John Williams'

Shadow Government Statistics

Analysis Behind and Beyond Government Economic Reporting

COMMENTARY NUMBER 735
June Industrial Production, Producer Price Index (PPI)

July 15, 2015

Last Time Industrial Production Activity Was This Weak,
The U.S. Economy Was in Collapse

Second-Quarter Production Contracted at a 1.4% (-1.4%) Annualized Pace,
First-Quarter Revised to 0.1% Annualized Gain (Effectively Unchanged)

Annual Production Growth at Recession Level

Production Series Subject to Massive Benchmark Revisions Next Week

Higher Gasoline Prices Dominated June PPI Headline Inflation of 0.36%

PLEASE NOTE: The next regular Commentary *for July 17th will cover June Housing Starts and the Consumer Price Index (CPI).*

Best wishes to all — John Williams

OPENING COMMENTS AND EXECUTIVE SUMMARY

Industrial Production Activity Shows a Recession. While headline industrial production reporting for June showed a 0.3% monthly gain, along with some upside revision to March 2015 activity, the primary story from this broad measure of U.S. economic activity remains that the U.S. economy entered a "new"

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recession, likely in December 2014. This series, once used as the effective U.S. GDP measure and still used in determining the formal timing of U.S. recessions, now shows first-quarter 2015 production activity virtually unchanged versus the fourth-quarter 2014, second-quarter production activity in contraction versus the first-quarter 2015 and June 2015 annual growth at a level usually seen at the onset of formal recessions.

Not all series are signaling recession, but that circumstance and the likely initial reporting for second-quarter 2015 GDP will be discussed in Friday's *Commentary No. 736*, otherwise covering the June CPI, real retail sales and housing starts.

Today's headline industrial production details are subject to a massive benchmark revision next Tuesday, July 21st, although the Federal Reserve likely reported the headline June detail largely in line with those pending revisions (see *Benchmark Revision* section in the *Reporting Detail*). ShadowStats will cover the production benchmarking in *Commentary No. 737* of July 22nd, along with estimates of pending (July 30th) benchmark revisions to the GDP and a refined estimate of initial, second-quarter 2015 GDP reporting.

Today's Missive (July 15th). The balance of today's *Opening Comments* concentrates on the detail from the headline reporting of June 2015 Industrial Production and the Producer Price Index (PPI).

The *Hyperinflation Watch (Hyperinflation Outlook Summary)* has not been revised from the prior *Commentary*. The *Week Ahead* section previews for June housing starts and the CPI also are unrevised.

Industrial Production—June 2015—Second-Quarter 2015 Production Contracted, First-Quarter Change Revised to Flat. In the context of revisions boosting prior production levels in the February to March 2015 timeframe, June production activity rose by a headline 0.3%, reflecting a second-straight month of no growth in manufacturing, but with a shift to the upside in mining activity (oil and gas production).

Incorporating the June detail, headline industrial production has not seen anything close to the current economic weakness since the economic collapse into 2009. First-quarter 2015 production activity rose at a revised annualized quarterly pace of 0.1%, which was virtually unchanged on a straight quarter-to-quarter basis. Second-quarter 2015 production contracted at an annualized pace of 1.4% (-1.4%). Year-to-year June 2015 production growth declined to 1.5% from a revised 1.6% in May, a pattern of declining, low-level growth not seen since February of 2008, in the early months of the official 2007 recession.

With the revised numbers of the June reporting, the contraction in second-quarter 2015 production was the first-quarterly contraction in the series since second-quarter 2009, the formal trough of the recent economic collapse. The Fed's industrial production series still indicates that broad economic activity entered a "new" recession, likely to be timed officially from December of 2014.

Industrial Production—Headline June 2015 Detail. The first estimate of seasonally-adjusted, June 2015 industrial production showed headline monthly production up by 0.33%, following a revised decline of 0.22% (-0.22%) in May 2015. The June gain was in the context of an upside revision of 0.25% to the

base production index level as of March 2015, which generally was carried on through June. Accordingly, net of prior-period revisions, June 2015 production rose month-to-month by 0.58%.

Nonetheless, industrial production showed no growth in the first-half of 2015, with first-quarter 2015 annualized change versus fourth-quarter 2014 virtually unchanged at a revised annualized growth rate of 0.13% (0.037% straight quarter-to-quarter change) [previously down at an annualized quarterly pace of 0.30% (-0.30%)]. Second-quarter 2015 production contracted at an annualized pace of 1.44% (-1.44%) versus first-quarter 2015. Again, such weakness was seen last, during the economic collapse into 2009.

The 0.33% monthly gain in June 2015 production, and revised decline of 0.22% (-0.22%) in May, followed a revised drop of 0.46% (-0.46%) in April, a revised 0.18% gain in March, an unrevised February "unchanged" at up 0.05% (rounds to 0.0%), a revised January decline of 0.43% (-0.43%), and an unrevised "unchanged" at up 0.02% in December 2014.

By major industry group, the headline June 2015 monthly aggregate production gain of 0.3% [May contraction of 0.2% (-0.2%)] was composed of unchanged manufacturing activity in June [also unchanged in May]; a June gain of 1.0% [May decline of 2.1% (-2.1%)] in mining (oil and gas production); and a June gain of 1.5% [May gain of 1.2%] in utilities.

Year-to-year growth in June 2015 production slowed to 1.54%, versus a revised 1.61% annual gain in May, a revised 2.33% annual gain in April 2015, a revised 2.89% annual gain in March 2015, a revised 3.55% gain in February 2015, a revised 4.48% gain in January 2015, and a unrevised gain of 4.66% in December 2014. **A**nnual growth has not slowed to below 1.54% since February 2008, when the U.S. economic collapse began to intensify.

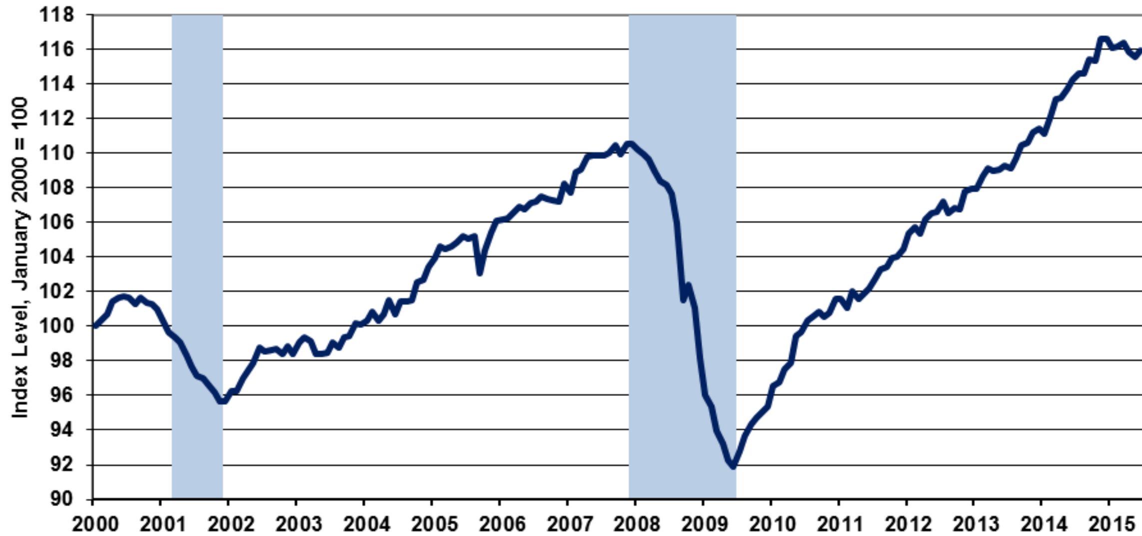
Production Graphs—Corrected and Otherwise. The *Reporting Detail* section includes the regular graphs of the industrial production level and year-to-year change, through June 2015. The level of headline production showed a topping-out process late in 2014, followed by renewed downturn into first- and second-quarter 2015. Such patterns of monthly and quarterly declines were last seen in the depths of the economic collapse from 2007 (or earlier) into 2009. Annual growth in June 2015 slowed to a level not seen since February 2008, a level consistent with the onset of a formal recession.

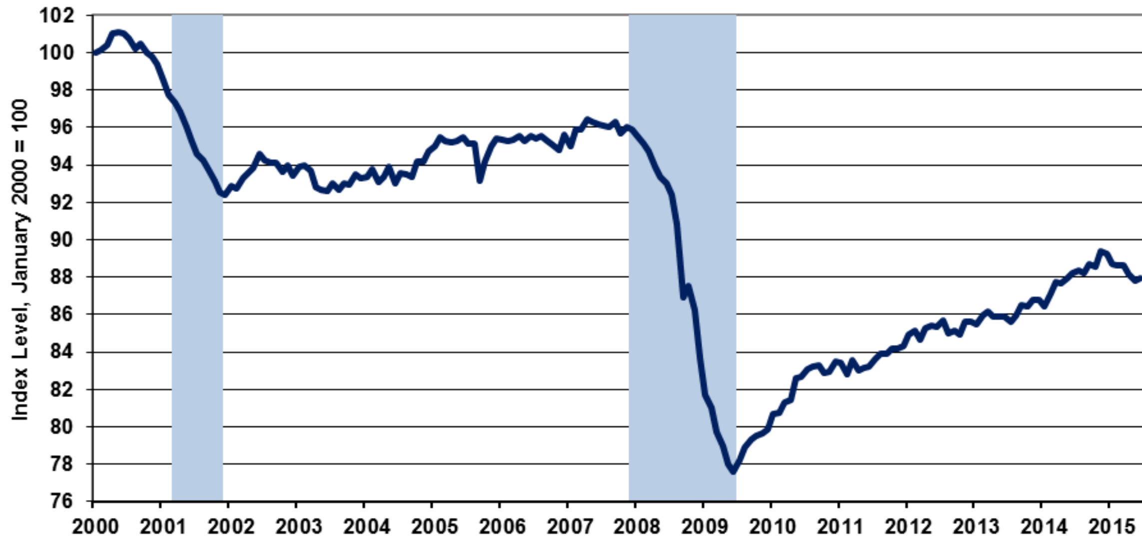
The two graphs that follow in this section address reporting quality issues tied just to the overstatement of headline growth that results directly from the Federal Reserve Board using too-low an estimate of inflation in deflating some components of its production estimates into real dollar terms, for inclusion in the index of industrial production.

Hedonic quality adjustments to the inflation estimates understate the inflation rates used in deflating those components. Such has the effect of overstating the resulting inflation-adjusted growth in the headline industrial production series (see *Public Comment on Inflation* and the *Chapter 9* of *2014 Hyperinflation Report—Great Economic Tumble*).

The first graph following shows official, headline industrial production reporting, but indexed to January 2000 = 100, instead of the Fed's formal index that is set at 2007 = 100. The 2000 indexing simply provides for some consistency in the series of revamped "corrected" graphics (including real retail sales, new orders for durable goods and the GDP); it does not affect the appearance of the graph or reported growth rates (as can be seen with a comparison to the graphs in the *Reporting Detail* section).

The second graph is a recast version of the first, corrected for the estimated understatement of the inflation used in deflating components of the production index. Estimated hedonic-inflation adjustments have been backed-out of the official industrial-production deflators used for headline reporting.





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The "corrected" graph shows some growth in the period subsequent to the official June 2009 trough in production activity. Yet, that upturn has been far shy of the full recovery and the renewed expansion reported in official GDP estimation (see *Commentary No. 731*). Unlike the headline industrial production data and the headline GDP numbers, corrected production levels have not recovered pre-recession highs. Instead, corrected production entered a period of protracted low-level, but up-trending, stagnation in 2010, with irregular quarterly contractions seen through 2014, and an irregular uptrend into 2014, a topping-out in late-2014 and turning down into the first two quarters of 2015. Where the corrected series has remained well shy of a formal recovery, both the official and corrected series suffered an outright contraction in second-quarter 2015, with the official series virtually unchanged in quarter-to-quarter activity in first-quarter 2015 (corrected series contracted), a pattern of severe economic weakness last seen during the economic collapse.

Producer Price Index (PPI)—June 2015—Final Demand PPI Rose by 0.36%, Reflecting Rising Gasoline Prices. The headline gain of 0.4% (0.36% at the second decimal point) in June PPI inflation was dominated by Final Demand Goods inflation of 0.73%. Once again, prices for energy-related products, which rose by a headline 2.44%, dominated the aggregate monthly increase in goods inflation, with higher gasoline prices accounted for a third of the goods-category inflation in June, per the Bureau of Labor Statistics (BLS). Food and "core" goods inflation also were up sharply. Separately, Final Demand Services inflation rose by 0.27% for the month, reflecting a 0.61% gain in transportation and warehousing.

From a practical standpoint, however, the aggregate Final Demand Producer Price Index has little relationship to real-world activity. Beyond issues of substitution and hedonic-quality-adjustment methodologies (see *Public Commentary on Inflation Measurement*), problems in the goods area have been and remain unstable seasonal factors (particularly as applied to energy), versus shifting market activity. In the services sector—the dominant component of the index, by weighting—inflation is defined in terms of profit margins, not prices, where those margins often move initially in the opposite direction of related prices (see further discussion on PPI series quality in the *Reporting Detail* section).

June 2015 Headline PPI Detail. The seasonally-adjusted, month-to-month, headline Producer Price Index (PPI) Final Demand inflation for June 2015 was up by 0.36%, versus 0.55% (rounds to 0.5%) in May. The broad impact of seasonal adjustments on headline PPI reporting turned negative in June, having been positive in May, with unadjusted month-to-month June inflation rising by 0.45%, versus an unadjusted gain of 0.27% in May. Also on a not-seasonally-adjusted basis—all annual growth rates are expressed unadjusted—year-to-year PPI inflation dropped by a narrower 0.72% (-0.72%) in June 2015, versus a May 2015 annual decline of 1.08% (-1.08%).

For the three major subcategories of June 2015 Final Demand PPI, headline monthly Goods inflation rose by 0.73%, Services inflation rose by 0.27%, and Construction inflation rose by 0.09%.

Final Demand Goods (Weighted at 34.67%). Running somewhat in parallel with the old Finished Goods PPI series, headline monthly Final Demand Goods inflation rose by 0.73% in June 2015, versus 1.29% in May. There was an aggregate negative impact on the headline June reading from underlying seasonal-

factor adjustments. Not-seasonally-adjusted, June Final Demand Goods inflation rose by 0.91% for the month.

Unadjusted, year-to-year goods inflation was down by 3.73% (-3.73%) in June 2015, versus an annual decline of 4.26% (-4.26%) in May 2015.

Headline seasonally-adjusted monthly changes by major components of the June 2015 Final Demand Goods:

- "Foods" inflation rose month-to-month by 0.59% in June 2015, versus a gain of 0.77% in May, with June's headline gain reduced by seasonal adjustments. Unadjusted, June foods inflation rose by 0.76% in the month. Unadjusted and year-to-year, June 2015 foods inflation contracted by 3.01% (-3.01%), versus a decline of 3.34% (-3.34%) in May 2015.
- "Energy" inflation increased by 2.43% in June 2015, versus a gain of 5.88% in May, with the June gain reduced by seasonal adjustments. Unadjusted, June energy inflation rose by 2.98% month-to-month. Unadjusted and year-to-year, the annual contraction in energy prices narrowed to 17.90% (-17.90%) in June 2015, versus an annual decline of 19.47% (-19.47%) in May 2015.
- "Less foods and energy" inflation, or "core" goods prices, rose by 0.36%, following an increase of 0.18% in May. Seasonal adjustments were positive for monthly core inflation, with the unadjusted June gain at 0.27%. Unadjusted and year-to-year, June 2015 core inflation rose by 0.64%, versus an annual gain of 0.46% in May 2015.

Final Demand Services (Weighted at 63.31% of the Aggregate). Headline monthly Final Demand Services inflation rose by 0.27% in June 2015, having been "unchanged" at 0.00% in May. The overall seasonal-adjustment impact on headline June services inflation was positive, with an unadjusted monthly June gain of 0.18%.

Year-to-year, unadjusted June 2015 services inflation was 0.83%, versus 0.64% in May 2015.

The headline monthly changes by major component for June 2015 Final Demand Services inflation:

- "Services less trade, transportation and warehousing" inflation, or the "Other" category, showed monthly inflation of 0.18% in June, offsetting a decline in inflation of 0.18% (-0.18%) in May. Seasonal-adjustment impact on the adjusted June detail was neutral, where the unadjusted monthly change also was a gain of 0.18%. Unadjusted and year-to-year, June 2015 "other" services inflation gained 1.02%, versus an annual increase of 1.03% in May 2015.
- "Transportation and warehousing" inflation rose month-to-month by 0.61% in June 2015, versus a monthly contraction of 0.09% (-0.09%) in May. Seasonal adjustments had a negative impact, where the unadjusted monthly gain in June was 0.87%. Unadjusted and year-to-year, June 2015 transportation inflation fell by 2.18% (-2.18%), following an annual drop of 2.29% (-2.29%) in May 2015.
- "Trade" inflation rose by 0.18% month-to-month in June 2015, following a monthly gain of 0.64% in May. Seasonal adjustments had a positive impact here, where the unadjusted monthly inflation fell by 0.09% (-0.09%) in June. Unadjusted and year-to-year, June 2015 trade inflation rose by 1.28%, versus a 0.54% annual gain in May 2015.

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Final Demand Construction (Weighted at 2.02% of the Aggregate). Although a fully self-contained subsection of the Final Demand PPI, Final Demand Construction inflation receives no formal headline coverage. Nonetheless, headline numbers are published, and month-to-month construction inflation rose by 0.09% in June 2015, for the third straight month. The impact of seasonal factors on the June reading was neutral. On an unadjusted basis, month-to-month June 2015 construction inflation also was up by 0.09%.

On an unadjusted basis, year-to-year construction inflation was up by 1.81% in June 2015, the same level as seen in May 2015.

- "Construction for private capital investment" inflation in June 2015 was up by 0.09%, following an "unchanged" reading at 0.00% in May. Seasonal adjustments had neutral impact, where the unadjusted monthly inflation gain also was 0.09%. Unadjusted and year-to-year, June 2015 private construction inflation was 1.72%, versus an annual gain of 1.73% in May 2015.

- "Construction for government" inflation rose month-to-month by 0.18% in June 2015, the same monthly gain as seen in May. Seasonal adjustments had positive impact, where unadjusted monthly June inflation was 0.09%. Unadjusted and year-to-year, June 2015 government construction inflation was 1.81%, versus an annual gain of 1.90% in May 2015.

[The* Reporting Detail *section provides further information on June Industrial Production and the PPI.]

HYPERINFLATION WATCH

HYPERINFLATION OUTLOOK SUMMARY

Broad Outlook Is Unchanged: Economy Remains in Downturn; Dollar Faces Massive Decline with Ongoing Implications for a Hyperinflation Crisis. The *Hyperinflation Outlook Summary* has not been revised from its prior publication.

The U.S. economy remains in ongoing downturn, while the U.S. dollar faces a massive decline, with implications for a meaningful upturn in inflation evolving into a great hyperinflationary crisis. Signs of systemic instability are increasing anew.

Background. Underlying this missive, *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 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 have been met by unfettered monetization of the national debt and obligations, leading to an eventual hyperinflation by 2020, as first estimated by ShadowStats in 2004. That time horizon for the hyperinflation forecast was moved to 2014, as a result of the 2008 Panic, the near-collapse of the financial system, and official (U.S. government and Federal Reserve) response to same. That hyperinflation forecast remains in place, adjusted to 2015, as discussed in *No. 692*.

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 the *Hyperinflation Report—First Installment Revised* (linked earlier). The following summarizes the underlying current circumstance and recent developments.

The U.S. dollar rallied sharply from mid-2014 into early-2015, initially reflecting likely covert financial sanctions and oil-price manipulations by the United States, aimed at creating financial stresses for Russia, in the context of the Ukraine situation. Relative U.S. economic strength, and the relative virtuousness of Fed monetary policy versus major U.S. trading partners, were heavily picked-up on and heavily over-estimated by the global markets looking to support the dollar. Yet structural faults started to appear in the foundation underpinning U.S. dollar strength (see *Commentary No. 711*).

Consistent with the above referenced *Special Commentaries*, the unfolding, weakening domestic-economic circumstance in 2015, in confluence with other fundamental issues, had 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 a result, the U.S. dollar backed off its recent highs, with some related upside pressure having been seen on oil prices, but those changes have been relatively small, so far.

First-quarter 2015 U.S. GDP contracted by 0.2% (-0.2%) as per its second and "final" revision, other than for benchmark revisions due on July 30th (*Commentary No. 731*). Although early reporting on the second-quarter economy indicated the likelihood of a second, consecutive quarterly GDP downturn, which would constitute a "new" recession, reporting of the last several weeks has been relatively strong, as discussed in the *Opening Comments* of *Commentary No. 726*. Such strong numbers should prove increasingly fleeting in the next four-to-five weeks, with a second-quarter GDP contraction still likely.

Nonetheless, the Fed could raise interest rates at any time, irrespective of economic activity. Where the stock and currency markets pretty much already have anticipated such action in their pricing, the big

market moves ahead should come from areas such as downside surprises in U.S. economic reporting, which increasingly will show an ongoing contraction in activity.

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, if the Fed has not already tightened, but also renewing expectations for a more-accommodative or newly-accommodative Fed. While such could 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 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. These circumstances should continue to unwind what had been the sharp and generally ongoing rally in the U.S. dollar's exchange rate since mid-2014, and the broadly-related selling pressures seen in the gold and silver markets.

A crash back to recognition of more-realistic domestic-economic circumstances began, then faltered recently, but should resume shortly, possibly a matter of weeks. 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; and 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 for heavy selling of the dollar.

Current Economic Issues versus Underlying U.S. Dollar Fundamentals. U.S. economic activity is turning down anew, despite brief fluttering in unstable series. GDP and industrial production face heavy downside-benchmark revisions through the end of July. Other key series all have benchmarked to the downside. Weak, underlying economic reality generally has surfaced in headline reporting. That should become increasingly and painfully obvious to the financial markets in the detail and revisions of the weeks and months ahead, for series such as real retail sales, production, housing and construction, the trade deficit and payroll employment. Again, headline GDP will be in trouble.

As financial-market expectations resume shifting 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, more than fully reversing the dollar's gains since June 2014, and 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—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. Nonetheless, the Fed still likely would move to normalize interest rates (see *Opening Comments* of *Commentary No. 726*), if it could get away with it. The FOMC

meeting of June 17th apparently concluded that the Fed could not get away with it (see *Opening Comments* of Commentary No. 729).

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; if the Fed does not act quickly to extricate itself from prior actions, 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). Such 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 re-imposed 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.

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, increasingly 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 the ability of the Federal Reserve to control its 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 details in the *Opening Comments* of Commentary No. 729). 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 operates 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. If the Fed does not move soon to boost interest rates, it may be trapped in a renewed expansion to quantitative easing, 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 any 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 fiscal and economic issues are nil, except possibly for new trade legislation, which would compound domestic economic problems. Issues such as non-recovered, faltering economic activity, the consumer liquidity crisis and the nation's long-range solvency should continue to devolve into extreme political crises.

- ***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, significant 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.

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REPORTING DETAIL

INDEX OF INDUSTRIAL PRODUCTION (June 2015)

Second-Quarter 2015 Production Contracted, First-Quarter Change Revised to Flat. In the context of revisions boosting prior production levels in the February to March 2015 timeframe, June production activity rose by a headline 0.3%, reflecting a second-straight month of no growth in manufacturing, but with a shift to the upside in mining activity (oil and gas production).

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Although all the headline details published today are subject to a massive benchmark revision next Tuesday, July 21st, the Federal Reserve likely reported the headline June detail largely in line with the pending revisions (see *Benchmark Revisions* section).

Given the June headline detail, headline industrial production has not seen anything close to the current economic weakness since the economic collapse into 2009. First-quarter 2015 production activity rose at a revised annualized quarterly pace of 0.1% [previously down by 0.3% (-0.3%)], which was virtually unchanged on a straight quarter-to-quarter basis. Second-quarter 2015 production contracted at an annualized pace of 1.4% (-1.4%). Year-to-year June 2015 production growth declined to 1.5% from a revised 1.6% in May, a pattern of declining, low-level growth not seen since February of 2008, in the early months of the official 2007 recession.

With the revised numbers of the June reporting, the contraction in second-quarter 2015 production was the first-quarterly contraction in the series since second-quarter 2009, the formal trough of the recent economic collapse. The Fed's industrial production series still indicates that broad economic activity entered a "new" recession, likely to be timed officially from December of 2014.

Industrial Production—June 2015. The Federal Reserve Board released its first estimate of seasonally-adjusted, June 2015 industrial production this morning (July 15th). Headline monthly production in June rose by 0.33%, following a revised decline of 0.22% (-0.22%) [previously down by 0.17% (-0.17%)] in May 2015. The June gain was in the context of an upside revision of 0.25% to the base production index level as of March 2015, which generally was carried on through June. Accordingly, net of prior-period revisions, June 2015 production rose month-to-month by 0.58%.

Nonetheless, industrial production showed no growth in the first-half of 2015, with first-quarter 2015 annualized change versus fourth-quarter 2014 virtually unchanged at a revised annualized growth rate of 0.13% (0.037% straight quarter-to-quarter change) [previously down at an annualized quarterly pace of 0.30% (-0.30%), down by 0.66% (-0.66%), and initially down by 0.97% (-0.97%)]. Second-quarter 2015 production contracted at an annualized pace of 1.44% (-1.44%) versus first-quarter 2015. Again, such weakness was seen last, during the economic collapse into 2009.

The 0.33% monthly gain in June 2015 production, and revised decline of 0.22% (-0.22%) in May, followed a revised drop of 0.46% (-0.46%) [previously down by 0.50% (-0.50%), initially down by 0.26% (-0.26%)] in April, a revised 0.18% gain [previously "unchanged" at up 0.01%, down by 0.32% (-0.32%), and initially down by 0.64% (-0.64%)] in March, an unrevised February "unchanged" at up 0.05% (rounds to 0.0%) [previously "unchanged" at down 0.04% (-0.04%), down by 0.06% (-0.06%), up by 0.10%, and initially up by 0.07%], a revised January decline of 0.43% (-0.43%) [previously down by 0.42% (-0.42%), down by 0.34% (-0.34%), down by 0.41% (-0.41%), down by 0.32% (-0.32%) and initially up by 0.15%], and an unrevised "unchanged" at up 0.02% in December 2014.

By major industry group, the headline June 2015 monthly aggregate production gain of 0.3% [May contraction of 0.2% (-0.2%)] was composed of unchanged manufacturing activity in June [also unchanged in May]; a June gain of 1.0% [May decline of 2.1% (-2.1%)] in mining (oil and gas production); and a June gain of 1.5% [May gain of 1.2%] in utilities.

Year-to-year growth in June 2015 production slowed to 1.54%, versus a revised 1.61% [previously 1.37%] annual gain in May, a revised 2.33% [previously 2.03%, initially 1.93%] annual gain in April

2015, a revised 2.89% [previously 2.63%, 2.28%, initially 2.05%] annual gain in March 2015, a revised 3.55% [previously 3.47%, 3.46%, 3.56% and initially 3.47%] gain in February 2015, a revised 4.48% [previously 4.49%, 4.50%, 4.42%, 4.36% and initially 4.81%] gain in January 2015, and a unrevised gain of 4.66% in December 2014. Annual growth has not slowed to below 1.54% since February 2008, when the U.S. economic collapse began to intensify.

July 21st Benchmark Revisions Should Show Weaker Historical Production, with Negative Implications for GDP Benchmarking. A massive benchmark revision and revamping of the industrial production series is scheduled for Tuesday, July 21st, nine days shy of the July 30th annual revisions to the GDP, the new production detail should be incorporated into the GDP revisions.

The Federal Reserve's revisions to the industrial production series will correct historical detail with more-complete information, as it has become available, along with redefinitions back to 1972. In addition to the redefinitions, the series also will be re-indexed from 2007 = 100 to 2012 = 100. Last year's (March 2014) benchmark revision largely was incomplete, lacking detail from the regular Census of Manufactures (2012), which apparently had been delayed in its release by the government shutdown of October 2013. As a result, what could have been major downside revisions to 2012 and 2013 industrial production activity (and broader GDP activity) never took place (see *Commentary No. 613*). That should be corrected on July 21st.

ShadowStats will cover the production benchmarking in *Commentary No. 737* of July 22nd, along with estimations of pending benchmark revisions to the GDP.

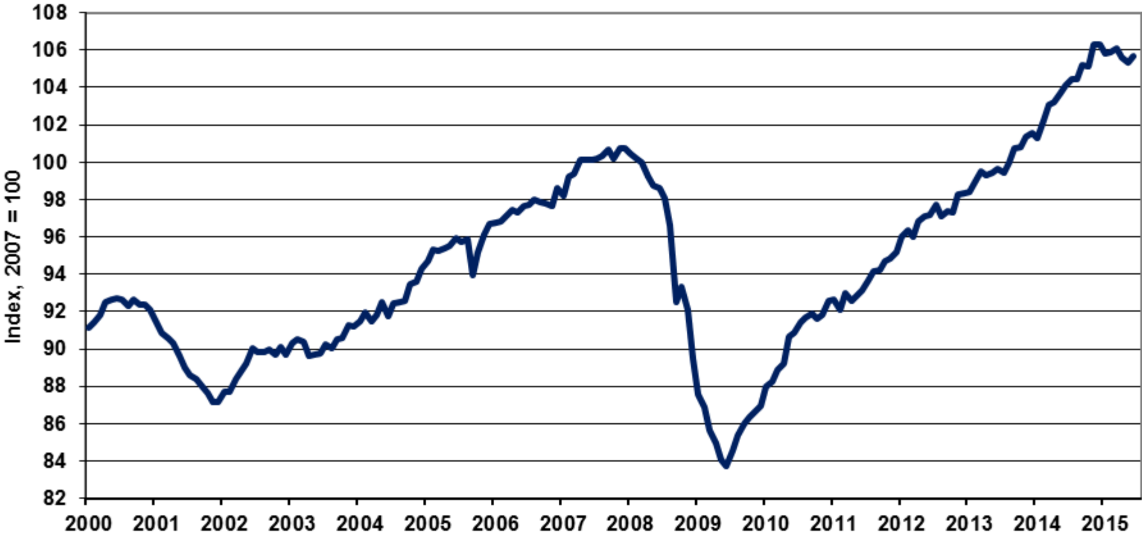
Production Graphs. The following two sets of graphs reflect headline industrial production activity to date. The first graph in the first set shows the monthly level of the production index, with a topping-out and renewed downturn—monthly and quarterly contractions—seen in the last seven months of reporting. Such patterns of monthly and quarterly stagnation and decline were seen last in the economic collapse from 2007 (or earlier) into 2009.

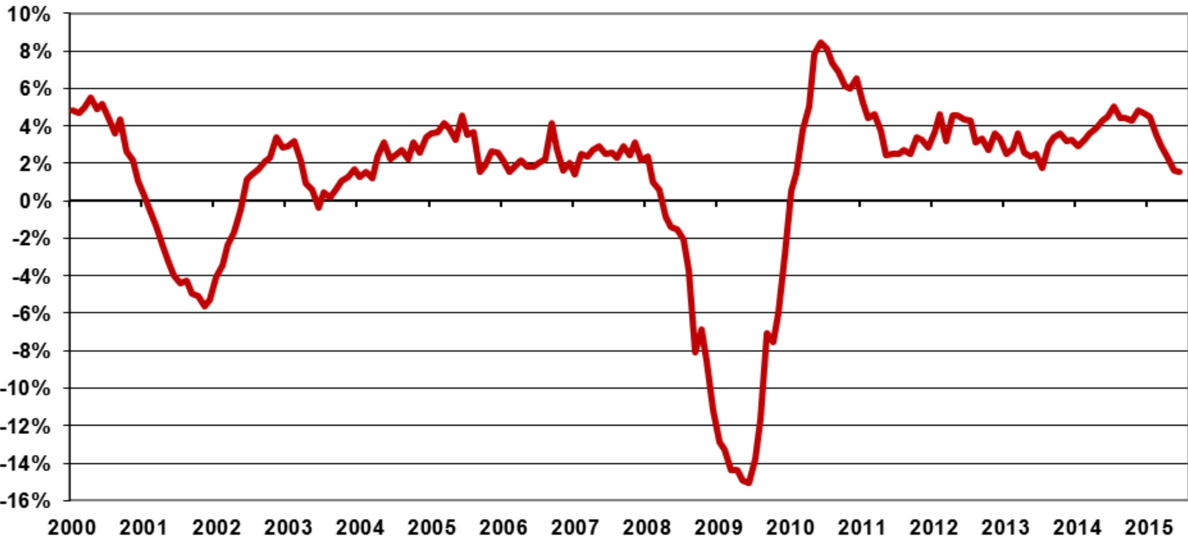
The second graph shows the year-to-year percentage change in the same series for recent historical detail, beginning January 2000. Annual growth has slowed sharply, to a level that almost always has preceded or accompanied the onset of headline recessions (the circumstance of the 2001 recession lingered into 2003, see *2014 Hyperinflation Report—Great Economic Tumble*). The second set of graphs shows the same data in historical context since World War II.

Shown more clearly in the first set of graphs, the pattern of year-to-year activity dipped anew in 2013, again, to levels usually seen at the onset of recessions, bounced higher into mid-2014, fluctuated thereafter and has headed even lower in recent months. Annual growth remains well off the recent relative peak for the series, which was 8.49% in June 2010, going against the official June 2009 trough of the economic collapse. Indeed, as shown in the second set of graphs, the year-to-year contraction of 15.06% in June 2009—the end of second-quarter 2009—was the steepest annual decline in production since the shutdown of war-time production following World War II.

Although official production levels have moved higher since the June 2009 trough, corrected for the understatement of inflation used in deflating portions of the industrial production index (see the *Opening Comments* section) the series has shown more of a pattern of stagnation with a slow upside trend, since 2009, with irregular quarterly contractions interspersed. The slow uptrend continued into a topping out

pattern in late-2014. Headline growth was flat in first-quarter 2015 but fell into quarterly contraction in second-quarter 2015. The "corrected" series remains well shy of a formal recovery.





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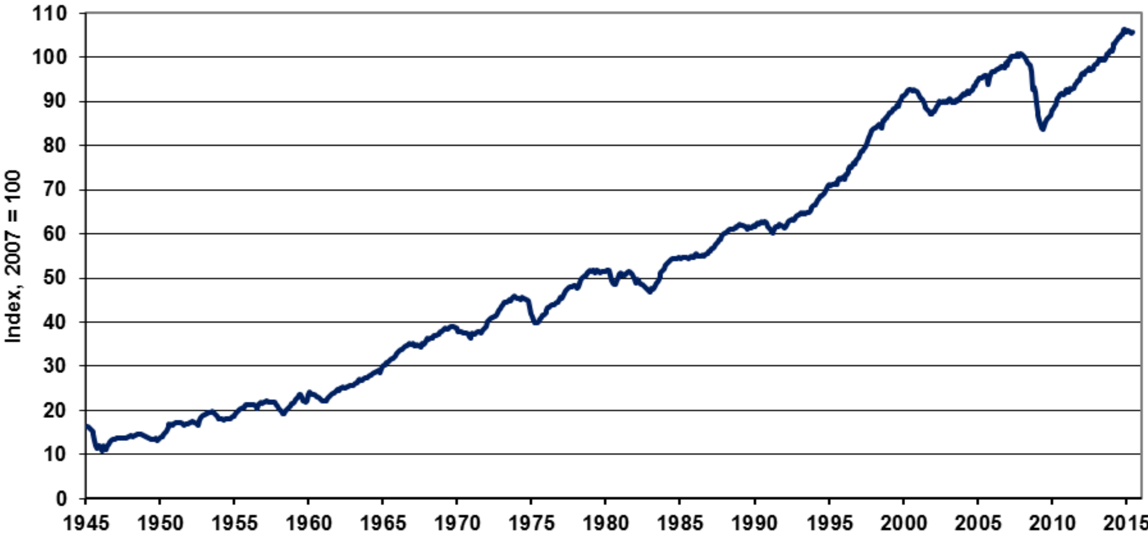

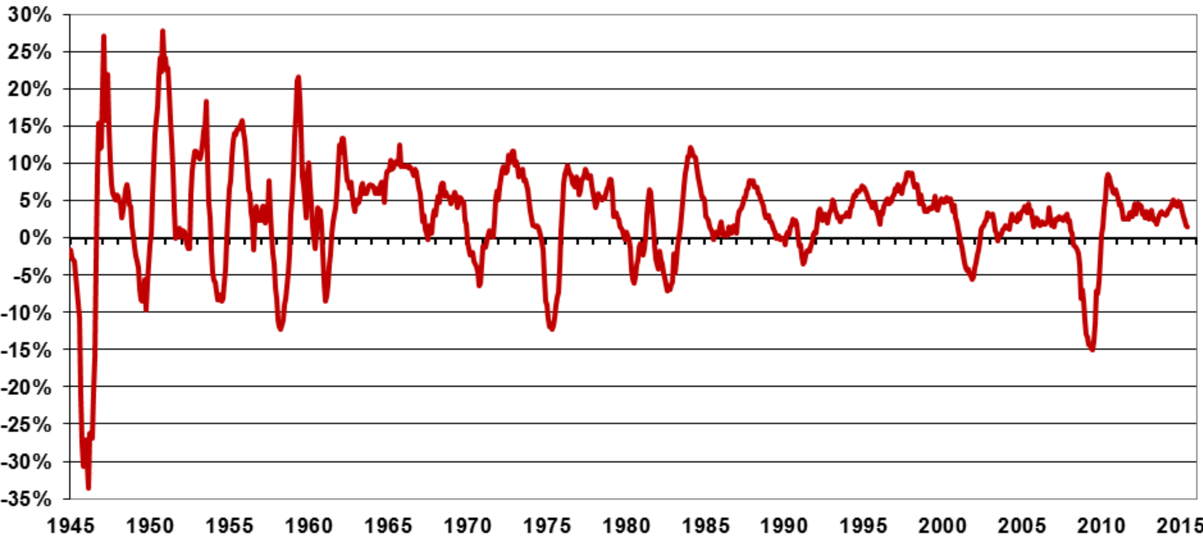

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PRODUCER PRICE INDEX—PPI (June 2015)

June Final Demand PPI Rose by 0.36%, Reflecting Rising Energy Prices. The headline gain of 0.4% (0.36% at the second decimal point) in June PPI inflation was dominated by Final Demand Goods inflation of 0.73%. Once again, prices for energy-related products, which rose by a headline 2.44%, dominated the aggregate increase in goods inflation, with higher gasoline prices accounted for a third of the goods-category inflation in June, per the Bureau of Labor Statistics (BLS). Food and "core" goods inflation also were up sharply. Separately, Final Demand Services inflation rose by 0.27% for the month, reflecting a 0.61% gain in transportation and warehousing.

From a practical standpoint, however, the aggregate Final Demand Producer Price Index has little relationship to real-world activity. Beyond issues of substitution and hedonic-quality-adjustment methodologies (see *Public Commentary on Inflation Measurement*), problems in the goods area have been and remain unstable seasonal factors (particularly as applied to energy), versus shifting market activity. In the services sector—the dominant component of the index, by weighting—inflation is defined in terms of profit margins, not prices, where those margins often move initially in the opposite direction of related prices.

Inflation that Is More Theoretical than Real World? *[This background text is as published previously.]* Effective with January 2014 reporting, a new Producer Price Index (PPI) replaced what had been the traditional headline monthly measure of wholesale inflation in Finished Goods (see *Commentary No. 591*). In the new headline monthly measure of wholesale Final Demand, Final Demand Goods basically is the old Finished Goods series, albeit expanded.

The new and otherwise dominant Final Demand Services sector largely reflects problematic and questionable surveying of intermediate or quasi-wholesale profit margins in the services area. To the extent that profit margins shrink in the services sector, one could argue that the resulting lowered estimation of inflation actually is a precursor to higher inflation, as firms subsequently would move to raise prices, in an effort to regain more-normal margins. In like manner, in the circumstance of "increased" margins—due to the lower cost of petroleum-related products not being passed along immediately to customers—competitive pressures to lower margins would tend to be reflected eventually in reduced retail prices (CPI). The oil-price versus margin gimmick works both way. In times of rapidly rising oil prices, it mutes the increase in Final Demand inflation, in times of rapidly declining oil prices; it tends to mute the decline in Final Demand inflation.

The new PPI series remains an interesting concept, but it appears limited as to its aggregate predictive ability versus general consumer inflation. Further, there is not enough history available on the new series (just six years of post-2008-panic data) to establish any meaningful relationship to general inflation or other economic or financial series.

June 2015 Headline PPI Detail. The Bureau of Labor Statistics (BLS) reported July 15th that the seasonally-adjusted, month-to-month, headline Producer Price Index (PPI) Final Demand inflation for June 2015 was up by 0.36%, versus 0.55% (rounds to 0.5%) in May.

The broad impact of seasonal adjustments on headline PPI reporting turned negative in June, having turned positive in May, with unadjusted month-to-month June inflation rising by 0.45%, versus an unadjusted gain of 0.27% in May. Also on a not-seasonally-adjusted basis—all annual growth rates are

expressed unadjusted—year-to-year PPI inflation dropped by a narrower 0.72% (-0.72%) in June 2015, versus a May 2015 annual decline of 1.08% (-1.08%).

For the three major subcategories of June 2015 Final Demand PPI, headline monthly Goods inflation rose by 0.73%, Services inflation rose by 0.27%, and Construction inflation rose by 0.09%.

Final Demand Goods (Weighted at 34.67%). Running somewhat in parallel with the old Finished Goods PPI series, headline monthly Final Demand Goods inflation rose by 0.73% in June 2015, versus 1.29% in May. There was an aggregate negative impact on the headline June reading from underlying seasonal-factor adjustments. Not-seasonally-adjusted, June Final Demand Goods inflation rose by 0.91% for the month.

Unadjusted, year-to-year goods inflation was down by 3.73% (-3.73%) in June 2015, versus an annual decline of 4.26% (-4.26%) in May 2015.

Headline seasonally-adjusted monthly changes by major components of the June 2015 Final Demand Goods:

- "Foods" inflation rose month-to-month by 0.59% in June 2015, versus a gain of 0.77% in May, with June's headline gain reduced by seasonal adjustments. Unadjusted, June foods inflation rose by 0.76% in the month. Unadjusted and year-to-year, June 2015 foods inflation contracted by 3.01% (-3.01%), versus a decline of 3.34% (-3.34%) in May 2015.
- "Energy" inflation increased by 2.43% in June 2015, versus a gain of 5.88% in May, with the June gain reduced by seasonal adjustments. Unadjusted, June energy inflation rose by 2.98% month-to-month. Unadjusted and year-to-year, the annual contraction in energy prices narrowed to 17.90% (-17.90%) in June 2015, versus an annual decline of 19.47% (-19.47%) in May 2015.
- "Less foods and energy" inflation, or "core" goods prices, rose by 0.36%, following an increase of 0.18% in May. Seasonal adjustments were positive for monthly core inflation, with the unadjusted June gain at 0.27%. Unadjusted and year-to-year, June 2015 core inflation rose by 0.64%, versus an annual gain of 0.46% in May 2015.

Final Demand Services (Weighted at 63.31% of the Aggregate). Headline monthly Final Demand Services inflation rose by 0.27% in June 2015, having been "unchanged" at 0.00% in May. The overall seasonal-adjustment impact on headline June services inflation was positive, with an unadjusted monthly June gain of 0.18%.

Year-to-year, unadjusted June 2015 services inflation was 0.83%, versus 0.64% in May 2015.

The headline monthly changes by major component for June 2015 Final Demand Services inflation:

- "Services less trade, transportation and warehousing" inflation, or the "Other" category, showed monthly inflation of 0.18% in June, offsetting a decline in inflation of 0.18% (-0.18%) in May. Seasonal-adjustment impact on the adjusted June detail was neutral, where the unadjusted monthly change also was a gain of 0.18%. Unadjusted and year-to-year, June 2015 "other" services inflation gained 1.02%, versus an annual increase of 1.03% in May 2015.
- "Transportation and warehousing" inflation rose month-to-month by 0.61% in June 2015, versus a monthly contraction of 0.09% (-0.09%) in May. Seasonal adjustments had a negative impact,

where the unadjusted monthly gain in June was 0.87%. Unadjusted and year-to-year, June 2015 transportation inflation fell by 2.18% (-2.18%), following an annual drop of 2.29% (-2.29%) in May 2015.

- "Trade" inflation rose by 0.18% month-to-month in June 2015, following a monthly gain of 0.64% in May. Seasonal adjustments had a positive impact here, where the unadjusted monthly inflation fell by 0.09% (-0.09%) in June. Unadjusted and year-to-year, June 2015 trade inflation rose by 1.28%, versus a 0.54% annual gain in May 2015.

Final Demand Construction (Weighted at 2.02% of the Aggregate). Although a fully self-contained subsection of the Final Demand PPI, Final Demand Construction inflation receives no formal headline coverage. Nonetheless, headline numbers are published, and month-to-month construction inflation rose by 0.09% in June 2015, for the third straight month. The impact of seasonal factors on the June reading was neutral. On an unadjusted basis, month-to-month June 2015 construction inflation also was up by 0.09%.

On an unadjusted basis, year-to-year construction inflation was up by 1.81% in June 2015, the same level as seen in May 2015.

- "Construction for private capital investment" inflation in June 2015 was up by 0.09%, following an "unchanged" reading at 0.00% in May. Seasonal adjustments had neutral impact, where the unadjusted monthly inflation gain also was 0.09%. Unadjusted and year-to-year, June 2015 private construction inflation was 1.72%, versus an annual gain of 1.73% in May 2015.

- "Construction for government" inflation rose month-to-month by 0.18% in June 2015, the same monthly gain as seen in May. Seasonal adjustments had positive impact, where unadjusted monthly June inflation was 0.09%. Unadjusted and year-to-year, June 2015 government construction inflation was 1.81%, versus an annual gain of 1.90% in May 2015.

Discussed in *Commentary No. 732*, ShadowStats uses the "final demand construction" index for deflating headline activity in the monthly construction-spending series. The June 2015 construction spending series will be released on August 3rd and covered in the ShadowStats *Commentary* of August 5th.

PPI-Inflation Impact on Pending Reporting of Durable Goods. As to the upcoming reporting of June 2015 new orders for durable goods, unadjusted monthly inflation for new orders for manufactured durable goods in June 2015 was a decline of 0.12% (-0.12%) for the second consecutive month. Annual inflation was a positive 0.06% in June 2015, versus an annual gain of 0.24% in May 2015. June 2015 durable goods orders will be released on July 27th and covered in the ShadowStats *Commentary* of that date.

WEEK AHEAD

Headline Economic Reporting and Revisions Should Trend Much Weaker than Expected; Inflation Will Rise Anew, Along with Rising Oil Prices. In a fluctuating trend to the downside, amidst mixed reporting in headline numbers, market expectations for business activity nonetheless respond primarily to the latest market hype. The general effect tends to hold the market outlook at overly-optimistic levels. Expectations exceed any potential, underlying economic reality.

GDP excesses from 2014 should face downside adjustments in the July 30, 2015 GDP benchmark, and subsequent to the current headline contraction in first-quarter 2015 GDP, expectations for headline growth in second-quarter 2015 should resume shifting to the downside, as headline economic reporting turns lower, particularly in the week ahead.

Headline CPI-U consumer inflation—recently driven lower by collapsing prices for gasoline and other oil-price related commodities—likely has seen 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, but dropping by 0.2% (-0.2%) in April 2015. A large jump in gasoline prices for May 2015 and a softening of negative seasonal-adjustments for gasoline promise generated a headline monthly increase in May 2015 CPI-U inflation of 0.4%, with annual inflation effectively pulling even with zero. Year-to-year CPI inflation increasingly will be going against negative year-ago numbers in the months ahead, and should move into relative positive territory with the upcoming headline June 2015 reporting.

Significant upside inflation pressures are building, as oil prices rebound, a process that should 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* and in the *Hyperinflation Outlook Summary*.

A Note on Reporting-Quality Issues and Systemic-Reporting Biases. Significant reporting-quality problems remain with most major economic series. See *Commentary No. 722* as to recent market and political pressures on the Bureau of Economic Analysis (BEA) relative to GDP reporting. Any meaningful, overt shifts by the BEA in headline GDP reporting methodology, other than those already planned for the July 30, 2015 benchmarking, would be extraordinary in terms of BEA behavior and are not likely. Still, some gimmicked, less-negative summary numbers already have been planned for publication.

Beyond the pre-announced gimmicked changes to reporting methodologies of the last several decades, ongoing headline reporting issues are tied largely to systemic distortions of monthly 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, explored in the labor-numbers 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:

Consumer Price Index—CPI (June 2015). The Bureau of Labor Statistics (BLS) plans the June 2015 CPI for release on Friday, July 17th. The headline CPI-U should be on the plus-side, month-to-month, for the fourth straight month, with headline annual inflation turning positive for the first time in six months.

The average gasoline price moved higher in June 2015, up by 2.96% for the month on a not-seasonally-adjusted basis, per the Department of Energy (DOE). BLS seasonal adjustments to gasoline prices in June traditionally turn to the plus-side, pushing the headline, unadjusted gain in gasoline prices enough higher to contribute 0.14% to the headline CPI-U monthly inflation rate. With higher food and "core" (net of food and energy) inflation, a headline gain of 0.3% is likely. Such also is the consensus headline expectation published by both Bloomberg and MarketWatch.

Annual Inflation Rate. Year-to-year, CPI-U inflation would increase or decrease in the June 2015 reporting, dependent on the seasonally-adjusted monthly change, versus the adjusted, headline 0.17% monthly inflation gain for June 2014. The adjusted change is used here, since that is how consensus expectations are expressed. To approximate the annual unadjusted inflation rate for June 2015, the difference in June's headline monthly change (or forecast of same), versus the year-ago monthly change, should be added to or subtracted directly from the May 2015 negative annual year-to-year change of 0.04% (-0.04%). Headline monthly inflation of roughly 0.2% would be needed in order to push the headline annual June CPI-U inflation rate minimally into positive territory, and the headline monthly gain for June is a good bet to exceed that.

Residential Construction—Housing Starts (June 2015). The Census Bureau will release June 2015 residential construction detail, including housing starts, on Friday, July 17th. In line with common-reporting experience of recent years, monthly results are likely to be unstable and not statistically meaningful. Irrespective of the headline detail, the broad pattern should remain generally consistent with the low-level and down-trending stagnation seen currently in the series. Such is particularly evident with the detail viewed in the context of a six-month moving average of activity. This series also is subject to regular and extremely-large prior-period revisions.

As discussed in Commentary No. 660 on the August 2014 version of this most-unstable of monthly economic series, the monthly headline reporting detail here simply is worthless, again, best viewed in terms of a six-month moving average. Not only is month-to-month reporting volatility extreme, but also those headline monthly growth rates rarely come close to being statistically significant.

Consensus expectations are for something shy of a headline decline of 10% (-10%) from May's initial headline reporting [both MarketWatch and Bloomberg]. Irrespective of otherwise statistically-

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meaningless expectations, the broad, general pattern of down-trending stagnation almost certainly continued in headline June 2015 activity.

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