically-significant, following a revised 5.1% gain in March, and a revised 9.4% decline in February.

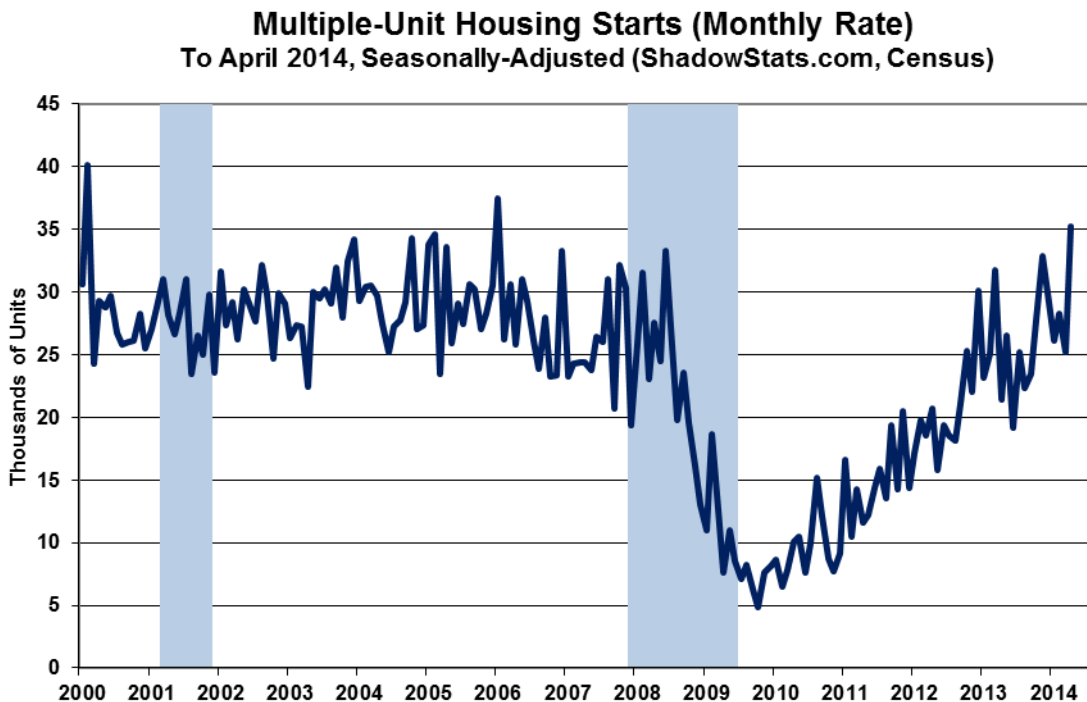
Reporting of housing starts for apartment buildings (generally 5-units-or-more) surged in April 2014, up by a marginally statistically-significant 42.9%. That followed a revised 11.9% decline in March, versus a revised 7.2% gain in February. On a year-to-year basis, April's year-to-year gain of 70.0% was statistically-significant. March's year-to-year contraction revised to 18.8%, versus a revised 12.7% gain in February.

Expanding the multi-unit housing starts category to include 2-to-4-units plus 5-units-or-more usually reflects the bulk of rental- and apartment-unit activity. The Census Bureau does not publish estimates of the 2-to-4-units category, due to statistical significance problems (a general issue for the aggregate series). Nonetheless, the total multi-unit category can be calculated by subtracting the single-unit category from the total category.

Accordingly, the aggregate, statistically-insignificant aggregate April monthly gain of 13.2% was composed of a 0.8% gain in one-unit housing starts, combined with a 39.6% monthly gain of multiple-unit structures (2-units-or-more, including the 5-units-or-more category). The breakout of these series is shown in the graphs that follow.

Also, further [Residential Construction Detail](#) is available from ShadowStats affiliate ExpliStats.com, where readers are able to select various graphing options for both housing starts and building permits, in aggregate as well as by region and subcategory.





***Graphs of Housing Starts Activity.*** The record monthly low seen for the present aggregate series was in April 2009, which was down 79% from the January 2006 pre-recession peak. Against the downside-spiked low in April 2009, the April 2014 headline number was up by 124%, but it still was down by 53% from the January 2006 series high. That detail is reflected in the graphs of this section, as well as in those of the *Reporting Detail* section.

The official reporting of housing starts is expressed at an annualized monthly pace of starts, which was 1,072,000 in April 2014, versus a revised 947,000 in March 2014. Those details are reflected in the graphs in the *Reporting Detail* section. Where the magnitude of monthly activity more realistically is reflected at the actual monthly rate of 89.3 thousand in April, versus the annualized headline 1,072 thousand, the monthly rate is used in the scales of the preceding graphs in this *Opening Comments* section. With either scale, the appearance of the graph and the monthly and annual percent changes are the same.

*[For further detail on April housing starts, see the Reporting Detail section]*

## HYPERINFLATION WATCH

**Hyperinflation Summary Outlook.** The hyperinflation and economic outlooks were updated with the publication of [2014 Hyperinflation Report—The End Game Begins – First Installment Revised](#), on April 2nd, and publication of [2014 Hyperinflation Report—Great Economic Tumble – Second Installment](#), on April 8th. A basic summary of the broad outlook is found in the *Opening Comments and Overview and Executive Summary* in the *First Installment Revised*. The broad outlook for a hyperinflationary great depression beginning this year has not changed—only evolved—with various details continuing to fall into place. A formal and more-condensed summary of the extraordinarily-difficult times ahead will take over this section, soon. What follows here is detail on the evolving economic outlook—with negligible language change from prior *Commentary No. 627*—to be incorporated into that summary.

**Economy Turns Down Anew.** Consistent with the above *Special Commentaries*, a renewed U.S. business slowdown/downturn was evident in the initial headline estimate of first-quarter 2014 GDP, with an annualized headline growth of 0.11% ([Commentary No. 623](#)). As the patterns of headline growth in economic reporting continue to slow and to turn down, financial-market expectations increasingly should shift towards renewed or deepening recession. That circumstance, in turn, in confluence with other fundamental issues, should place mounting and massive selling pressure on the U.S. dollar, as well as potentially resurrect elements of the 2008-Panic.

The fundamental issues threatening the dollar, again, include, but are not limited to: the U.S. government not addressing its long-term solvency issues; monetary malfeasance by the Federal Reserve seeking to provide liquidity to a troubled banking system, and to the U.S. Treasury, with a current pace of 70% monetization of effective net issuance of public federal debt; a mounting domestic and global crisis of confidence in a dysfunctional U.S. government; mounting global political pressures contrary to U.S. interests; and a severely damaged U.S. economy, which never recovered post-2008 and is turning down anew (including a widening trade deficit).

The reporting of the March 2014 trade data, confirmed the steep deterioration in the first-quarter trade deficit, sharply reducing the chances for a major change to initial, headline first-quarter GDP growth in the pending two regular revisions. Watch out, though, for the annual benchmarking on July 30th.

Generally reflecting weaker data in revisions to underlying data, downside revisions to recent GDP reporting are likely in the annual benchmark revisions. Specifically, underlying current economic activity actually is deteriorating and weak enough that the benchmark GDP revision likely will show a contracting first-quarter 2014 GDP, coincident with the initial reporting of a contraction in second-quarter 2014 GDP (also July 30th). That quickly should gain formal recognition as a new recession.

Despite the unstable, questionable and otherwise horrendous unemployment reporting for April 2014 (see [Commentary No. 624](#)), the subsequent headline downturns in April industrial production and real retail



sales, and the headline upturns in the CPI and PPI, even weaker economic data and stronger inflation are likely in the months ahead. If those patterns continue, market expectations—and related financial-market reactions—should move into the “renewed recession” camp, before or coincident with the July 30th annual revisions to GDP.

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## REPORTING DETAIL

### RESIDENTIAL CONSTRUCTION (April 2014)

**Revised Housing-Starts Activity in Stagnation.** Reporting of April 2014 housing starts incorporated annual revisions to seasonal adjustments back through January 2012. The monthly data did not shift much, except for a relative spike to October data, where the revisions to the aggregate numbers reflected relatively higher activity—shifted away from other months—in the 5-units-or-more category. All the accompanying graphs reflect the revised numbers. As a result of the reshuffling in activity from earlier quarters into fourth-quarter 2013, and with minimal changes to the first-quarter 2014 estimates, the annualized pace of quarterly contraction in first-quarter 2014, versus fourth-quarter 2013, deepened to a revised 34.0% (previously down by 29.7%). Year-to-year change for first-quarter 2014 also remained in contraction, down by a revised 2.4% (previously 3.6%).

The April headline monthly gain of 13.2% in total housing starts was dominated by a 39.6% jump in multiple-unit starts (5-units-or-more spiked 42.9%), while the single-unit category—most reflective of individual demand for housing and consumer liquidity—was up by just 0.8%. Generally, the headline gains were not statistically-significant, although the 5-units-or-more gain of 42.9% was marginally significant.

Aggregate housing starts in April 2014 still were 52.8% below the pre-recession high seen in January 2006, and first-quarter 2014 activity contracted both quarter-to-quarter and year-to-year. Given the usual statistical insignificance of the broad monthly change (again the case in April), and the frequent, large prior-period revisions, the April 2014 number is indistinguishable, in terms of statistical significance, from the pace of first-quarter activity and should be viewed, accordingly, as relatively-stagnant activity versus first-quarter 2014.

Encompassed in this general pattern of ongoing weakness, and as discussed in [Commentary No. 626](#) (also see the updated consumer-sentiment graph in the *Opening Comments*), there have been no changes in underlying consumer-liquidity fundamentals. There is nothing that would support a sustainable



turnaround in the housing industry or general economic activity. There never was an economic recovery, and there is no recovery underway, just general bottom-bouncing that broadly is turning down anew.

***April 2014 Housing-Starts Reporting.*** The Census Bureau reported today, May 16th, a statistically-insignificant, monthly headline gain in seasonally-adjusted April 2014 housing starts of 13.2% +/- 15.9% (all confidence intervals are at the 95% level). The month-to-month gain was in the context of a minor downside revision to headline March activity. Net of prior-period revisions, April housing starts rose by a still-statistically-insignificant 13.3%.

March starts were up a revised 2.0% (previously a 2.8% gain), following a revised 3.5% gain in February (previously up by 1.9%, initially a decline of 0.2%) for the month.

Against an unusually-weak April 2013 (down by a month-to-month headline 14.7%), year-to-year change in the seasonally-adjusted, aggregate April 2014 housing-starts measure was a statistically-significant gain of 26.4% +/- 13.8%, versus a revised 4.7% (previously 5.9%) annual contraction in March, and a revised 2.4% (previously a 5.1%, initially an 11.6%) decline in February.

Reporting in the housing starts series remains highly unstable, and it generally has been unstable enough in recent years that headline month-to-month changes in activity rarely have been statistically significant.

***By-Unit Category (See Graphs in the Opening Comments).*** Where the irregular housing starts series can show varying patterns, that partially is due to a reporting mix of residential construction products, with the largest physical-count category of one-unit housing starts—generally for individual consumption—resulting in new home sales, versus multi-unit starts that generally reflect the building of rental and apartment units.

Housing starts for single-unit structures in April rose month-to-month by a statistically-insignificant 0.8% +/- 12.6%, following a revised 9.3% (previously 6.0%) gain in March, and a revised 1.0% (previously 2.9%, initially 0.3%) gain in February. April's year-to-year gain of 9.8% +/- 9.7% was marginally statistically-significant, following a revised 5.1% (previously 1.9%) gain in March, and a revised 9.4% (previously 8.1%, initially a 10.6%) decline in February.

Reporting of housing starts for apartment buildings (generally 5-units-or-more) surged in April 2014, up by a marginally statistically-significant 42.9% +/- 42.0%. That followed a revised 11.9% (previously 6.1%) decline in March, versus a revised 7.2% gain (previously a decline of 0.6%, initially down by 2.5%) in February. On a year-to-year basis, April's year-to-year gain of 70.0% +/- 46.0% was statistically-significant. March's year-to-year contraction revised to 18.8% (previously down by 18.0%), versus a revised 12.7% (previously 1.3%, initially 1.6%) gain in February.

Expanding the multi-unit housing starts category to include 2-to-4-units plus 5-units-or-more usually reflects the bulk of rental- and apartment-unit activity. The Census Bureau does not publish estimates of the 2-to-4-units category, due to statistical significance problems (a general issue for the aggregate series). Nonetheless, the total multi-unit category can be calculated by subtracting the single-unit category from the total category.

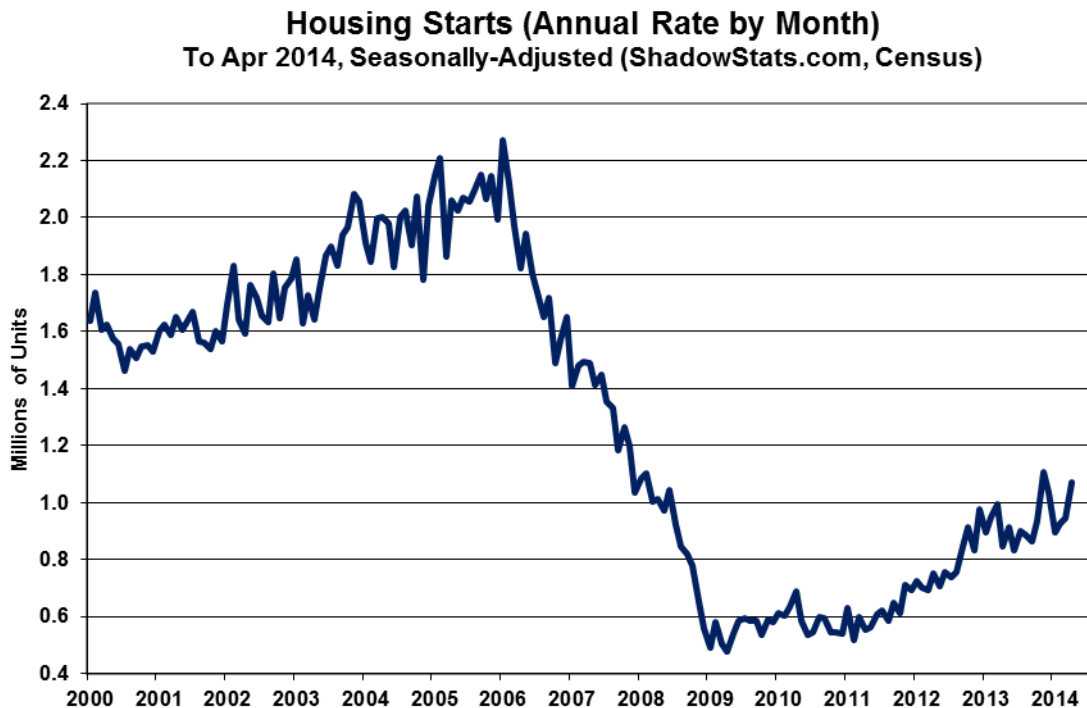
Accordingly, the aggregate, statistically-insignificant aggregate April monthly gain of 13.2% was composed of a 0.8% gain in one-unit housing starts, combined with a 39.6% monthly gain of multiple-

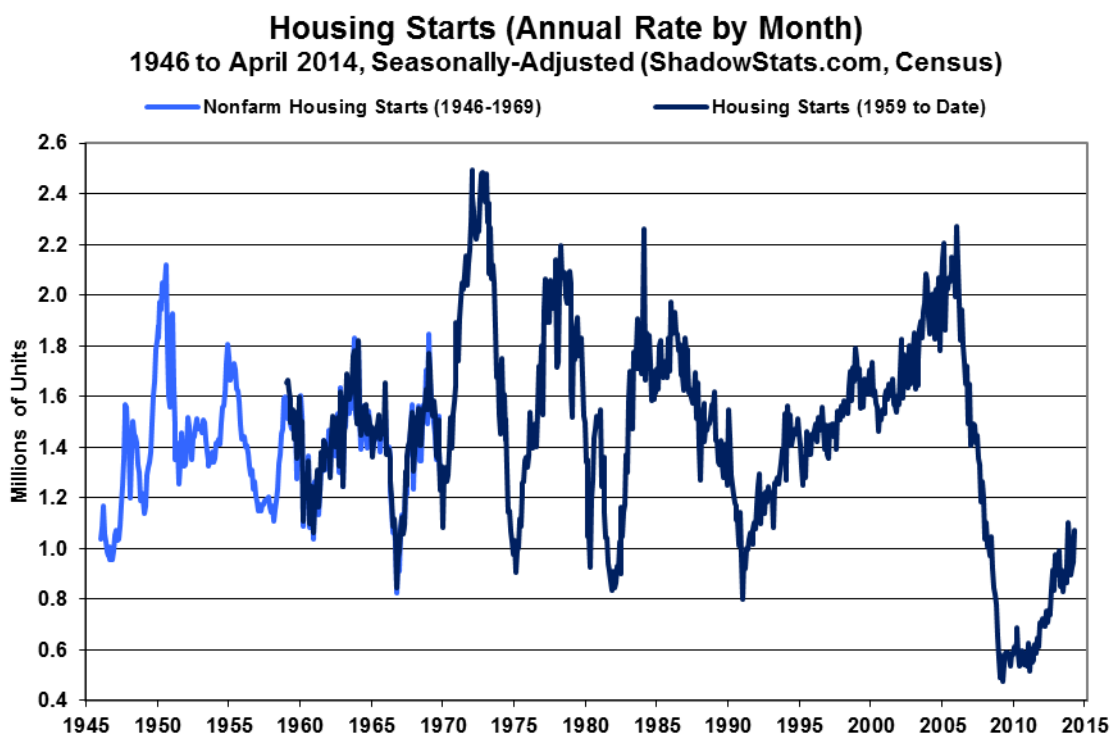
unit structures (2-units-or-more, including the 5-units-or-more category). The breakout of these series is graphed in the *Opening Comments* section.

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**Graphs of Aggregate Housing Starts Activity.** The official reporting of housing starts is expressed at an annualized monthly pace of starts, which was 1,072,000 in April 2014, versus a revised 947,000 in March. Those details are shown in the accompanying graphs. Where the magnitude of monthly activity more realistically is reflected at the actual monthly rate of 89,333 in April, versus the annualized headline 1,072,000, the monthly rate is used in the scales of the graphs in the *Opening Comments* section. With either scale, the appearance of the graph and the monthly and annual percent changes are the same.

The record monthly low seen for the present aggregate series was in April 2009, which was down 79% from the January 2006 pre-recession peak. Against the downside-spiked low in April 2009, the April 2014 headline number was up by 124%, but it still was down by 53% from the January 2006 series high.





## WEEK AHEAD

### **Much-Weaker-Economic and Stronger-Inflation Reporting Likely in the Months and Year Ahead.**

Although shifting to the downside, market expectations generally still appear to be overly optimistic as to the economic outlook. Expectations should continue to be hammered, though, by ongoing downside corrective revisions and an accelerating pace of downturn in headline economic activity. The initial stages of that process have been seen in the recent headline reporting of many major economic series (see [2014 Hyperinflation Report—Great Economic Tumble – Second Installment](#)), including the initial estimate of first-quarter 2014 GDP.

Weakening, underlying economic fundamentals indicate deteriorating business activity. Accordingly, weaker-than-consensus economic reporting should become the general trend until such time as the unfolding “new” recession receives general recognition.

Stronger inflation reporting also remains likely. Upside pressure on oil-related prices should reflect intensifying impact from a weakening U.S. dollar in the currency markets, and from ongoing global political instabilities. Food inflation has started to pick up as well. The dollar faces pummeling from continuing QE3, the ongoing U.S. fiscal-crisis debacle, a weakening U.S. economy and deteriorating U.S. and global political conditions (see [\*Hyperinflation 2014—The End Game Begins \(Updated\) – First Installment\*](#)). Particularly in tandem with a weakened dollar, reporting in the year ahead generally should reflect much higher-than-expected inflation.

***A Note on Reporting-Quality Issues and Systemic Reporting Biases.*** Significant reporting-quality problems remain with most major economic series. Ongoing headline reporting issues are tied largely to systemic distortions of seasonal adjustments. The data instabilities were induced by the still-evolving economic turmoil of the last eight years, which has been without precedent in the post-World War II era of modern economic reporting. These impaired reporting methodologies provide particularly unstable headline economic results, where concurrent seasonal adjustments are used (as with retail sales, durable goods orders, employment and unemployment data), and they have thrown into question the statistical-significance of the headline month-to-month reporting for many popular economic series.

#### ***PENDING RELEASES:***

**Existing- and New-Home Sales (April 2014).** April 2014 existing-home sales are due for release on Thursday, May 22nd, from the National Association of Realtors, with the April new-home sales report from the Census Bureau due on Friday, May 23rd. With these highly volatile and unstable series, whether existing or new sales, a pattern of stagnation or intensifying downturn appears to be in play for both. In particular, a renewed downtrend has been unfolding in existing-home sales. While monthly changes in home-sales activity usually are not statistically-significant, still-unstable reporting and revisions (both likely to the downside) also remain a fair bet for the new-home sales series, which was so heavily disrupted as a result of the October shutdown of the federal government.

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