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

COMMENTARY NUMBER 720
April Housing Starts

May 19, 2015

Headline "Boom" in April Housing Starts Left the Series in Ongoing Stagnation; It Did Not Alter the Broad Outlook

Annual Revisions Reflected Only Minimal Seasonal-Adjustment Shifts

---

PLEASE NOTE: The next regular Commentary, *scheduled for Friday, May 22nd, will cover the releases of the April 2015 CPI, existing home sales and an updated assessment of unfolding GDP prospects.*

Best wishes to all — John Williams

OPENING COMMENTS AND EXECUTIVE SUMMARY

Broad Outlook Not Affected by Unstable Housing Starts Reporting. The headline 20.2% monthly jump in April 2015 housing starts was not meaningful, given the regular, extreme volatility and instabilities in the reporting of this series. Smoothed in terms of a six-month moving-average, the April number increased by 0.9% versus March 2015, but it was down by 0.4% (-0.4%) versus February 2015, and down by 1.7% (-1.7%) from the recent near-term peak in activity, seen in December 2014.

As published, that 20.2% monthly gain in total starts was statistically significant, per the Census Bureau, but the 9.2% year-to-year gain was not, meaning that both the 90% and 95% confidence intervals encompassed the potential of actual, outright contraction in the headline annual change. This reporting also was in the context of annual revisions, which reflected little more than minor shifting of seasonal adjustments.

The headline surge in starts exceeded consensus expectations of an 11.1% increase [Bloomberg], and the popular financial media undoubtedly will have some short-lived hailing of a housing recovery and reported upticks in second-quarter GDP forecasts. Still, two further months of housing-starts reporting follow, before the first estimate of second-quarter GDP. Since January 2013, there have been three months with headline gains of 10% or more in starts (as currently revised, and excluding April 2015), and each of those months was followed by largely-offsetting declines in the immediate subsequent reporting. Such offsetting reporting also is good bet here.

Today's headline housing starts estimate did not alter the ShadowStats outlook for a negative first-quarter 2015 GDP in its first revision (May 29th), nor for a second-quarter 2015 GDP contraction in its initial reporting (July 30th). *Commentary No. 721* of May 22nd will review and update the prospects for the pending GDP.

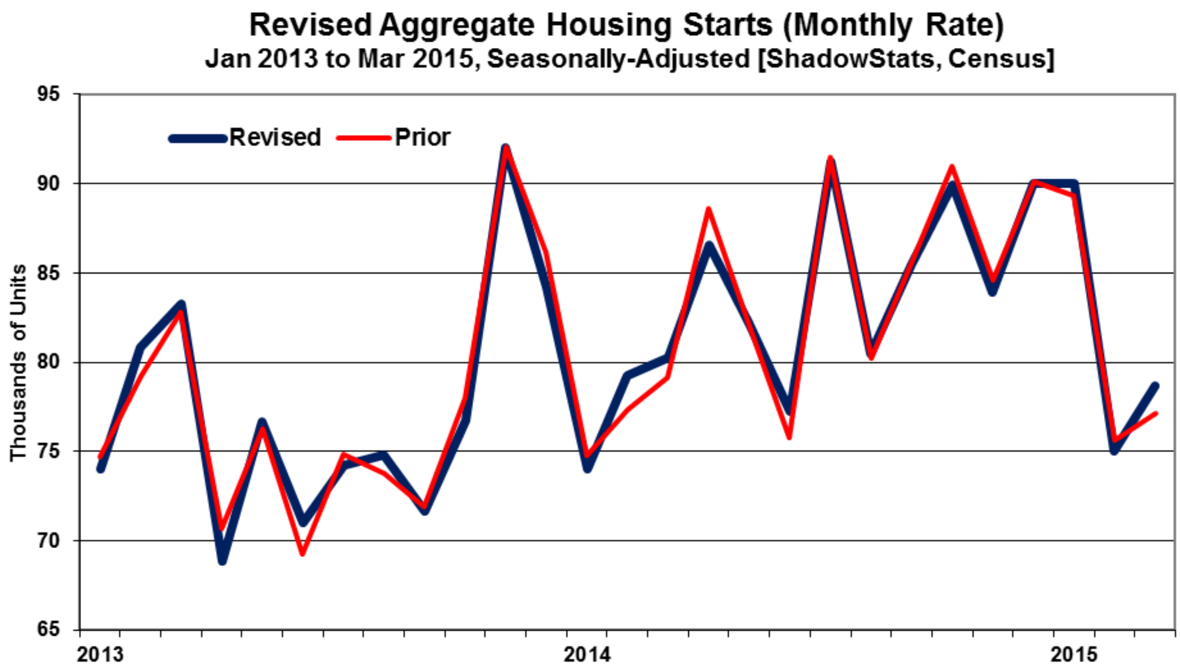
Today's Missive (May 19th). The balance of today's *Opening Comments* concentrates on the April housing starts detail. The *Hyperinflation Outlook Summary* is not revised from *No. 711*. Separately, the *Week Ahead* section updates the previews for the April CPI and existing-home sales, due later this week.

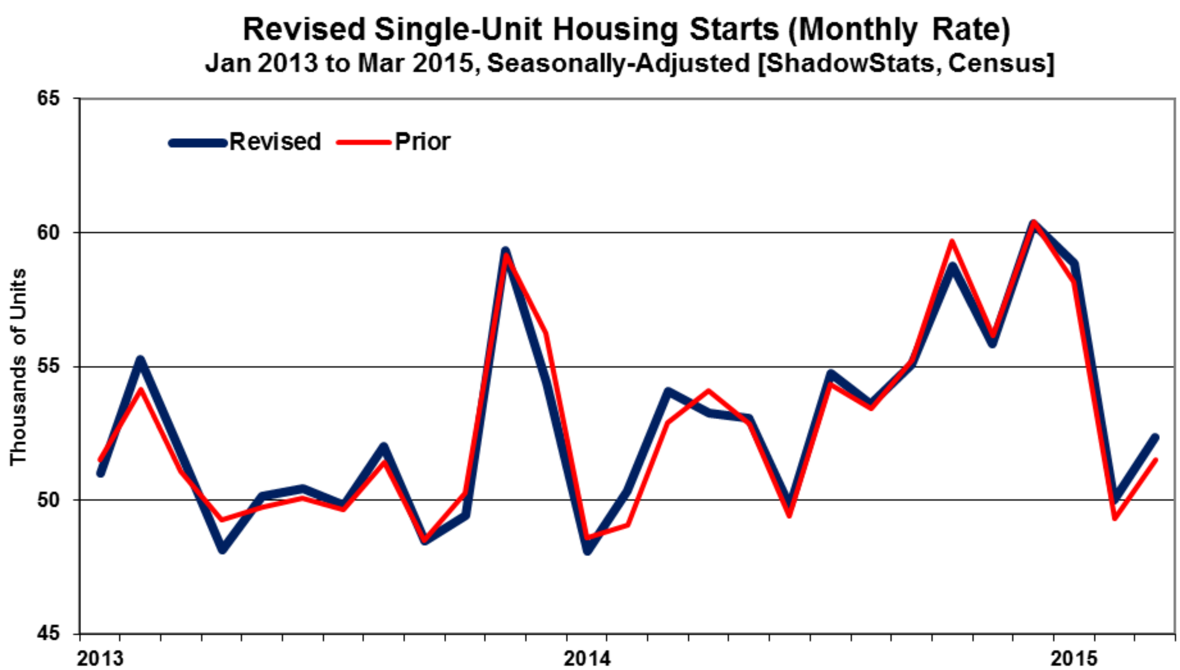
Housing Starts—April 2015—Continued Pattern of Broad Stagnation. In the context of minimal annual revisions to seasonal adjustments, and a 20.2% jump in headline April 2015 housing starts, the housing starts series remained wildly unstable and generally meaningless in terms of reported month-to-month activity. The housing-starts series, however, did continue its pattern of long-term, low-level stagnation, when viewed on a smoothed, six-month moving-average basis.

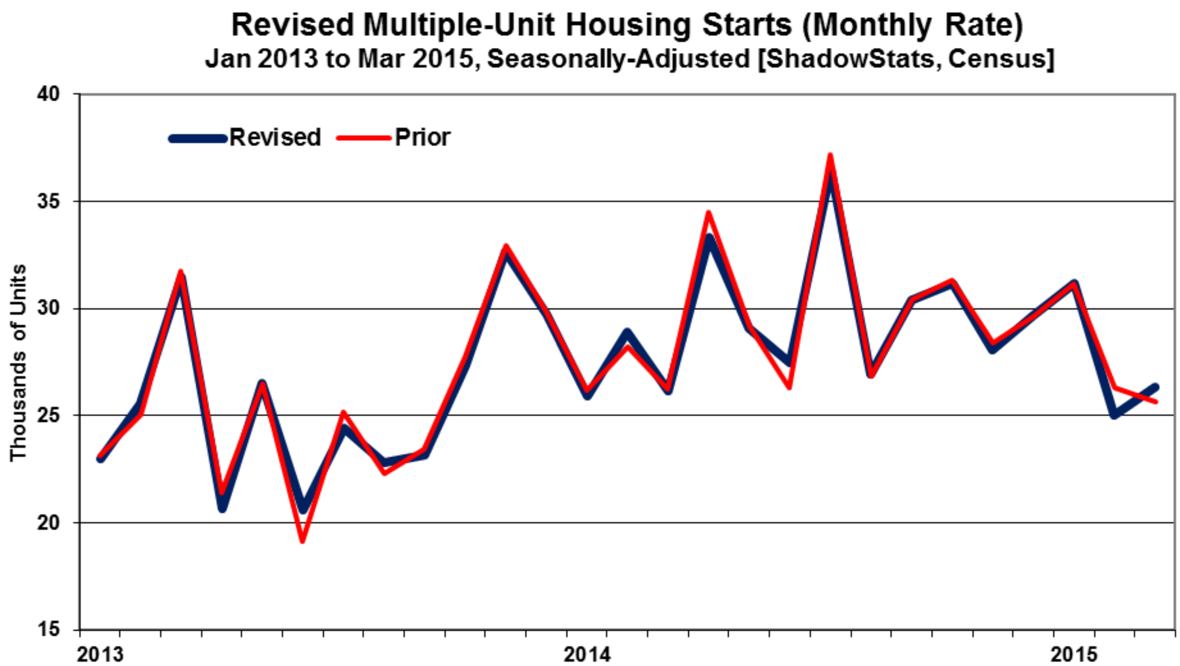
Annual Revisions—Little More than Minor Shifts in Seasonal Factors. The Census Bureau published its annual revisions to residential construction, along with the regular release of the headline housing-starts detail for April 2015. Other than for the standard revisions to the last couple of months of data, the monthly numbers for 2013 and 2014 were revised only for changes in seasonal-adjustment factors.

Shown in following graphs of housing-starts activity from January 2013 to March of 2015 (the only months revised), the revisions generally were of little substance. Plotted are the revisions to the levels of the aggregate housing-starts series, single-unit housing starts and multiple-unit housing starts (2-units-or-more, including the 5-units-or-more category).

The quarterly revisions, which conceivably might affect the first-quarter 2015 GDP revision, also were negligible.


Revised Aggregate Housing Starts (Monthly Rate)
Jan 2013 to Mar 2015, Seasonally-Adjusted [ShadowStats, Census]
Revised
Prior
Thousands of Units
95
90
85
80
75
70
65
2013
2014
2015


Revised Single-Unit Housing Starts (Monthly Rate)
Jan 2013 to Mar 2015, Seasonally-Adjusted [ShadowStats, Census]
Revised
Prior
Thousands of Units
65
60
55
50
45
2013
2014
2015



Quarterly Growth Rates. Reflecting only the unstable monthly gains in headline April 2015 reporting, annualized quarterly growth rates in second-quarter 2015 would be 83.9% for total housing starts, 67.1% for single-unit starts, and 120.2% for multiple-unit starts. Those rates, however, should turn flat-to-minus by the headline reporting for June 2015.

In the context of the annual revisions, previous quarterly contractions reported for first-quarter 2015 were little changed. By category, total housing starts fell at a revised annualized, quarterly pace of growth of 27.2% (-27.2%) in first-quarter 2015, following a revised annualized gain of 10.7% in fourth-quarter 2014. Single-unit housing starts fell at a revised annualized pace of 27.9% (-27.9%) in first-quarter 2015, following a revised annualized gain of 31.3% in fourth-quarter 2014. Multiple-unit housing starts (again, two-or-more units, primarily apartment buildings) fell at a revised annualized pace of 25.9% (-25.9%) in first-quarter 2015, following a revised annualized decline of 19.4% (-19.4%) in fourth-quarter 2014.

All three categories last fell together in first-quarter 2014, which also was the last time headline GDP contracted, at least as indicated in current headline GDP reporting (pre-July 30th GDP benchmark).

Smoothed Numbers. General patterns of weakening stagnation continued in these series, as best viewed in terms of the longer-range historical graph of aggregate activity, seen at the end of the *Reporting Detail* section, and in the context of the down-trending activity—a renewed downturn—smoothed by six-month moving averages, as shown in the accompanying graphs that follow in these *Opening Comments*.

Reflected in those smoothed graphs, the aggregate housing-starts series ticked minimally higher in April, reflecting parallel movements in both the single-unit and multiple-unit starts categories. Although there had been a minor upside trend in the aggregate series into the latter part of 2014, total housing-starts activity remained well below any recovery level then, and is even lower now, despite the April uptick.

Over time, the bulk of the extreme, reporting instability and the minimal uptrend in the aggregate series has been due largely to particularly-volatile reporting in the multiple-unit housing-starts category (apartments, etc.). Where recent activity in multiple-unit starts actually recovered into the general range of pre-recession activity, that process topped out in third-quarter 2014, with those starts now trending lower on a six-month moving-average basis, again, despite the headline uptick in April. Even so, the recent impact of the temporary recovery in multiple-unit activity largely was lost in the detail of total housing starts.

Consumer Liquidity Issues Still Impair Housing Activity. On a per structure basis, activity in housing starts is dominated by the single-unit housing starts category, which has remained stagnant—at a low level of activity—since hitting bottom in early-2009. The private housing sector never recovered from the business collapse of 2006 into 2009.

The underlying problem here remains intense, structural-liquidity woes besetting the consumer. That circumstance, during the last eight-plus years of economic collapse and stagnation, has continued to prevent a normal recovery in broad U.S. business activity, as discussed in *Commentary No. 718* and updated in *Commentary No. 719*, with further detail in *No. 692 Special Commentary: 2015 - A World Out of Balance*.

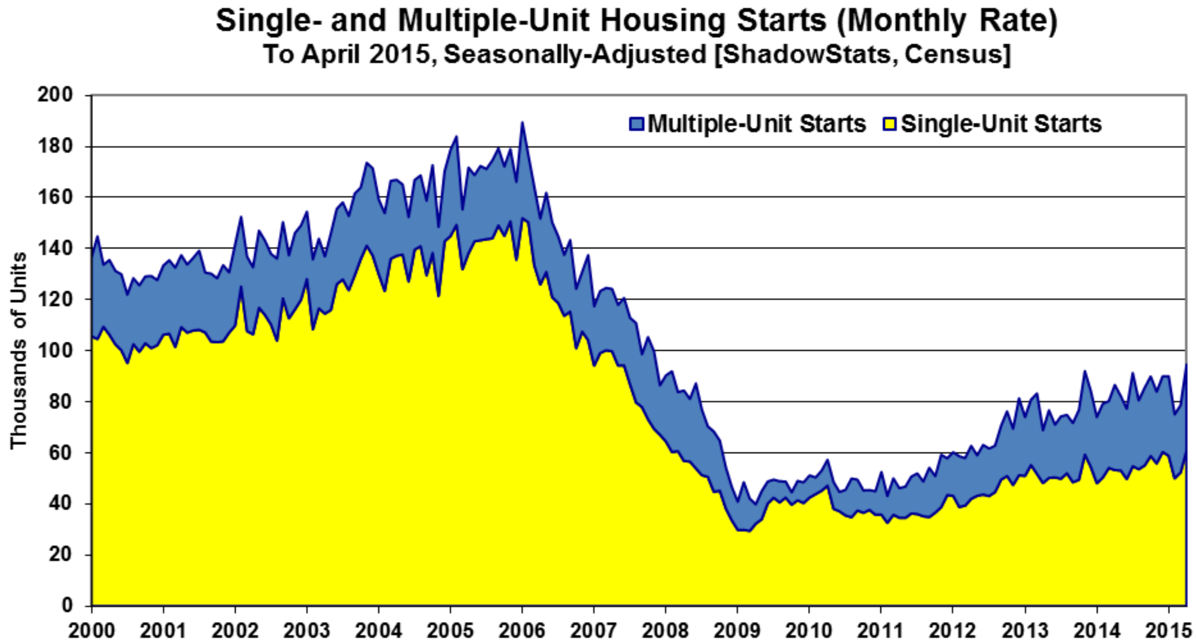
Without real growth in income, and without the ability and/or willingness to offset declining purchasing power with debt expansion, the consumer lacks the wherewithal to fuel sustainable, consumption-based growth or recovery in U.S. economic activity. That includes not only residential investment and related construction spending, but also retail sales and the dominant personal-consumption account of the GDP.

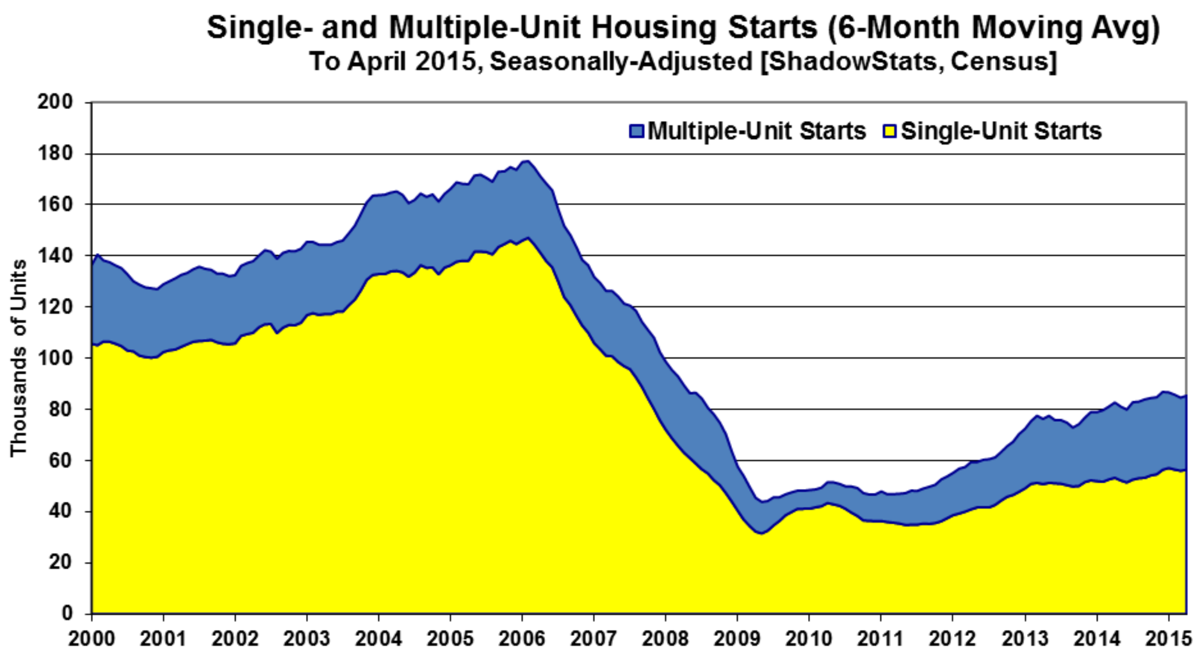
April 2015 Housing-Starts Headline Reporting. Housing starts showed a statistically-significant, seasonally-adjusted headline monthly gain of 20.2% in April 2015. That followed a revised monthly gain of 4.9% in March, a revised contraction in February of 16.7% (-16.7%), and a revised unchanged month-to-month reading for January 2015. Net of prior-period revisions, the April gain was a statistically-significant 22.6%.

Year-to-year change in the seasonally-adjusted, aggregate April 2015 housing-starts measure was a statistically-insignificant gain of 9.2%, versus a revised annual contraction of 2.0% (-2.0%) in March 2015, a revised decline of 5.4% (-5.4%) in February 2015, and a revised 21.6% gain in January 2015.

The headline April 2015 monthly gain of 20.2% for total housing starts reflected a headline monthly increase of 16.7% in the "one unit" category, and a jump of 31.9% in the “five units or more” category, but only the total and single-unit starts were statistically-significant on a monthly basis; only the annual gain in single-unit starts was significant.

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 structure housing starts—generally for individual consumption, resulting in new home sales—versus multi-unit structure starts that generally reflect the building of rental and apartment units.





Housing starts for single-unit structures in April 2015 rose month-to-month by a statistically-significant 16.7%, following a revised 4.7% monthly gain in March, a revised February decline of 15.0% (-15.0%) and a revised January decline of 2.5% (-2.5%). Single-unit starts for April 2015 showed a statistically-significant year-to-year annual gain of 14.7%, following a decline of 3.2% (-3.2%) in March 2015, a revised annual contraction of 0.8% in February 2015 and a revised annual gain of 22.4% in January 2015.

Housing starts for apartment buildings (specifically 5-units-or-more) in April 2015 rose month-to-month by a statistically-insignificant 31.9%, following a revised 1.0% gain in March, a revised February decline of 20.7% (-20.7%) and an unrevised headline January gain of 9.5%. The statistically-insignificant April 2015 year-to-year decline of 0.5% (-0.5%), followed a revised annual decline in March of 1.7% (-1.7%), a revised annual decline of 13.1% (-13.1%) in February 2015, and a revised gain of 10.6% in January 2015.

Expanding the multi-unit structure 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.

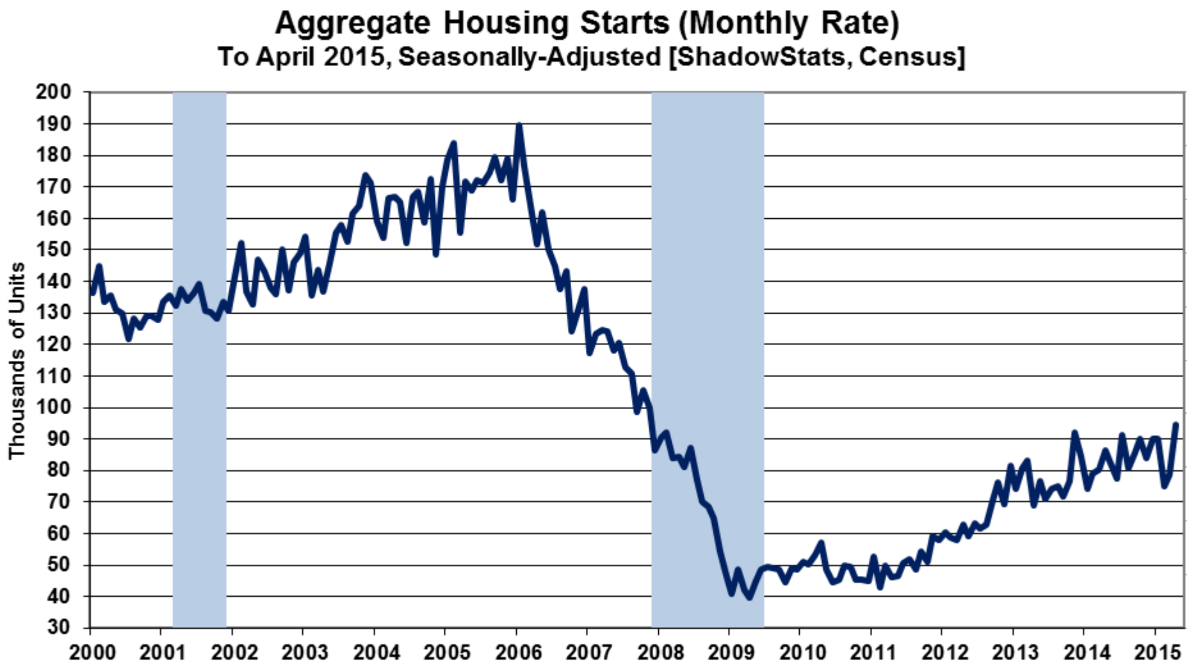
Accordingly, the statistically-significant April 2015 gain of 20.2% in aggregate housing starts was composed of a statistically-significant gain of 16.7% in one-unit structures, combined with a statistically-insignificant monthly gain of 27.2% in the multiple-unit structures category (2-units-or-more, including the 5-units-or-more category). Again, these series are shown in the accompanying graphs.

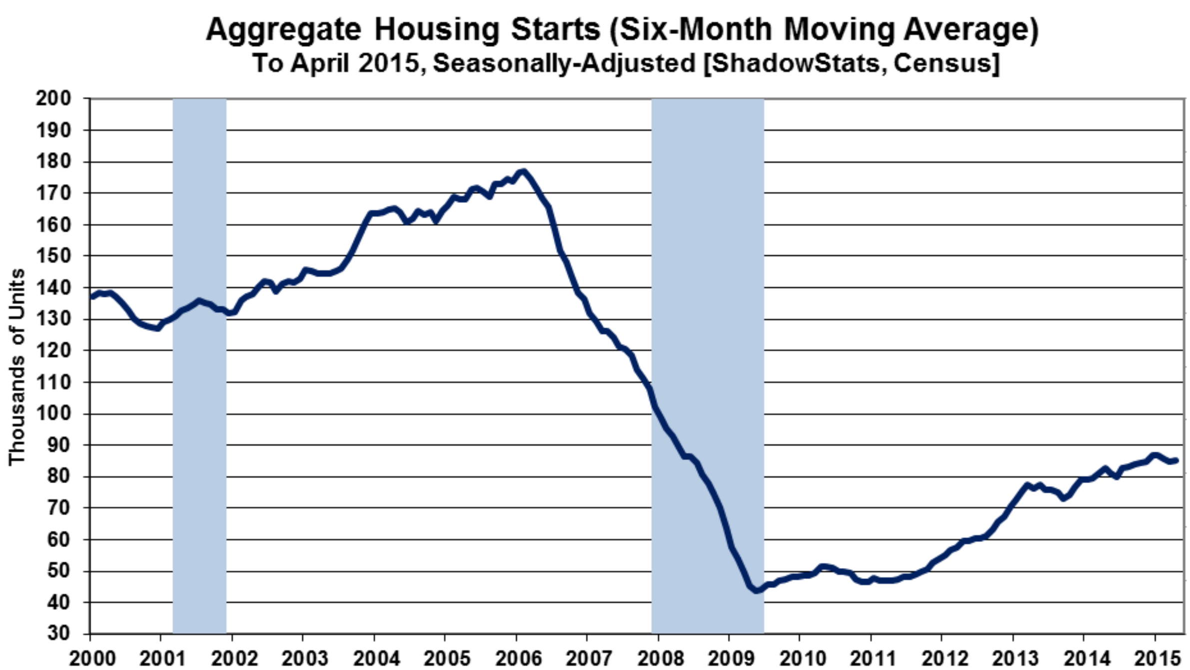
Housing Starts Graphs. Headline reporting of housing starts activity is expressed by the Census Bureau as an annualized monthly pace of starts, which was 1,135,000 in April 2015, versus a revised 944,000 (previously 926,000) in March 2015. The scaling detail in the aggregate graphs at the end of the *Reporting Detail* section reflects the annualized numbers.

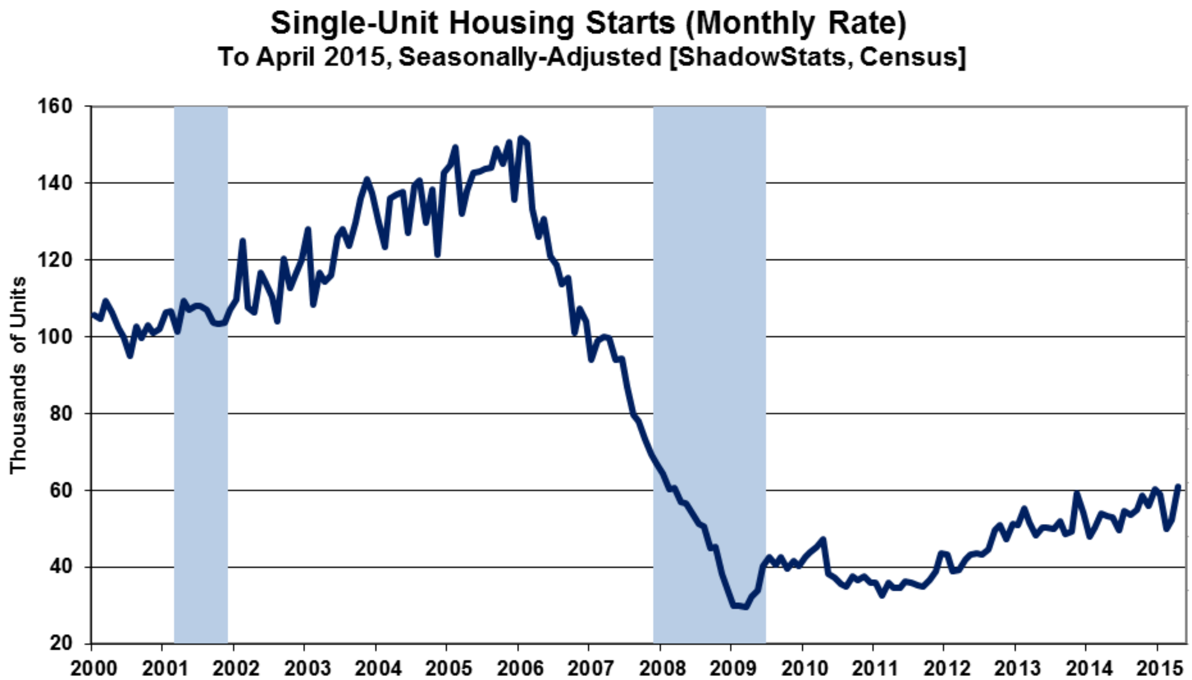
Nonetheless, given the nonsensical monthly volatility in reporting and the exaggerated effect of annualizing the monthly numbers in this unstable series, the magnitude of monthly activity and the changes in same, more realistically are reflected at the non-annualized monthly rate. Consider that the headline 191,000 month-to-month gain in April 2015 was larger than any actual total (non-annualized) monthly starts level for a single month, since before the recession.

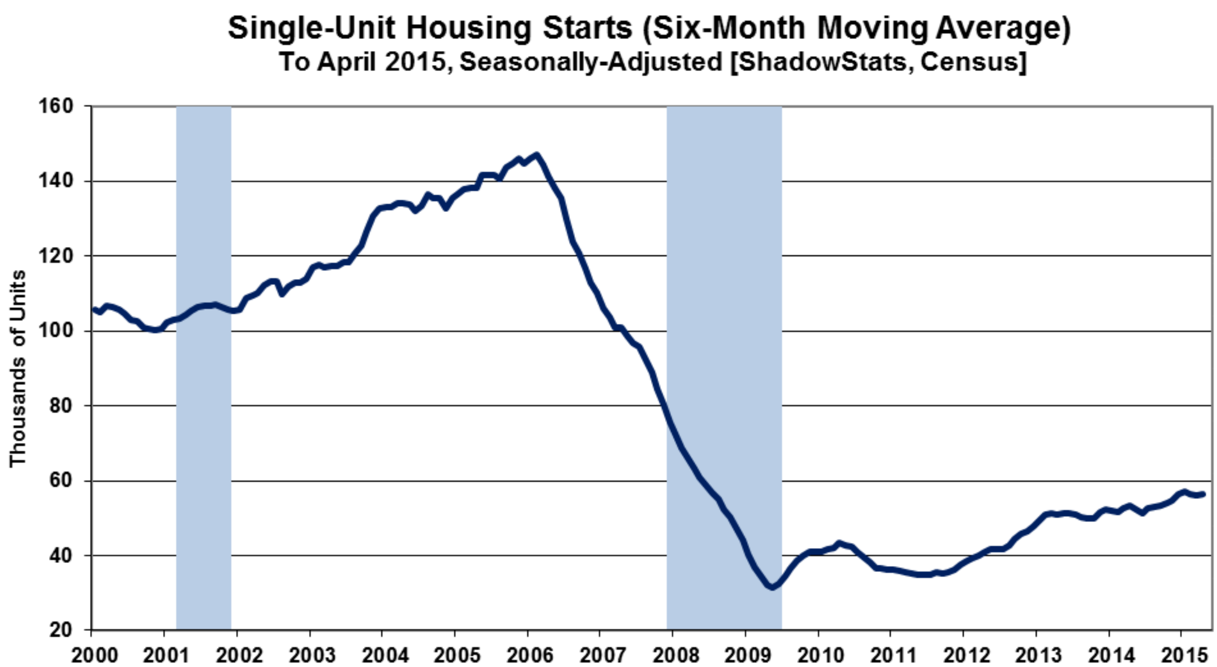
Accordingly, the monthly rate of 94,583 units in April 2015, instead of the annualized 1,135,000-headline number, is used in the scaling of the series of graphs shown in these *Opening Comments*. With the use of either scale of units, however, appearances of the graphs and the relative monthly, quarterly and annual percentage changes are otherwise identical.

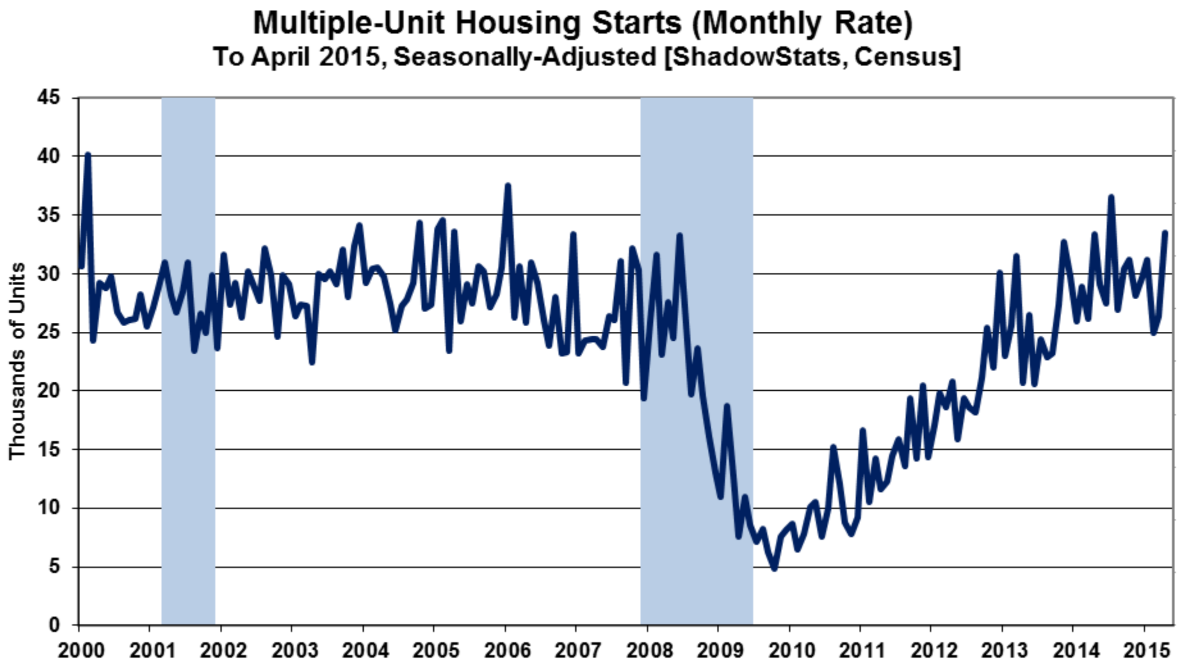
The record monthly low seen for the present aggregate series was in April 2009, where the annualized monthly pace of sales then was down 79% (-79%) from the January 2006 pre-recession peak. Against the downside-spiked low in April 2009, the April 2015 headline number was up by 137%, but it still was down by 50% (-50%) from the January 2006 series high. Shown in the historical perspective of the post-World War II era, current activity is trending stagnant-to-lower at levels that otherwise have been at the historical troughs of recession activity of the last 70 years, as seen in the last graph of the *Reporting Detail* section.

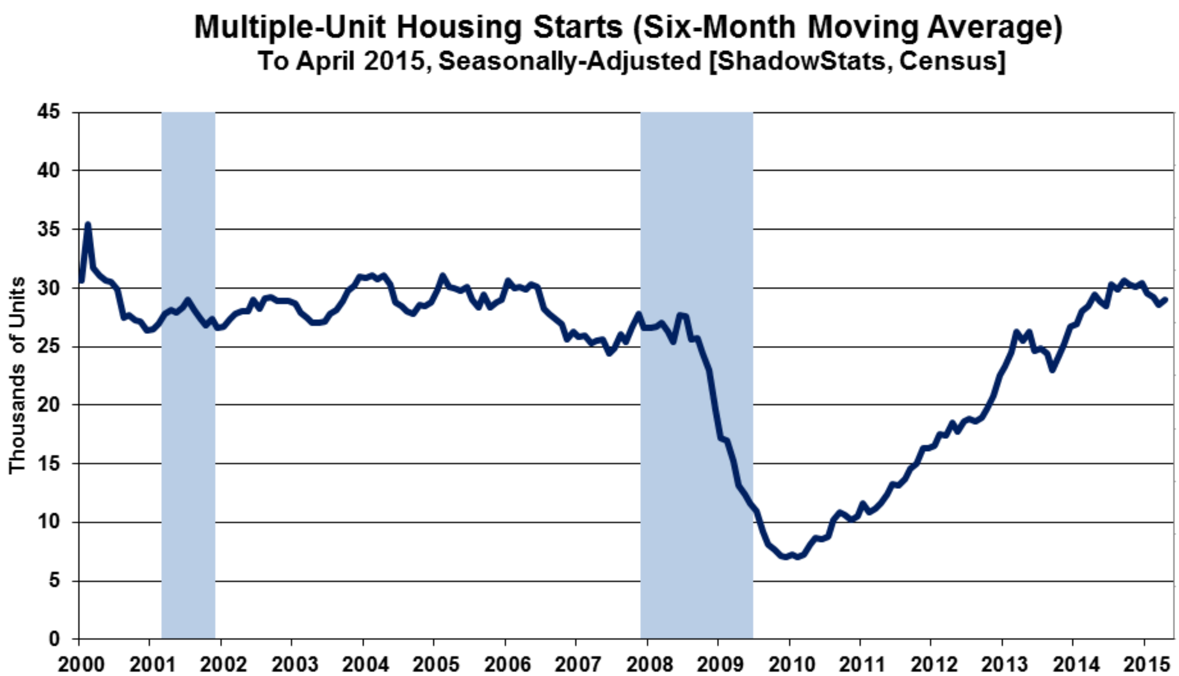

Aggregate Housing Starts (Monthly Rate)
To April 2015, Seasonally-Adjusted [ShadowStats, Census]
Thousands of Units
200
190
180
170
160
150
140
130
120
110
100
90
80
70
60
50
40
30
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015


Aggregate Housing Starts (Six-Month Moving Average)
To April 2015, Seasonally-Adjusted [ShadowStats, Census]
Thousands of Units
200
190
180
170
160
150
140
130
120
110
100
90
80
70
60
50
40
30
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015


Single-Unit Housing Starts (Monthly Rate)
To April 2015, Seasonally-Adjusted [ShadowStats, Census]
Thousands of Units
160
140
120
100
80
60
40
20
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015


Single-Unit Housing Starts (Six-Month Moving Average)
To April 2015, Seasonally-Adjusted [ShadowStats, Census]
Thousands of Units
160
140
120
100
80
60
40
20
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015





[The **Reporting Detail** *section includes further information on April housing starts.]*

____

HYPERINFLATION WATCH

HYPERINFLATION OUTLOOK SUMMARY

General Outlook Is Unchanged; Intensifying Economic Weakness Has Begun to Impact Market Perceptions of Fed Policy and U.S. Dollar Strength. The *Hyperinflation Outlook Summary* has not been revised from *Commentary No. 711*, other than for updated internal links or references.

No. 692 Special Commentary: 2015 - A World Out of Balance of February 2, 2015 updated the *Hyperinflation 2014* reports and the broad economic outlook. Previously, the long-standing hyperinflation and economic outlooks were updated with the publication of *2014 Hyperinflation Report—The End Game Begins – First Installment Revised*, on April 2, 2014, and publication of *2014 Hyperinflation Report—Great Economic Tumble – Second Installment*, on April 8, 2014. The outlooks also are updated regularly in the weekly *Commentaries*. The *Opening Comments* of *No. 692* should be considered in terms of recent circumstances and near-term, proximal triggers for massive dollar selling. The two *2014 Hyperinflation Report* installments, however, remain the primary background material for the hyperinflation and economic analyses and forecasts. One other reference should be considered here, in terms of underlying economic reality, and that is the *Public Commentary on Inflation Measurement*.

Primary Summary. Current fiscal conditions show the effective long-term insolvency of the U.S. government, a circumstance that usually would be met by unfettered monetization of the national debt and obligations, leading to an eventual hyperinflation. The 2008 Panic and near-collapse of the financial system, and official (U.S. government and Federal Reserve) response to same, pulled the elements of the eventual hyperinflation crisis at the end of this decade into the current period.

The primary and basic summary of the broad outlook and the story of how and why this fiscal, financial and economic crisis has unfolded and developed over the years—particularly in the last decade—is found in the *Opening Comments* and *Overview and Executive Summary* of that *First Installment Revised* (linked earlier). The following summarizes the underlying current circumstance and recent developments.

Relative U.S. economic strength, and the relative virtuousness of Fed monetary policy versus major U.S. trading partners have been over-estimated heavily by the global markets, and structural faults have started to appear in the foundation underpinning recent U.S. dollar strength (see *Commentary No. 711*). Consistent with the above referenced *Special Commentaries*, the unfolding, weakening domestic-economic circumstance, in confluence with other fundamental issues, has begun to raise doubts in the markets as to the sustainability of the purported U.S. economic recovery, and as to the imminence of meaningful monetary tightening by the U.S. Federal Reserve. As result, the U.S. dollar has backed off its recent highs, with some related upside pressure having been seen on oil prices.

Domestic economic data should continue to falter, increasingly moving market expectations towards an imminent new recession, not only further pummeling expectations for a significant tightening in Fed policy, but also renewing expectations for a more-accommodative Fed. While such may help to fuel further stock-market mania, any resulting rallies in equity prices likely will be more than offset in real terms, by percentage declines in the exchange-rate value of the U.S. dollar or in the eventual increases in headline consumer inflation.

Faltering expectations on more-conservative Federal Reserve policies and on the direction of domestic economic activity, should place mounting and eventually massive selling pressure on the U.S. dollar, as well as potentially resurrect elements of the Panic of 2008. Physical gold and silver, and holding assets outside the U.S. dollar, remain the ultimate primary hedges against an eventual total loss of U.S. dollar purchasing power. Initially, these circumstances should unwind the sharp and generally ongoing rally in the U.S. dollar's exchange rate since mid-2014, and broadly related selling pressures seen in the gold and silver markets.

A crash back to recognition of more-realistic domestic-economic circumstances appears to have begun, and it likely will be accompanied by a crash in the U.S. dollar versus major currencies, such as the Swiss franc, Canadian dollar and Australian dollar; related rallies in precious metals and oil. Further, a sharp deterioration in the near-term outlook for domestic and global political stability continues and is of meaningful near-term risk for providing further fuel to heavy selling of the dollar.

Current Economic Issues versus Underlying U.S. Dollar Fundamentals. U.S. economic activity is turning down anew, despite overstated growth in recent GDP reporting. GDP and other major economic series face heavy downside-benchmark revisions through the end of July. Weak, underlying economic reality has begun to surface in headline reporting and should become increasingly and painfully obvious to the financial markets in the headline detail and revisions of the weeks and months ahead, for series such as real retail sales, production, housing and construction, the trade deficit, payroll employment and increasingly the headline GDP.

As financial-market expectations shift towards renewed or deepening recession, that circumstance, in confluence with other fundamental issues, particularly deteriorating domestic political conditions, should intensify mounting and eventually massive selling pressures against the U.S. dollar, fully reversing the dollar's gains of the last nine months, pushing the dollar once again to historic lows. Again, the nascent currency crisis also has meaningful potential to resurrect elements of the Panic of 2008.

Unexpected economic weakness intensifies the known stresses on an already-impaired banking system, increasing the perceived need for expanded, not reduced, quantitative easing. The highly touted "tapering" by the FOMC ran its course. Future, more-constructive Fed behavior—purportedly moving towards normal monetary conditions in what had been an unfolding, purportedly near-perfect economic environment—was pre-conditioned by a continued flow of "happy" economic news. Suggestions that all was right again with world were nonsense. The Panic of 2008 never was resolved, and the Fed increasingly is finding that it has no easy escape from its quantitative easing (QE3), which continues. Only overt expansion of QE3 ceased; QE4 will become the near-term question.

Unexpected economic weakness—a renewed downturn—also savages prospective federal budget deficit prognostications (particularly the 10-year versions). It also throws off estimates of U.S. Treasury funding needs and estimates as to how long the Treasury effectively can dodge the limits of the recently reimposed debt ceiling. Current fiscal "good news" remains from cash-based, not GAAP-based and accounting projections and is heavily impacted by changes in business activity.

The economy has not recovered; the banking system is far from stable and solvent; and the Federal Reserve and the federal government still have no way out. Significant banking-system and other systemic (*i.e.* U.S. Treasury) liquidity needs will be provided, as needed, by the Fed, under the ongoing political cover of a weakening economy—a renewed, deepening contraction in business activity. The Fed has no choice. Systemic collapse is not an option for the Board of Governors. This circumstance simply does not have a happy solution.

Accordingly, any significant, renewed market speculation as to an added round of Federal Reserve quantitative easing, QE4, may become a major factor behind crashing the dollar and boosting the price of gold. The Fed has strung out its options for propping up the system as much as it thought it could, with continual, negative impact on the U.S. economy. The easings to date, however, appear to have been largely a prop to the increasingly unstable equity markets.

Again, in the event of a QE4, any resulting renewed boost to U.S. equities would be a fleeting illusion, at least in terms of real value (purchasing power of the dollar). Such gains would tend to be losses, in real terms, with the stocks valued in terms of Swiss francs, for example, or valued against what would become a rapidly-increasing pace of domestic U.S. inflation.

All these crises should combine against the U.S. dollar, likely in the very-near future, if they have not already begun to do so. That said, recent faux market perceptions of domestic economic, financial-system and monetary tranquility had boosted the U.S. dollar's strength significantly in global trading and contributed to savaging the prices of oil and in weakening the prices of precious metals. That process appears to have begun to reverse.

Strength in the U.S. dollar should continue to reverse sharply, in the context of underlying reality outlined here and in the sections that follow. The actual fundamental problems threatening the U.S. dollar could not be worse. The broad outlook has not changed; it is just a matter of market perceptions shifting anew, against the U.S. currency. That process may have started with the shift in Swiss National Bank policy early in the year, but it has become dominated by increasingly-negative global perceptions of stability in U.S. economic activity and Federal Reserve monetary policy. Key issues include, but are not limited to:

- ***A severely damaged U.S. economy, which never recovered post-2008, is turning down anew, with no potential for recovery in the near-term.*** The circumstance includes a renewed widening in the trade deficit, as well as ongoing severe, structural-liquidity constraints on the consumer, which are preventing a normal economic rebound in the traditional, personal-consumption-driven U.S. economy (see *Commentary No. 711*). Sharply-negative economic reporting shocks, versus softening consensus forecasts, still remain a heavily-favored, proximal trigger for the intensifying the unfolding dollar debacle.

- ***U.S. government unwillingness to address its long-term solvency issues.*** Those controlling the U.S. government have demonstrated not only a lack of willingness to address long-term U.S. solvency issues, but also the current political impossibility of doing so. The shift in control of Congress did not alter the systemic unwillingness to address underlying fundamental issues, specifically to bring the GAAP-based deficit into balance. Any current fiscal "good news" comes from cash-based, not GAAP-based accounting projections. The GAAP-based version continues to run around $5 trillion for the annual shortfall, while many in Washington look to continue increasing spending and to take on new, unfunded liabilities. The history and issues here are explored in the first installment of the *Hyperinflation Report*, as previously linked; the initial fiscal-2014 details were discussed in *Commentary No. 672*, and the official GAAP-based financial statements for 2014 will be discussed fully, soon (see *Commentary No. 702*). This circumstance now is operating in the context of the formal constraint of a renewed debt ceiling.

- ***Monetary malfeasance by the Federal Reserve, as seen in central bank efforts to provide liquidity to a troubled banking system, and also to the U.S. Treasury.*** Despite the end of the Federal Reserve's formal asset purchases, the U.S. central bank monetized 78% of the U.S. Treasury's fiscal-2014 cash-based deficit (see *Commentary No. 672*). The quantitative easing QE3 asset purchase program effectively monetized 66% of the total net issuance of federal debt to be held by the public during the productive life of the program (beginning with the January 2013 expansion of QE3). The monetization process was completed with the Federal Reserve refunding the interest income it earned on the Treasury securities to the U.S. Treasury. With highly tenuous liquidity conditions for the banking system and the Treasury, it would not be surprising in this period of increasing instability to see covert Federal Reserve activities masked in the purchases of Treasury debt by nations or other entities financially friendly to or dependent upon the United States. Renewed expansion to quantitative easing remains likely, given ongoing banking-system stresses, vulnerable stock markets and weakening, actual U.S. economic activity. As has been commonplace, the Fed likely would seek political cover for new or expanded systemic accommodation in any "renewed" economic distress.

- ***Mounting domestic and global crises of confidence in a dysfunctional U.S. government.*** The positive rating by the public of the U.S. President tends to be an indicative measure of this circumstance, usually with a meaningful correlation with the foreign-exchange-rate strength of the U.S. dollar. The weaker the rating, the weaker tends to be the U.S. dollar. The positive rating for the President is off its historic low, but still at levels that traditionally are traumatic for the dollar. Chances of a meaningful shift towards constructive cooperation between the White House and the new Congress, in addressing fundamental issues are nil. Issues such as non-recovered, faltering economic activity and the consumer liquidity crisis, and addressing the nation's long-range solvency issues should continue to devolve, into extreme political crisis.

- ***Mounting global political pressures contrary to U.S. interests.*** Downside pressures on the U.S. currency generally are mounting, or sitting in place, in the context of global political and military developments contrary to U.S. strategic, financial and economic interests. Current conditions include the ongoing situation versus Russia and extraordinarily-volatile circumstances in the Middle East. U.S. response to Russian activity in the Ukrainian situation likely was behind part of the recent strength in the U.S. dollar and related weakness in oil prices, with U.S. actions aimed at causing financial distress for Russia. These situations have yet to run their full courses, and they have the potential for rapid and massive negative impact on the financial and currency markets.

- ***Spreading global efforts to dislodge the U.S. dollar from its primary reserve-currency status.*** Active efforts or comments against the U.S. dollar continue to expand. In particular, anti-dollar rhetoric and actions have been seen with Russia, China, France, India and Iran, along with some regular rumblings in OPEC and elsewhere. Temporary, recent dollar strength may have bought some time versus those who have to hold dollars for various reasons. Nonetheless, developing short-term instabilities and a quick reversal in the dollar's strength should intensify the "dump-the-dollar" rhetoric rapidly.

When the selling pressure breaks massively against the U.S. currency, the renewed and intensifying weakness in the dollar will place upside pressure on oil prices and other commodities, boosting domestic inflation and inflation fears. Domestic willingness to hold U.S. dollars will tend to move in parallel with global willingness, or lack of willingness, to do the same. These circumstances will trigger the early stages of a hyperinflation, likely in the year ahead.

Both the renewed dollar weakness and the resulting inflation spike should boost the prices of gold and silver, where physical holding of those key precious metals remains the ultimate hedge against the pending inflation and financial crises. Investors need to preserve the purchasing power and liquidity of their wealth and assets during the hyperinflation crisis ahead. Again, see Chapter 10, *2014 Hyperinflation Report—Great Economic Tumble* for detailed discussion on approaches to handing the hyperinflation crisis and *No. 692 Special Commentary: 2015 - A World Out of Balance*, for other factors afoot in the current environment.

REPORTING DETAIL

RESIDENTIAL CONSTRUCTION—HOUSING STARTS (April 2015)

Housing Starts Activity Pattern Remained One of Broad Stagnation. In the context of minimal annual revisions to seasonal adjustments (see detail and graphs in the *Opening Comments*), and a 20.2% jump in headline April 2015 housing starts, the housing starts series remained wildly unstable and generally meaningless in terms of month-to-month activity. It did continue, however, in its pattern of long-term, low-level stagnation, when viewed on a smoothed, six-month moving-average basis.

Quarterly Growth Rates. Reflecting only the unstable monthly gains in headline April 2015 reporting, annualized quarterly growth rates in second-quarter 2015 would be 83.9% for total housing starts, 67.1% for single-unit starts, and 120.2% for multiple-unit (two-or-more units, primarily apartment buildings). Those rates should turn flat-to-minus by the headline reporting for June 2015.

In the context of the annual revisions, previous quarterly contractions reported for first-quarter 2015 were little changed. By category, total housing starts fell at a revised annualized, quarterly pace of growth of 27.2% (-27.2%) [previously down by 31.0% (-31.0%)] in first-quarter 2015, following a revised annualized gain of 10.7% [previously up by 13.4%] in fourth-quarter 2014.

Single-unit housing starts fell at a revised annualized pace of 27.9% (-27.9%) [previously down by 33.8% (-33.8%)] in first-quarter 2015, following a revised annualized gain of 31.3% [previously up by 36.7%] in fourth-quarter 2014.

Multiple-unit housing starts (again, two-or-more units, primarily apartment buildings) fell at a revised annualized pace of 25.9% (-25.9%) [previously down by 25.2% (-25.2%)] in first-quarter 2015, following a revised annualized decline of 19.4% (-19.4%) [previously down by 19.6% (-19.6%)] in fourth-quarter 2014. All three categories last fell together in first-quarter 2014, which also was the last time headline GDP contracted, at least as indicated in current headline GDP reporting (pre-July 30th GDP benchmark).

Smoothed Numbers. A general pattern of weakening stagnation continued in this series, as best viewed in terms of the longer-range historical graph of aggregate activity, seen at the end of this section, and in the context of the down-trending activity—a renewed downturn—smoothed by six-month moving averages, as shown in graphs of the *Opening Comments* section.

Reflected in those smoothed graphs, the aggregate housing-starts series ticked minimally higher in April, reflecting parallel movements in both the single-unit and multiple-unit starts categories. Although there had been a minor upside trend in the aggregate series into the latter part of 2014, total housing-starts activity remained well below any recovery level then, and is even lower now, despite the April uptick.

Over time, the bulk of the extreme, reporting instability and the minimal uptrend in the aggregate series has been due largely to particularly-volatile reporting in the multiple-unit housing-starts category (apartments, etc.). Where recent activity in multiple-unit starts actually recovered into the general range of pre-recession activity, that process topped out in third-quarter 2014, with those starts now trending lower on a six-month moving-average basis, again, despite the headline uptick in April. Even so, the recent impact of the temporary recovery in multiple-unit activity largely was lost in the detail of total housing starts.

Consumer Liquidity Issues Still Impair Housing Activity. On a per structure basis, activity in housing starts is dominated by the single-unit housing starts category, which has remained stagnant—at a low level of activity—since hitting bottom in early-2009. The private housing sector never recovered from the business collapse of 2006 into 2009.

The underlying problem here remains intense, structural-liquidity woes besetting the consumer. That circumstance, during the last eight-plus years of economic collapse and stagnation, has continued to prevent a normal recovery in broad U.S. business activity, as discussed in *Commentary No. 718* and updated in *Commentary No. 719*, with further detail in *No. 692 Special Commentary: 2015 - A World Out of Balance*.

Without real growth in income, and without the ability and/or willingness to offset declining purchasing power with debt expansion, the consumer lacks the wherewithal to fuel sustainable, consumption-based growth or recovery in U.S. economic activity. That includes not only residential investment and related construction spending, but also retail sales and the still-dominant personal-consumption account of the GDP.

April 2015 Housing-Starts Headline Reporting. The Census Bureau reported this morning, May 19th, a statistically-significant, seasonally-adjusted headline monthly gain of 20.2% +/- 16.8% (all confidence intervals are expressed at the 95% level) in April 2015 housing starts. That followed a revised monthly gain of 4.9% (previously up by 2.0%) in March, a revised contraction in February of 16.7% (-16.7%) [previously down by 15.3% (-15.3%) and initially down by 17.0% (-17.0%)], and a revised unchanged month-to-month reading for January 2015 [previously down by 0.8% (-0.8%), "unchanged" and initially down by 2.0% (-2.0%)]. Net of prior-period revisions, the April gain was a statistically-significant 22.6%.

Year-to-year change in the seasonally-adjusted, aggregate April 2015 housing-starts measure was a statistically-insignificant gain of 9.2% +/- 12.4%, versus a revised annual contraction of 2.0% (-2.0%) [previously down by 2.5% (-2.5%)] in March, a revised decline of 5.4% (-5.4%) [previously down by 2.2% (-2.2%) and initially down by 3.3% (-3.3%)] in February 2015, and a revised 21.6% [previously 19.5%, 20.5% and initially 18.7%] gain in January 2015.

The headline April 2015 monthly gain of 20.2% for total housing starts reflected a headline monthly increase of 16.7% in the "one unit" category, and a jump of 31.9% in the “five units or more” category, but only the total and single-unit starts were statistically-significant on a monthly basis; only the annual gain in single-unit starts was 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 structure housing starts—generally for individual consumption, resulting in new home sales—versus multi-unit structure starts that generally reflect the building of rental and apartment units.

Housing starts for single-unit structures in April 2015 rose month-to-month by a statistically-significant 16.7% +/- 12.4%, following a revised 4.7% (previously 4.4%) monthly gain in March, a revised February decline of 15.0% (-15.0%) [previously down by 15.2% (-15.2%) and initially down by 14.9% (-14.9%)] and a revised January decline of 2.5% (-2.5%) [previously down by 3.7% (-3.7%), by 3.9% (-3.9%) and initially down by 6.7% (-6.7%)]. Single-unit starts for April 2015 showed a statistically-significant year-to-year annual gain of 14.7% +/- 10.6%, following a decline of 3.2% (-3.2%) [previously down by 2.7% (-2.7%)] in March 2015, a revised annual contraction of 0.8% [previously up by 0.5% and initially up by 0.7%] in February 2015, and a revised annual gain of 22.4% [previously up by 19.7%, up by 19.6% and initially up by 16.3%] in January 2015.

Housing starts for apartment buildings (generally 5-units-or-more) in April 2015 rose month-to-month by a statistically-insignificant 31.9% +/- 51.0%, following a revised 1.0% gain in March [previous down by 7.1% (-7.1%)], a revised February decline of 20.7% (-20.7%) [previously down by 16.0% (-16.0%) and initially down by 21.6% (-21.6%)], and an unrevised headline January gain of 9.5% [previously up by 9.5%, up by 12.8% and initially up by 12.1%]. The statistically-insignificant April 2015 year-to-year decline of 0.5% (-0.5%) +/- 30.7%, followed a revised annual decline in March of 1.7% (-1.7%) [previously down by 4.7% (-4.7%)], a revised annual decline of 13.1% (-13.1%) [previously down by 5.8% (-5.8%) and initially down by 9.5% (-9.5%)] in February 2015, and a revised gain of 10.6% [previously up by 20.3%, up by 23.9% and initially up by 24.5%] in January 2015.

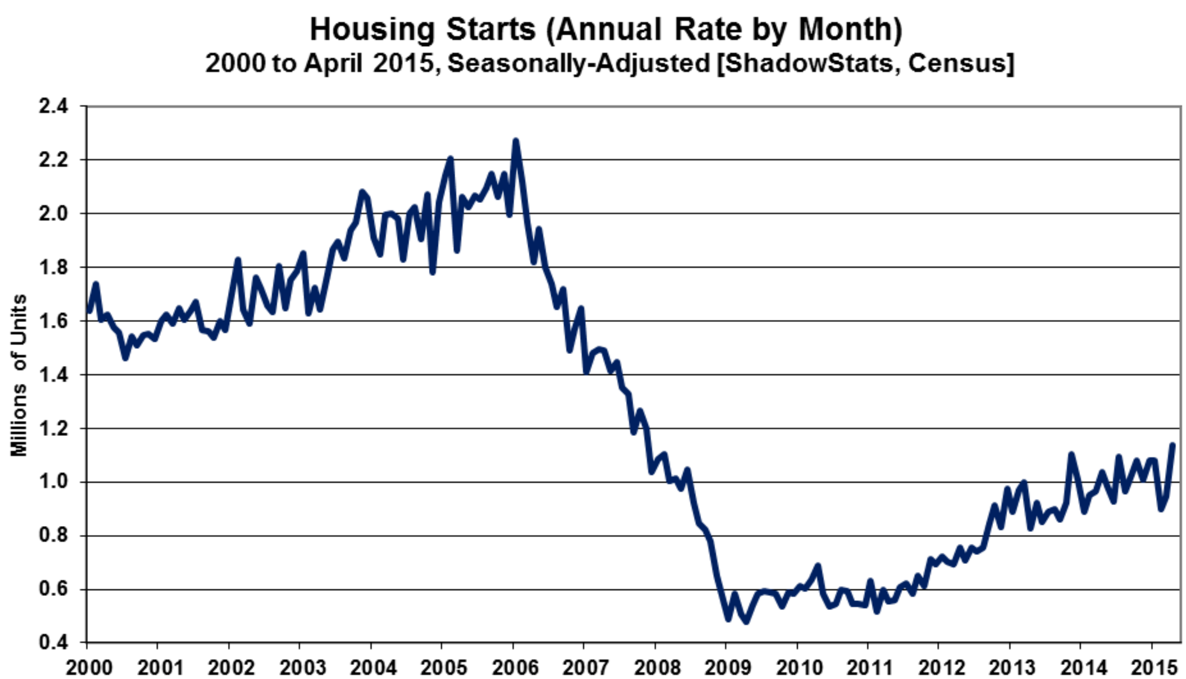
Expanding the multi-unit structure housing starts category to include 2-to-4-units plus 5-units-or-more usually reflects the bulk of rental- and apartment-unit activity. The Census Bureau does not publish estimates of the 2-to-4-units category, due to statistical significance problems (a general issue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

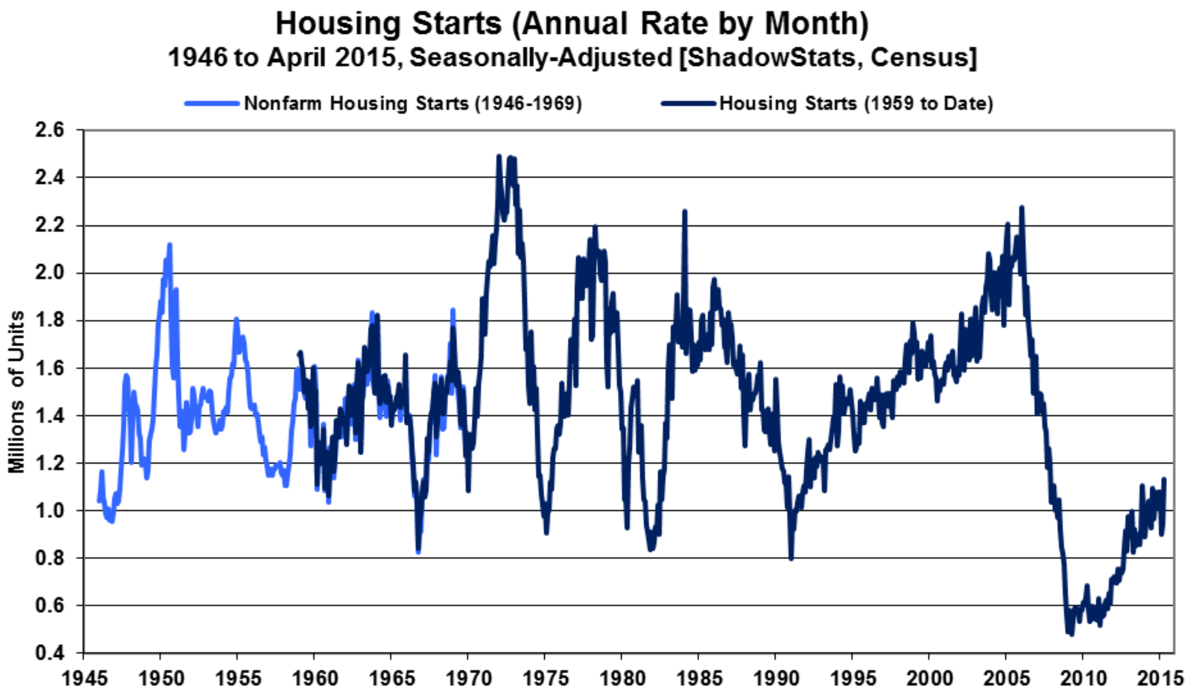
Accordingly, the statistically-significant April 2015 gain of 20.2% in aggregate housing starts was composed of a statistically-significant gain of 16.7% in one-unit structures, combined with a statistically-insignificant monthly gain of 27.2% in the multiple-unit structures category (2-units-or-more, including the 5-units-or-more category). Again, these series are graphed in the *Opening Comments* section.

Housing Starts Graphs. Headline reporting of housing starts activity is expressed by the Census Bureau as an annualized monthly pace of starts, which was 1,135,000 in April 2015, versus a revised 944,000 (previously 926,000) in March 2015. The scales of the accompanying aggregate graphs use those annualized numbers.

Nonetheless, given the nonsensical monthly volatility in reporting and the exaggerated effect of annualizing the monthly numbers in this unstable series, the magnitude of monthly activity and the changes in same, more realistically are reflected at the non-annualized monthly rate. Consider that the headline 191,000 month-to-month gain in April 2015 starts, was larger than any actual total (non-annualized) monthly starts level for a single month, since before the recession.

Accordingly, the monthly rate of 94,583 units in April 2015, instead of the annualized 1,135,000-headline number, is used in the scaling of the series of graphs shown in the *Opening Comments* section. With the use of either scale of units, however, appearances of the graphs and the relative monthly, quarterly and annual percentage changes are otherwise identical.





The record monthly low seen for the present aggregate series was in April 2009, where the annualized monthly pace of sales then was down 79% (-79%) from the January 2006 pre-recession peak. Against the downside-spiked low in April 2009, the April 2015 headline number was up by 137%, but it still was down by 50% (-50%) from the January 2006 series high. Shown in the historical perspective of the post-World War II era, current activity is trending stagnant-to-lower at levels that otherwise have been at the historical troughs of recession activity of the last 70 years, as seen in the accompanying second and final graph of this section.

____

WEEK AHEAD

Headline Reporting and Revisions Should Trend Much Weaker versus a Still Overly-Optimistic Economic Consensus; Inflation Will Rise Anew, Following the Bottoming of Oil-Prices. Shifting more to the downside, amidst increasingly-negative fluctuations in the numbers, market expectations for business activity have been, and still remain, overly optimistic. They still exceed any potential, underlying economic reality, even though downside corrective revisions and an accelerating pace of downturn in broad-based, monthly headline economic reporting already have begun to hammer those expectations. Recent GDP excesses will not face downside revisions until the July 30, 2015 GDP benchmark revision, but expectations for headline growth estimates (or revisions to) of first- and second-quarter 2015 should continue shifting to the downside, into increasingly negative territory (see *Opening Comments* and *Commentary No. 711*).

Headline CPI-U consumer inflation—recently driven lower by collapsing prices for gasoline and other oil-price related commodities—likely is close to its near-term, year-to-year low, having shown monthly declines in annual inflation of less than a full 0.1% (-0.1%) in the three months through March 2015, and likely close to that again in April. Significant upside inflation pressures should resume as oil prices rebound, a process that already may be underway, tentatively, and one that would accelerate rapidly with the eventual sharp downturn in the exchange-rate value of the U.S. dollar. These areas, the general economic outlook and longer range reporting trends are reviewed broadly in *No. 692 Special Commentary: 2015 - A World Out of Balance*.

A Note on Reporting-Quality Issues and Systemic-Reporting Biases. Significant reporting-quality problems remain with most major economic series. Beyond gimmicked changes to reporting methodologies of the last several decades, ongoing headline reporting issues are tied largely to systemic distortions of seasonal adjustments. Data instabilities were induced partially 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. The severity and ongoing nature of the downturn provide particularly unstable headline economic results, when concurrent seasonal adjustments are used (as with retail sales, durable goods orders, employment, and unemployment data as explored in labor-data related *Commentary No. 695*). Combined with recent allegations of Census Bureau falsification of data in its monthly Current Population Survey (the source for the Bureau of Labor Statistics' Household Survey), these issues have thrown into question the statistical-significance of the headline month-to-month reporting for many popular economic series (see *Commentary No. 669*).

PENDING RELEASES:

***[Updated—Corrected EHS Release Date.]* Existing- and New-Home Sales (April 2015).** April 2015 existing-home sales also are due for release on Thursday, May 21st, from the National Association of Realtors, with the April 2015 new-home sales report due from the Census Bureau on Tuesday, May 26th. The existing-home sales detail will covered in ShadowStats *Commentary No. 421* of May 22nd.

Still impaired by negative, underlying pressures from stressed consumer liquidity (see *Commentary No. 718* and *Commentary No. 719*), and as discussed in the housing-starts detail of this *Commentary*, prospects for rising home-sales activity remain bleak.

Despite monthly gains in February and March 2015 existing-home sales, the longer-term trends in the headline monthly numbers generally have been negative, with flat-to-downside month-to-month activity a good possibility for April 2015 reporting.

Smoothed for extreme and nonsensical monthly gyrations, an ongoing pattern of stagnation or downturn also should continue in play for April 2015 new-home sales. While monthly changes in activity here rarely are statistically-significant, still-unstable reporting and revisions (both likely to the downside) remain a fair bet for April. Reflecting deteriorating consumer issues, both the new- and existing- home sales series increasingly should reflect downside volatility in headline activity.

[Updated Consensus.] **Consumer Price Index—CPI (April 2015).** The April 2015 CPI is scheduled for release on Friday, May 22nd, by the Bureau of Labor Statistics (BLS). The headline CPI-U should be on the plus-side for the third month, with late expectations holding at a headline monthly gain of 0.1% [Bloomberg]. While a small inflation gain is likely, due to higher food and "core" inflation (ex-food and energy), heavily-negative seasonal factors should keep the energy contribution to the headline April CPI on the downside.

The average gasoline price moved higher in April 2015, up by 0.35% for the month on a not-seasonally-adjusted basis, per the Department of Energy (DOE). BLS seasonal adjustments to gasoline prices in April traditionally are sharply negative, and, shy of BLS "intervention analysis" mitigating the downside adjustment pressures, seasonally-adjusted gasoline prices likely will have fallen in the month by about 3.2%, which by itself would subtract about 0.11% from the headline CPI-U monthly inflation rate. Add in higher food and “core” (net of food and energy) inflation, however, and the consensus expectations are not unreasonable.

Annual Inflation Rate. Year-to-year, CPI-U inflation would increase or decrease in April 2015 reporting, dependent on the seasonally-adjusted monthly change, versus an adjusted 0.19% monthly inflation gain reported for April 2014. The adjusted change is used here, since that is how consensus expectations are expressed. To approximate the annual unadjusted inflation rate for April 2015, 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 2015 headline negative annual inflation rate of 0.07% (-0.07%). Headline monthly inflation of roughly 0.3% would be needed in April 2015 in order to push the headline annual inflation rate into positive territory.