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

COMMENTARY NUMBER 794
New Orders for Durable Good, New- and Existing-Home Sales

March 24, 2016

Nominal Durable Goods Orders on Track for First-Quarter Contraction,
Both Before and After Consideration of Commercial Aircraft Orders

February Orders Fell versus Downwardly-Revised January Reporting

On Track for Quarterly and Annual First-Quarter Contractions,
Unstable New-Home Sales Held in Smoothed, Low-Level Stagnation

Existing-Home Sales Tumbled Anew Amidst
Unstable Reporting and a Continued Increase in Distressed Sales

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PLEASE NOTE: The next regular Commentary, *scheduled for tomorrow, Friday, March 25th, will cover the third estimate of, second revision to fourth-quarter GDP, along with the initial GDI and GNP reporting for the quarter. Updates will follow as needed with financial-market circumstances.*

Best wishes to all — John Williams

OPENING COMMENTS AND EXECUTIVE SUMMARY

Headline Reporting in Home Sales and Durable Goods Orders Remained Consistent with an Ongoing and Deepening Recession. Weakness in headline durable goods orders and new- and existing-home sales activity for February 2016 remained consistent with an ongoing and deepening economic downturn. Such is despite market expectations holding for an unrevised third guess, tomorrow, March 25th, of a statistically-insignificant 1.0% real annualized gain in fourth-quarter 2015 GDP. Eventually, headline fourth-quarter GDP activity should revise into negative territory, whether it is tomorrow (although unlikely now), or in its next revision in the GDP benchmarking of July 29, 2016.

Along with some near-term prior quarters, enough downside revisions loom in the GDP series for a comfortable consensus call on a recession, after the benchmarking. Market consensus increasingly should move in that direction, given highly likely, near-term historical downside annual benchmark revisions looming for the industrial production, retail sales, construction and durable goods orders series during April and May. All will affect the revisions to the headline Gross Domestic Product (GDP) series.

Separately, first-quarter 2016 also has begun to shape up as a real quarterly GDP contraction. Assuming that likelihood is confirmed in the reporting of March 2016 production, real retail sales and housing in the April 11th week, consensus movement into the "recession" camp should be meaningful.

Also, in addition to the third estimate of fourth-quarter 2015 GDP, the initial estimates of fourth-quarter 2015 Gross Domestic Income (GDI) and Gross National Product (GNP) will be reported tomorrow, and those series often offer unusual twists to the headline national income reporting. The GDI is the income-side equivalent to the consumption-side GDP, although the two measures rarely are close, net of the "statistical discrepancy" adjustment. The GNP remains the broadest measure of the U.S. economy, where the GDP is the GNP net of international flow in interest and dividend payments. The period subsequent to the Panic of 2008 has shown unusual volatility.

More detail will follow in tomorrow's *Commentary No. 795.*

Today's *Commentary* (March 24th). The balance of these *Opening Comments* provides summary coverage of February 2016 New Orders for Durable Goods and New- and Existing-Home Sales. The most recent *Hyperinflation Outlook Summary* is found in *Commentary No. 783*, again with *No. 777 Year-End Special Commentary* as background to currently unfolding financial-market circumstances.

The *Week Ahead* section previews tomorrow's GDP revision (see also the opening paragraphs here and in the prior *Commentary No. 793*).

New Orders for Durable Goods—February 2016—Down for the Month and Quarter, in the Context of Negative Revisions. Headline February 2016 durable goods orders fell by 2.8% (-2.8%), about as expected by the markets, in the context of a downside revision of 0.7% (-0.7%) to the previously reported level of January 2016 activity [January's prior headline monthly gain of 4.9% was revised lower to 4.2%]. Somewhat more than half of the February monthly contraction came a from decline in commercial aircraft orders, with other declining activity spread broadly across most major orders categories (minor gains in computers, motor vehicles and "other" goods excepted). Inventories declined more sharply in February 2016 than in January, suggestive of a less-than-robust inventory-building prop to the initial estimate of first-quarter 2016 GDP growth on April 28th.

This regularly-volatile orders series declined in the month, with major trends holding negative. Given the patterns of general decline in the monthly, quarterly and annual activity of the last year, and the developing quarterly contraction in first-quarter 2016, the broad signal for unfolding U.S. economic activity remained sharply negative, with the summary statistics and smoothed six-month average trends still signaling a deepening and ongoing recession.

Quarterly Growth. Annualized quarterly declines in real new orders (ex-commercial aircraft) were 5.58% (-5.58%) in fourth-quarter 2014 and 7.73% (-7.73%) in first-quarter 2015. Activity in these durable goods order tends to be a solid leading indicator of activity in industrial production. With appropriate one-quarter lags, those quarterly contractions in real orders were followed by quarterly contractions in both first- and second-quarter 2015 industrial production.

Annualized real change for second-quarter 2015 orders was a gain of 2.10%, with third-quarter activity up at an annualized 10.38%. Fourth-quarter 2015 orders, contracted at a revised pace of 1.85% (-1.85%). Based solely on January and February 2016 reporting, the series was on early track for real, annualized quarterly growth of 0.56% [previously up by 4.89% based just on initial January reporting]. The quarterly gains or muted real contractions here are due partially to highly-suspect, and increasingly-negative durable goods inflation in the PPI reporting, which has the effect of boosting the real monthly-, quarterly- and annual-growth detail.

Third-quarter industrial production growth was on the plus-side, but fourth-quarter 2015 industrial production collapsed. Fourth-quarter 2015 durable goods orders are a negative indicator for first-quarter 2016 production, where production now has turned negative in trend, a continued solid signal for a deepening recession (see *Commentary No. 793*).

On a nominal basis (before inflation adjustment), fourth-quarter 2015 orders growth—again, ex-commercial aircraft—fell at a minimally-revised annualized quarterly pace of 2.71% (-2.71%), versus a third-quarter 2015 unrevised annualized gain of 8.63%, second-quarter 2015 quarterly annualized growth of 0.57%, a first-quarter 2015 annualized contraction of 7.29% (-7.29%), and a decline in fourth-quarter 2014 of 4.36% (-4.36%). Based solely on January and February 2016 reporting, annualized first-quarter 2016 new orders growth is on early track for a contraction of 0.41% (-0.41%) [previously up by 2.52%, based just on initial January 2016 reporting].

Headline Nominal (Not-Adjusted-for-Inflation) February 2016 Reporting. The regularly-volatile, seasonally-adjusted, nominal level of February 2016 new orders for durable goods declined month-to-month by 2.78% (-2.78%), versus downwardly-revised monthly growth rate of 4.21% in January and an unrevised monthly decline of 4.63% (-4.63%) in December 2015. Net of the revisions to January 2016, aggregate new orders in February fell in the month by 3.41% (-3.41%), instead of the headline decline of 2.78% (-2.78%).

Year-to-year, February 2016 durable goods orders increased by 1.82%, following a downwardly-revised 1.09% gain in January 2016 and an unrevised annual decline of 0.15% (-0.15%) in December 2015.

Again, the headline February 2016 detail was before consideration of the volatility in commercial-aircraft orders. With the aircraft orders considered, headline changes in February were smaller but still negative. Before and after consideration of commercial-aircraft volatility, and the monthly irregularities in the headline reporting of new orders, the smoothed trends of activity continued to be negative, consistent with a downturn in what had been a continuing pattern of broad stagnation. The inflation-adjusted real series—and that same series corrected for the understatement of official inflation—has remained relatively flat, at a low-level of down-trending of stagnation, with the other plotted series still showing an unfolding downturn of a nature that usually precedes or coincides with a recession or a deepening business downturn (see *Graphs 3* to *6*).

Further to the headline orders released for February 2016, the Census Bureau also announced a May 18th annual benchmark revision to New Orders for Durable Goods series. See the *Reporting Detail*.

Detail Net of Volatility in Commercial-Aircraft Orders. The reporting of extreme contractions and surges in commercial-aircraft orders is seen commonly in an irregularly-repeating process throughout the year, and that often dominates changes in headline monthly durable goods orders. These extremely volatile aircraft orders are booked years into the future and are indicative more of longer-term, rather than shorter-term prospects for manufacturing activity. In the current circumstance, the monthly decline in February commercial aircraft orders accounted for roughly 55% of the headline monthly decline in the aggregate series.

Net of a headline monthly decline of 27.15% (-27.15%) in February 2016 commercial-aircraft orders , a downwardly revised headline gain of 48.60% in January 2016, and a minimally-revised December contraction of 29.37% (-29.37%), aggregate new orders fell by 1.25% (-1.25%) in February 2016. In like manner, ex-commercial aircraft orders, net orders rose by a downwardly-revised 2.29% in January and fell by a minimally-revised 3.17% (-3.17%) in December.

Year-to-year and seasonally-adjusted, February 2016 new orders (net of commercial aircraft) rose by 2.84%, following a downwardly-revised 1.09% gain in January 2016 an unrevised annual decline of 1.88% (-1.88%) in December 2015.

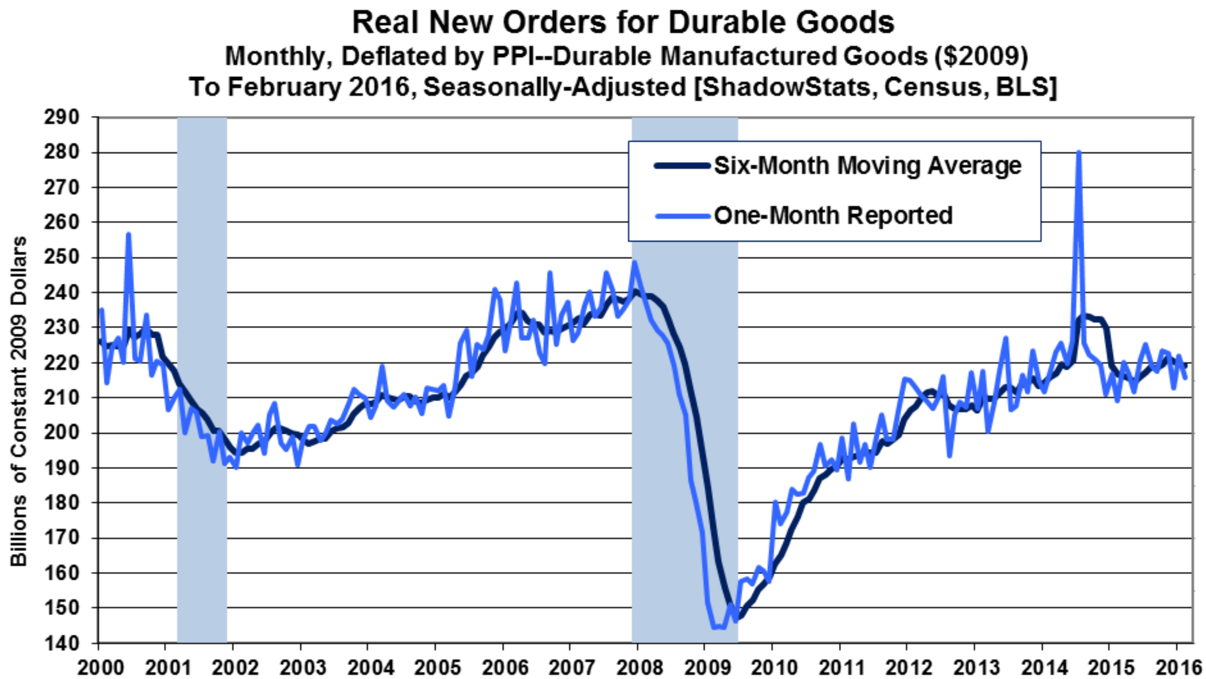
Real (Inflation-Adjusted) Durable Goods Orders—February 2016. ShadowStats uses the PPI component inflation measure “Durable Manufactured Goods” for deflating the new orders for durable goods series. Published only on a not-seasonally-adjusted basis, the related February 2016 PPI series was “unchanged,” at 0.00% month-to-month for the second month, having contracted on a monthly basis in ten of the preceding twelve months. Also flat in January 2016, the related PPI series fell month-to-month in December 2015 by 0.24% (-0.24%). Headline annual inflation in February 2016 contracted year-to-year by 1.25% (-1.25%), having declined in January 2016 by 1.31% (-1.31%) and in December 2015 by 1.02% (-1.02%).

Adjusted for that “unchanged” monthly February 2016 inflation, and as reflected in the accompanying graphs, real month-to-month aggregate orders fell by the same 2.78% (-2.78%) as seen in nominal terms, rose by a downwardly revised 4.21% gain in January and fell by an unrevised 4.40% (-4.40%) in December. Ex-commercial aircraft, monthly real orders fell 1.25% (-1.25%) in February 2016, rose by a downwardly-revised 2.29% in January 2016 and fell by an unchanged 2.94% (-2.94%) in December 2015.

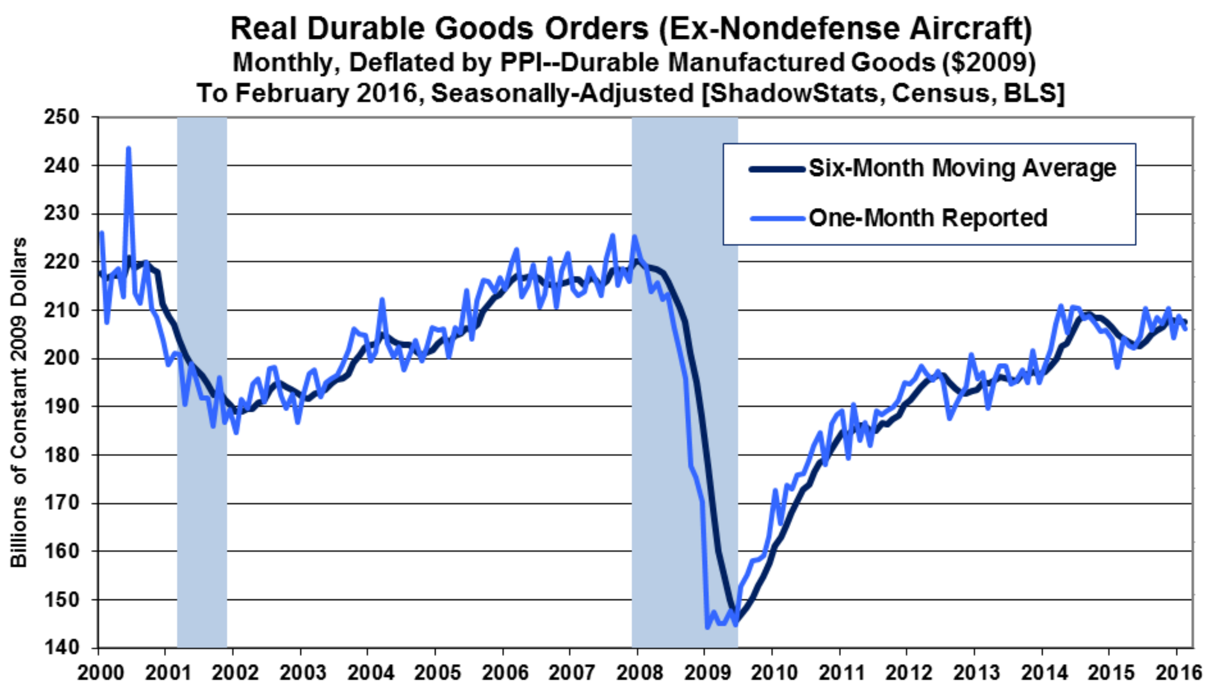
Real total new orders rose year-to-year by 3.11% in February 2016, versus a downwardly-revised annual gain of 2.43% in January 2016 and a minimally revised gain of 0.87% in December 2015. Ex-commercial aircraft, real orders showed an annual gain of 4.15% in February 2016, versus a downwardly revised gain of 2.43% in January 2016 and a minimally-revised decline of 0.88% (-0.88%) in December 2015.

Graphs of Inflation-Adjusted and "Corrected" Smoothed Durable Goods Orders. The following *Graphs 1* and *2* show the headline monthly detail, as well as the six-month moving-average activity for both the aggregate new orders series and the series net of the unstable commercial-aircraft orders.

Graph 1: Real Total New Orders for Durable Goods to Date



Graph 2: Real New Orders for Durable Goods – Ex Commercial-Aircraft Orders to Date



The moving-average levels in both series had turned lower into year-end 2014 and after some uptick in mid-2015—some smoothed bounce-back—the smoothed trend turned down anew into late fourth-quarter 2015 and into February 2016, despite the headline bounce in January 2016 new orders.

Broadly, there has been a general pattern in recent years of stagnation or bottom-bouncing evident in the orders—clearly not the booming recovery seen in official GDP reporting. The real (inflation-adjusted) monthly and six-month moving-average level of new orders in February 2016 remained below both the pre-2007 recession high, as well as the pre-2000 recession high for the series. The pattern of low-level stagnation and fluctuating downtrend in the annual inflation-adjusted series since mid-2014—net of the irregular aircraft-order effects—again is one that usually precedes or coincides with a recession.

The Real New Orders Series Corrected for Inflation Understatement. As with other economic series deflated by official government inflation measures, estimates of inflation-adjusted growth in new orders for durable goods generally are overstated, due to the understatement of official inflation. That understatement comes from the government's use of hedonic-quality adjustments—quality issues usually not perceived by users or consumers of the involved products—in justifying a reduced pace of headline inflation (see *Public Commentary on Inflation Measurement*).

As done for other series such as the GDP, real retail sales and industrial production, ShadowStats publishes an experimental corrected version of the inflation-adjusted graph of real new orders for durable goods, corrected for the understatement of the related headline PPI inflation.

Two sets of graphs follow. The first set (*Graph 3* and *Graph 4*) shows the aggregate series or total durable goods orders; the second set (*Graph 5* and *Graph 6*) shows the ex-commercial aircraft series.

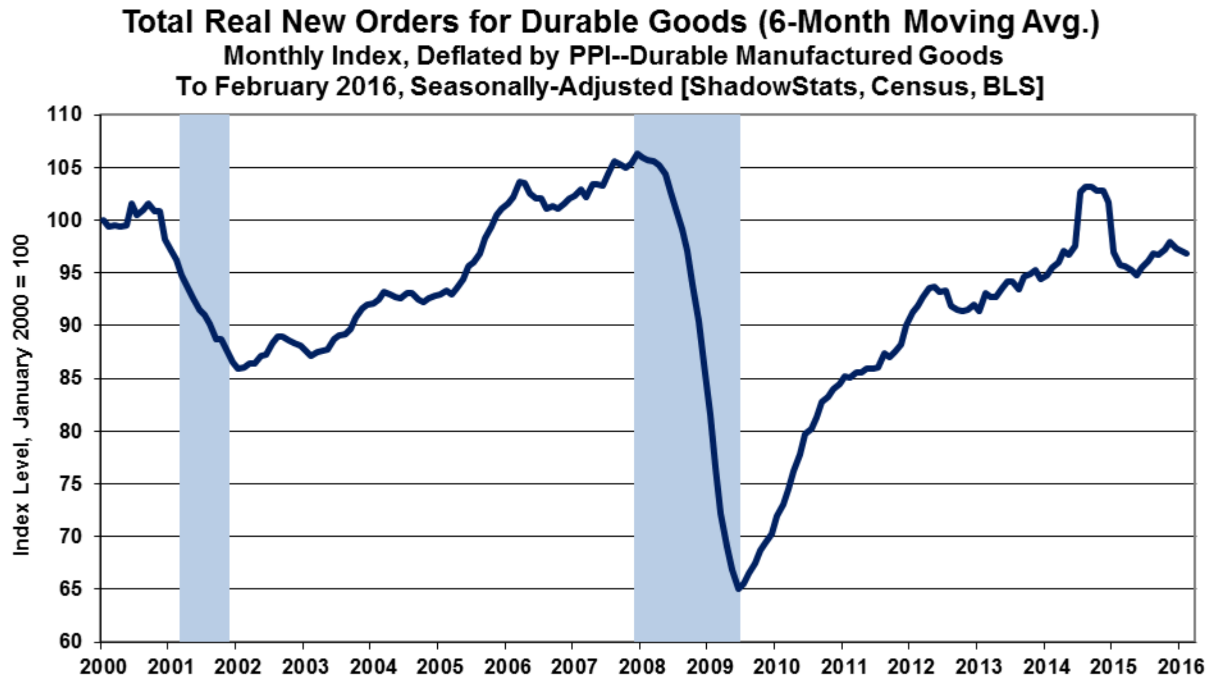
The aggregate orders series in *Graphs 3* and *4* includes commercial aircraft orders. Placed years in advance, aircraft orders are a better indicator of long-range production activity, than they are as a near-term leading indicator of production activity. *Graphs 5* and *6* are shown net of the volatile commercial aircraft orders.

The first graph in each of the following two series shows the official six-month moving average, the same heavy dark-blue line shown in *Graph 1* and *Graph 2*, along with the light-blue thin line of monthly detail. The second graph in each set is the same six-month, moving-average series shown in the first graph, but it has been re-deflated to correct for the understatement of the PPI durable goods inflation measure used in the headline-deflation process. ShadowStats estimates that inflation understatement, with the graphs indexed to January 2000 = 100.

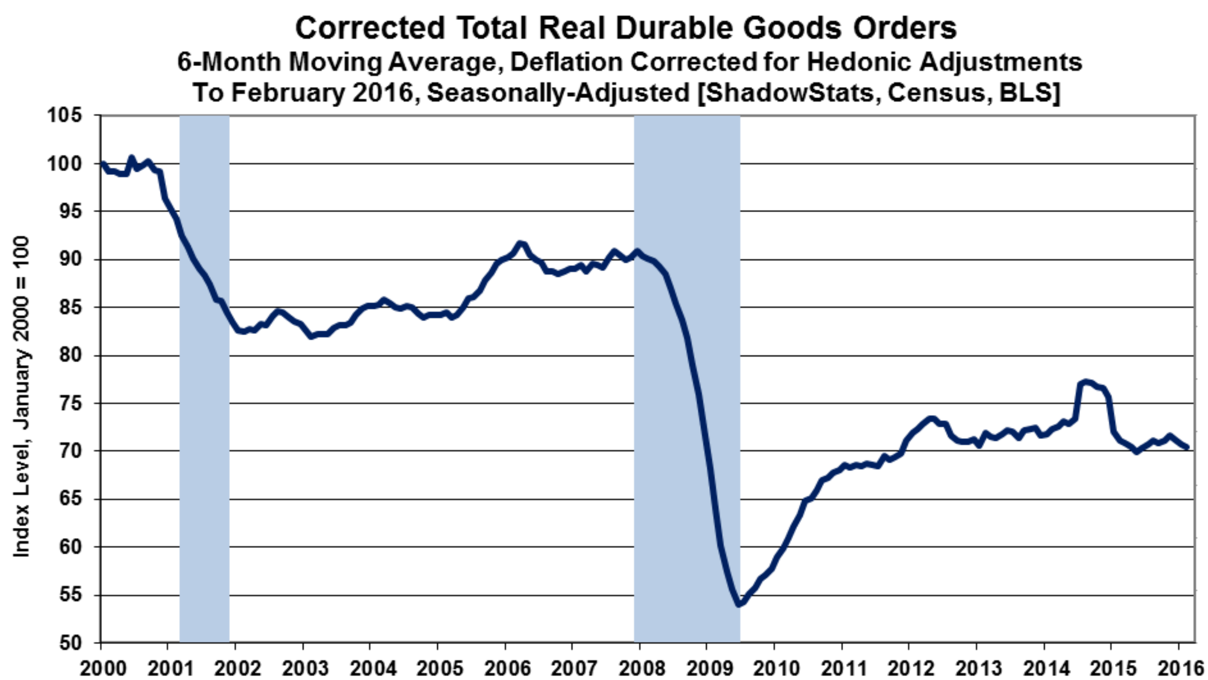
Graph 6, entitled "Corrected Real Orders—Ex-Commercial Aircraft" (a six-month trailing average) is perhaps the best indicator of broad underlying order activity in the durable goods sector, in the context of signaling in advance actual near-term production and economic activity.

[Graphs 3 to 6 follow, beginning on the next page]

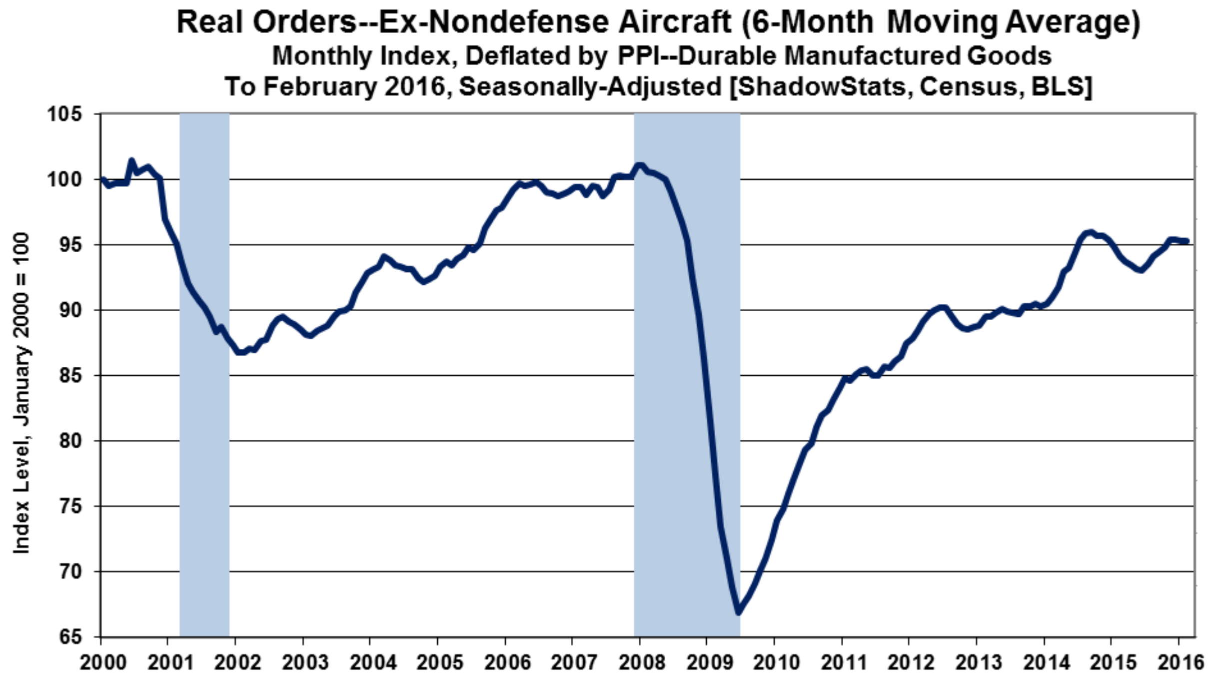
Graph 3: Index of Real Total New Orders for Durable Goods, 6-Month Moving Average



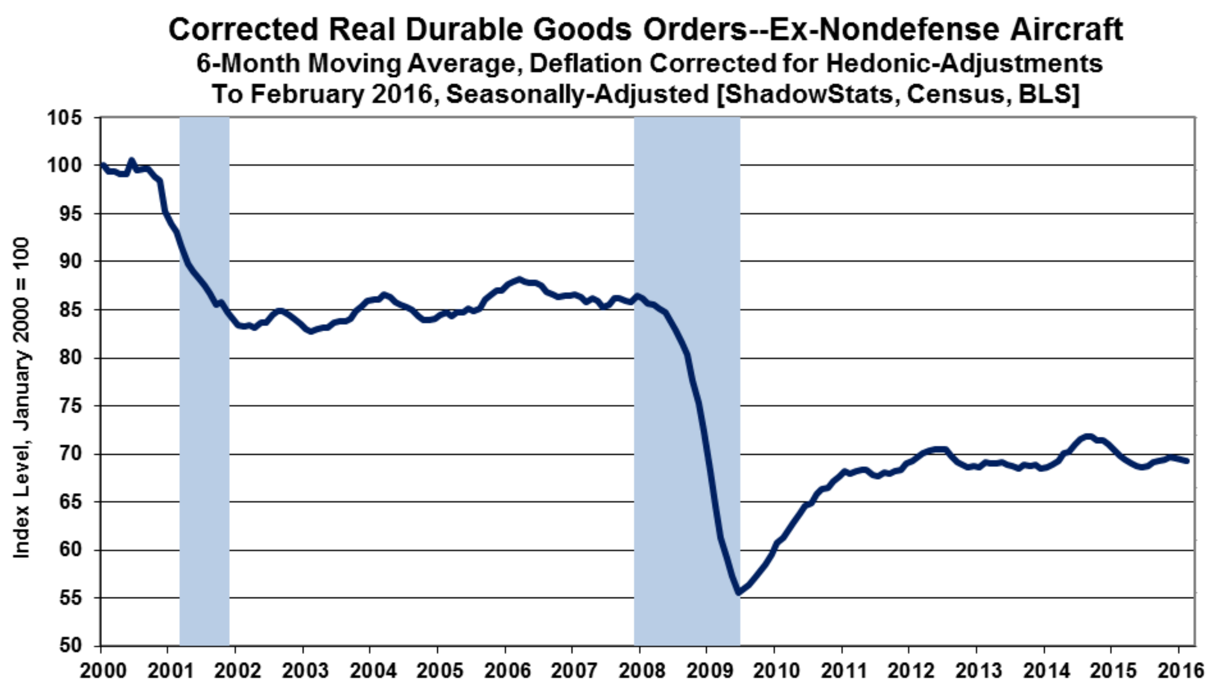
Graph 4: Corrected Index of Real Total New Orders for Durable Goods, 6-Month Moving Average



Graph 5: Index of Durable Goods Orders – Ex Commercial Aircraft, 6-Month Moving Average



Graph 6: Corrected Index of Durable Goods Orders – Ex Commercial Aircraft, 6-Month Moving Average



New- and Existing-Home Sales—February 2016—Continued Low-Level Stagnation, No Recovery, Unstable Reporting. February 2016 New- and Existing-Home Sales series both remained deep in depression (see *Commentary No. 754*), down respectively by 63% (-63%) and by 30% (-30%) from their pre-recession peaks. Holding in low-level stagnation, with statistically-insignificant changes in headline activity for New-Home Sales, smoothed activity has been relatively flat (*Graph 9*) in the latter part of 2015 and early-2016. Despite still- unstable headline detail in Existing-Home Sales, and in the context of shifting patterns in smoothed, low-level stagnation, Existing-Home Sales activity turned to the downside (*Graph 13*) in the latter part of 2015 into 2016. These series never recovered from the economic collapse into 2009. After going through a period of protracted, low-level stagnation, general housing construction and sales activity broadly have begun to turn down anew.

More fully discussed in *No. 777 Year-End Special Commentary* and updated briefly in the *Consumer Conditions* section that follows, the primary underlying issues restraining current residential real estate activity remain intense, structural-liquidity woes and conditions besetting the consumer.

New-Homes Sales—First-Quarter Trending for Quarterly and Annual Contractions; Smoothed Trend Held in Low-Level Stagnation. As usual, the volatile reporting of monthly and annual changes in February 2016 New-Home Sales was not statistically significant. Down in January 2016, this month the headline detail was on the upside. The unstable February 2016 headline reporting of 512,000 units in annualized sales (a 42,667 monthly rate as used in the graphs) was down year-to-year for a second month. It also remained down by 63% (-63%) from the 2005 pre-recession peak for the series.

ShadowStats assesses such unstable series by considering the gyrations in monthly activity in the context of a six-month moving-average of the headline numbers. With the otherwise meaningless monthly swings in these numbers smoothed out, new-home sales activity continued in a broad pattern of low-level, stagnation (see *Graph 9*).

Again, graphed either way, smoothed or not, the various housing series generally have continued to show a pattern of economic activity plunging from 2005 or 2006 into 2009, and then low-level stagnation, with the stagnation continuing to date. Housing activity never recovered with the purported GDP recovery. From its pre-recession peak of July 2005, headline February 2016 New-Home Sales activity still was down by 63.1 (-63.1%), while February 2016 Single-Unit Housing Starts were down by 57.9% (-57.9%) from the January 2006 high of that series.

Headline Detail for February 2016 New-Home Sales February 2016 Reporting. February 2016 New-Home Sales (counted based on contract signings, Census Bureau) rose month-to-month by a headline, seasonally-adjusted, statistically-insignificant 2.0%. January sales declined by a downwardly-revised 7.0% (-7.0%), following a downwardly revised gain of 5.7% in December and an upwardly revised gain of 6.5% in November. Net of prior-period revisions, the monthly gain in February 2016 was 3.6%, instead of the headline 2.0%.

Year-to-year, February 2016 sales fell by a statistically-insignificant 6.1% (-6.1%). That followed a revised, narrowed annual decline in January 2016 of 3.6% (-3.6%), a downwardly-revised annual gain in December 2015 of 9.1% and an upwardly revised annual gain of 13.8% in November 2015.

In the arena of continued extreme volatility and unstable, nonsensical headline reporting, consider that the annualized quarterly pace of sales gain in first-quarter 2015 was 43.9%, with the second-quarter 2015 sales activity in an annualized quarterly decline of 14.8% (-14.8%). Third-quarter 2015 new-home sales showed an unrevised annualized contraction of 6.8% (-6.8%), with the fourth-quarter sales gain estimated at an upwardly-revised 19.6%, with first-quarter 2016 activity now trending down at an annualized quarterly pace of 2.6% (-2.6%), based on just January and February reporting. The initial estimate of an annualized contraction of 11.3% (-11.3%) was based solely on January 2016 reporting. First-quarter 2016 sales activity also is on track for an annual contraction of 1.9% (-1.9%).

Existing-Homes Sales—Renewed Plunge Amidst Increasingly "Distressed" Activity. Discussed in *Commentary No. 782*, the Existing-Home Sales series is based on actual closings of home sales. Recent changes in mortgage closing requirements had disrupted timing in some sales closings relative to the next month's activity, with resulting unstable monthly swings in existing-home sales counts. Those systemic distortions likely still are in play, although to an unknown extent, with headline numbers still less stable than usual. At some point, though, the numbers will stabilize. That said, the National Association of Realtors® (NAR) is taking the heavy hit to relative February 2016 sales closings as just a regular month-to-month downturn. Along with the standard cautions on potential data instabilities, what follows in the accompanying detail and graphs reflects the headline numbers.

Ongoing Lack of Recovery from Collapse into 2009. Existing-Home Sales in February 2016 were down by a headline 30.1% (-30.1%) from the June 2005 pre-recession peak, a high that has not been matched since the collapse. In contrast, the February 2016 headline monthly Housing Starts remained down by 48.2% (-48.2%) versus its January 2006 pre-recession high.

First-quarter 2015 Existing-Home Sales showed an annualized quarterly sales decline of 2.6% (-2.6%), with the second-quarter 2015 pace of annualized growth at 19.5%. Third-quarter 2015 growth slowed to 9.7%, with fourth-quarter 2015 activity contracting at an annualized pace of 14.2% (-14.2%). Based just on January and February 2016, first-quarter 2016 was on track for an annualized gain of 5.9%. That had been at 22.4%, based solely on the initial January detail in this highly-volatile series.

Headline Detail for February 2016 Existing-Home Sales. In the context of likely continued distortions in monthly "closing counts," the March 21st release of February 2016 existing-home sales (counted based on actual closings, NAR) showed a seasonally-adjusted, headline monthly contraction of 7.1% (-7.1%) , following an unrevised monthly gain of 0.4% in January 2015. On a year-to-year basis, February 2016 sales rose by 2.2%, following an unrevised January 2016 sales gain of 11.0%.

These numbers still are moving somewhat outside the normal scope of reporting volatility for this series, again, suggestive of some ongoing issues with the timing of mortgage-related closings discussed earlier. Separately, the quality of data underlying this series remains questionable, as seen in erratic reporting over the years. All that said, smoothed for irregular distortions, the reporting remained statistically consistent with a period of low-level broad stagnation. Although it had been slightly up-trending, it now is down-trending, as seen in *Graph 13* in the *Opening Comments*.

Proportion of Distressed Sales Increased for Second Month in February, with All Cash Sales Down a Notch. The NAR estimated the portion of February 2016 sales in "distress" rose for the month to 10% (7% foreclosures, 3% short sales), up from 9% (7% foreclosures, 2% short sales) in January 2016 and from 8% (6% foreclosures, 2% short sales) in December 2015, and against 11% (8% foreclosures, 3% short sales) in February 2015.

Reflecting continued lending problems and stresses within the financial system, including related banking-industry and consumer-solvency issues, as well as the ongoing influx of speculative investment money into the existing-housing market, the NAR estimated that all-cash sales were 25% of February 2016 activity. That was down from 26% of January 2016 sales, but up from 24% in December 2015 and even with the 25% in February 2015.

The primary, underlying difficulty for the housing market remains intense, structural-liquidity constraints on the consumer, which continue to prevent a normal recovery in broad U.S. business activity from the economic collapse, as updated and discussed in the *Consumer Condition* section that follows.

Graphs of New- and Existing-Home Sales. These series and comparative numbers are plotted in the accompanying *Graphs 7* to *14.*

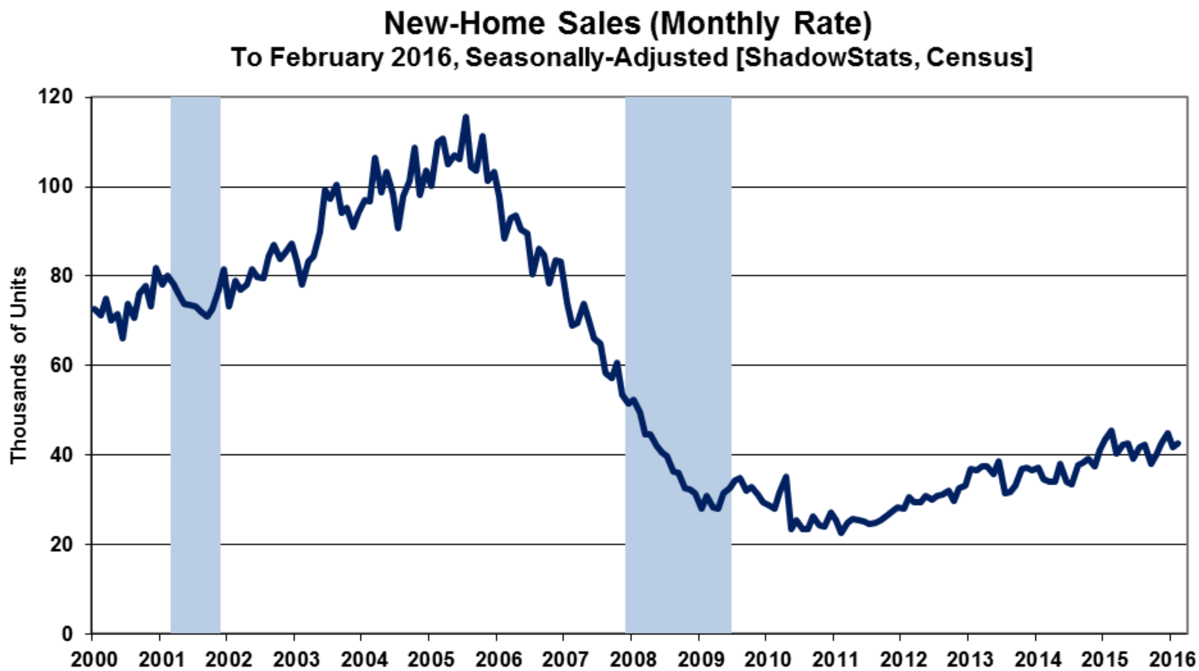
New-Home Sales Graphs. *Graphs 7* and *9* show the regular monthly and six-month moving-average versions of New-Home Sales activity. Added for comparison purposes are parallel graphs of the headline and monthly and six-month moving-average versions of February 2016 Housing Starts for single-unit construction (*Graphs 8* and *10*) from prior *Commentary No. 793*,

Existing-Home Sales Graphs**.** *Graph 11* shows the traditional headline Existing-Home Sales monthly detail. Such is supplemented by *Graph 13* of the Six-Month Moving Average of Existing-Home Sales (*Graph 13).* Unlike the levels shown *Graph 11* of the monthly series, there are no special averages to smooth the effects of government programs to create buyer incentives. The series is smoothed only by a six-month moving average, and a related transitional averaging that joins the old and new series otherwise plotted separately as seen in *Graph 11*.

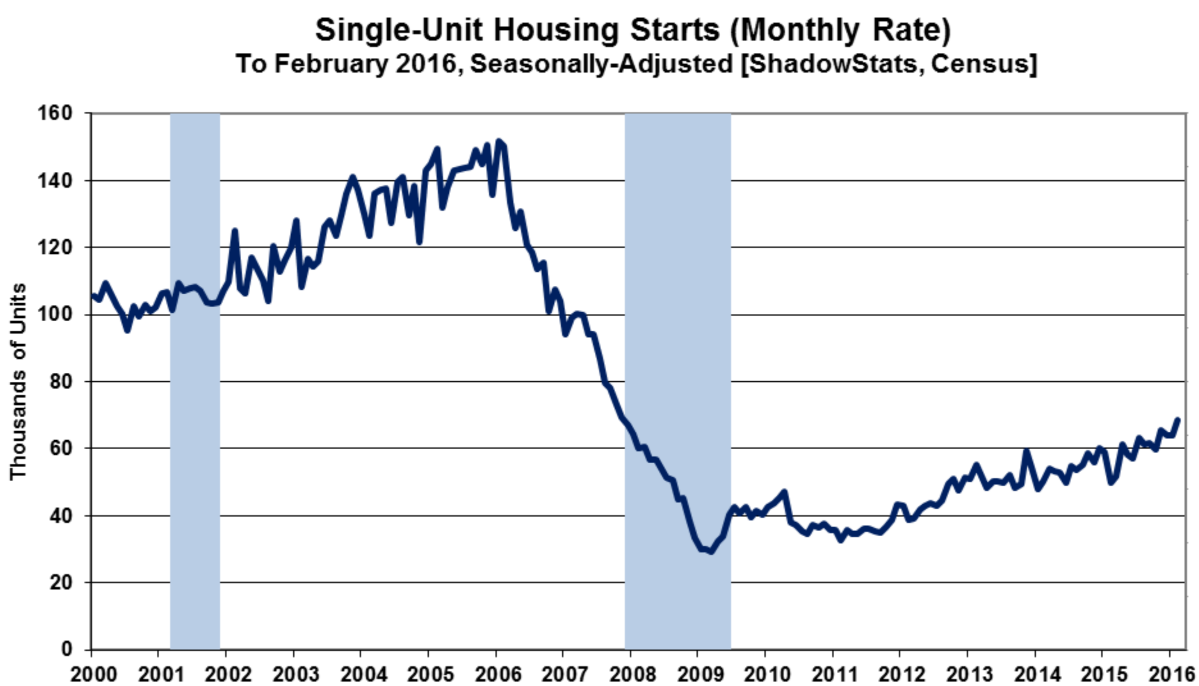
Accompanying the Existing-Home Sales plots are comparative graphs of February 2016 aggregate Housing Starts activity from *Commentary No. 793*, where both series reflect activity in terms of single- and multiple-housing units (see *Graphs 12* and *14*).

[Graphs 7 to 14 begin on the next page]

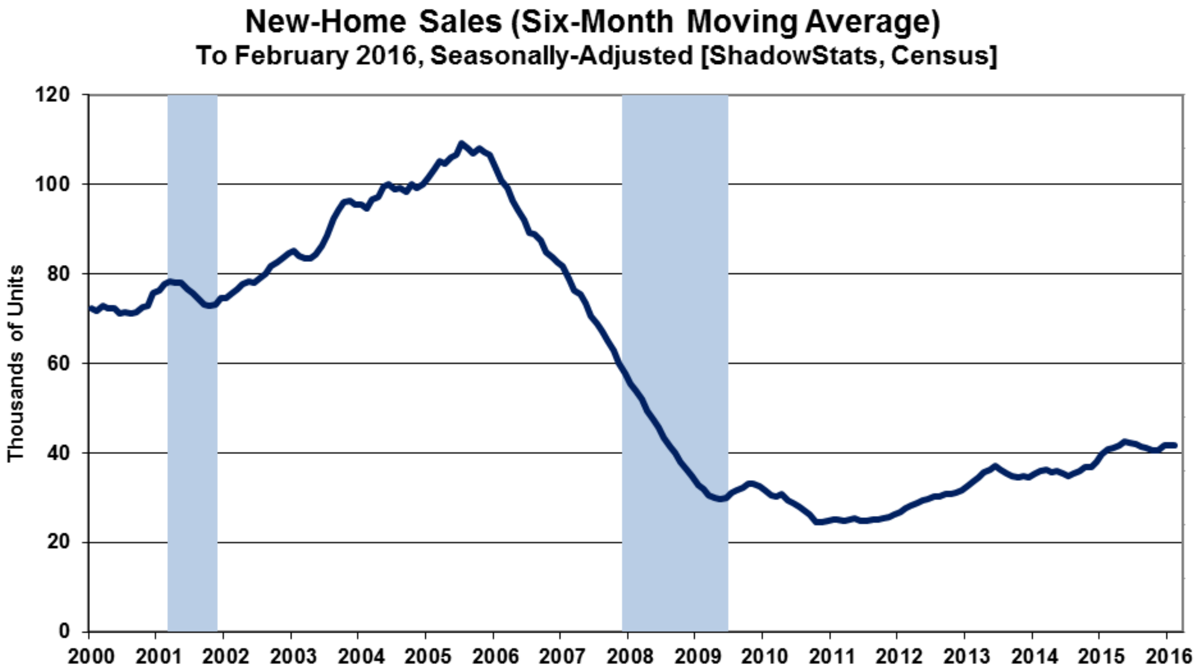
Graph 7: New-Homes Sales – Monthly Level



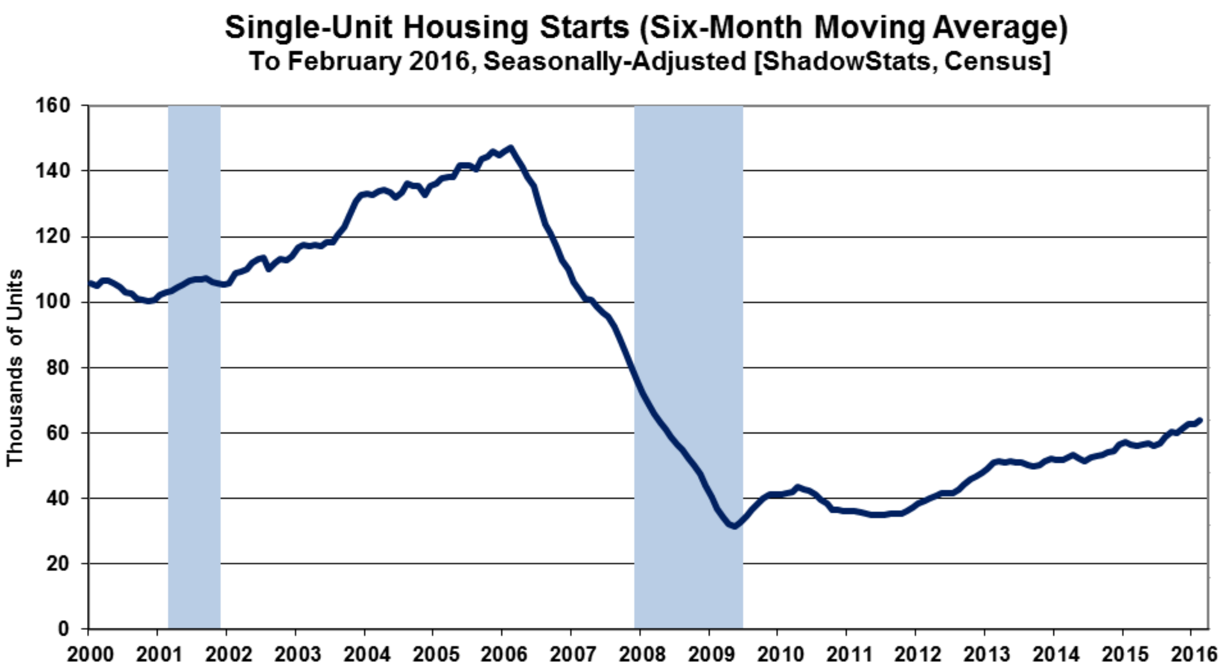
Graph 8: Single-Unit Housing Starts – Monthly Level



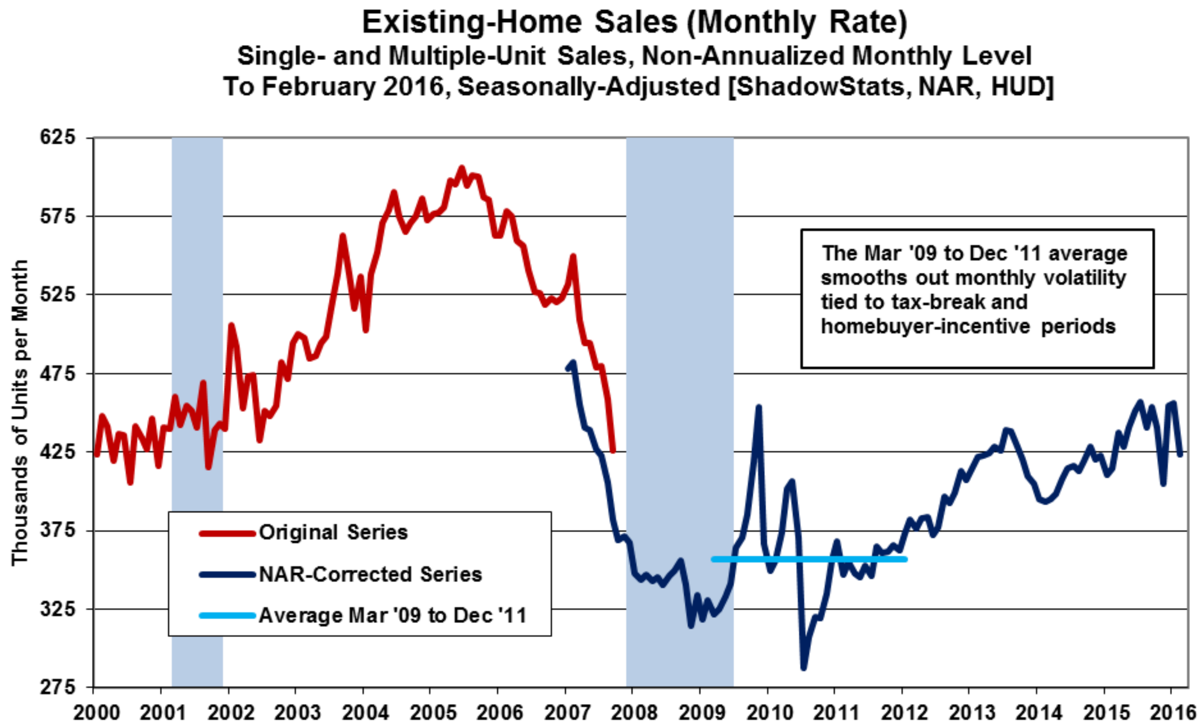
Graph 9: New-Homes Sales – Six-Month Moving Average



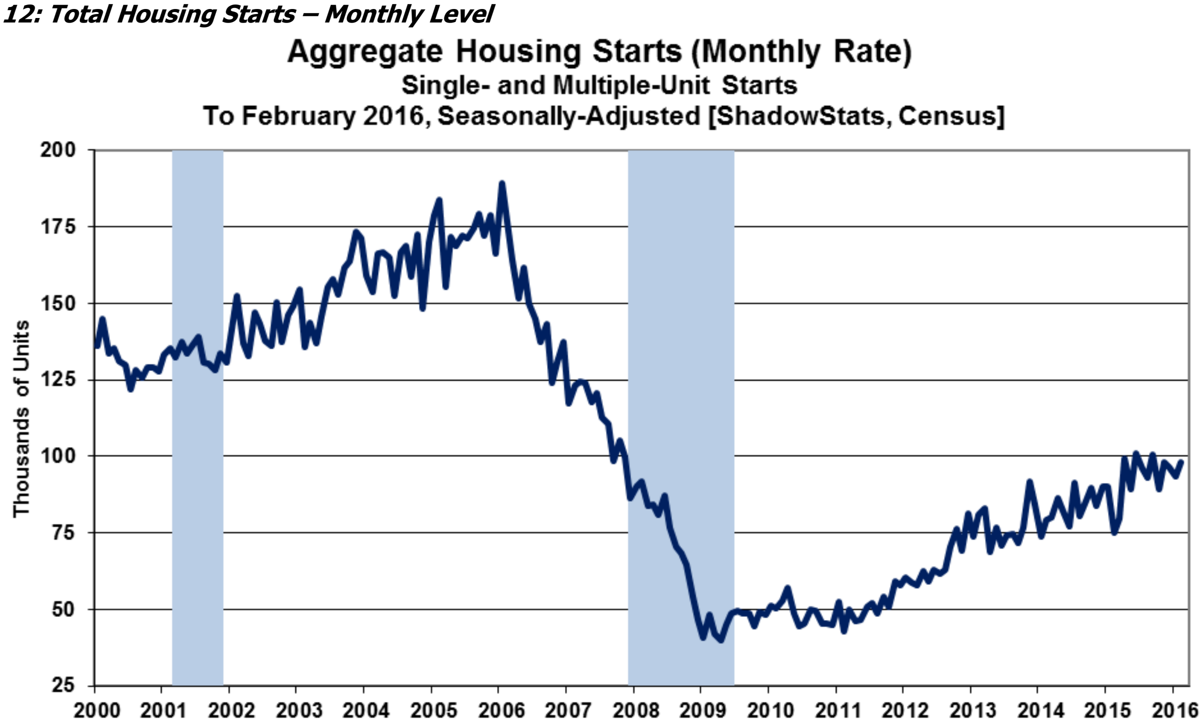
Graph 10: Single Unit Housing Starts – Six-Month Moving Average



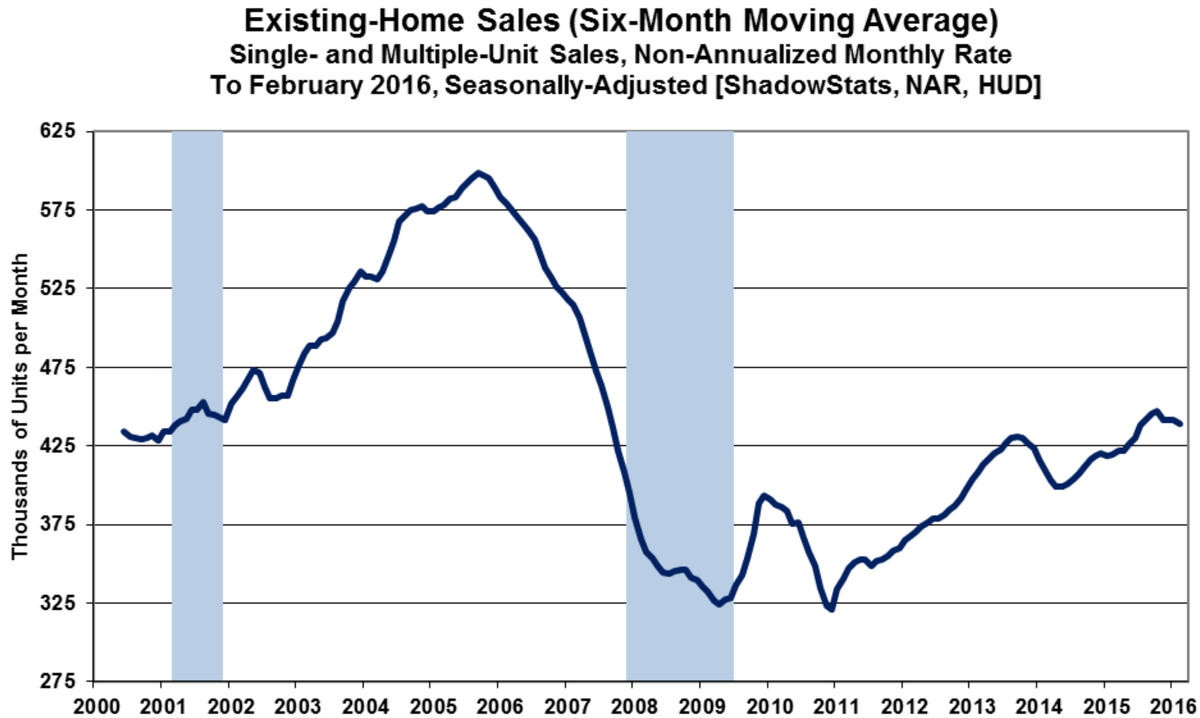
Graph 11: Existing-Home Sales – Monthly Level



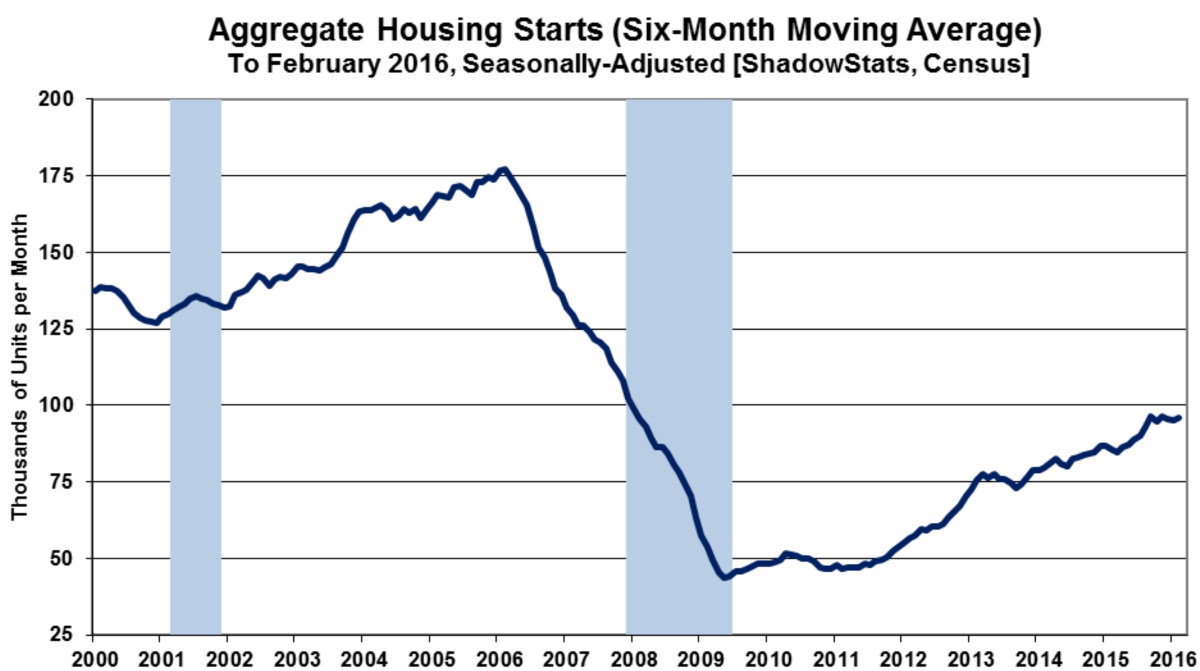
Graph 12: Total Housing Starts – Monthly Level



Graph 13: Existing-Home Sales (Six-Month Moving Average)



Graph 14: Total Housing Starts (Six-Month Moving Average)



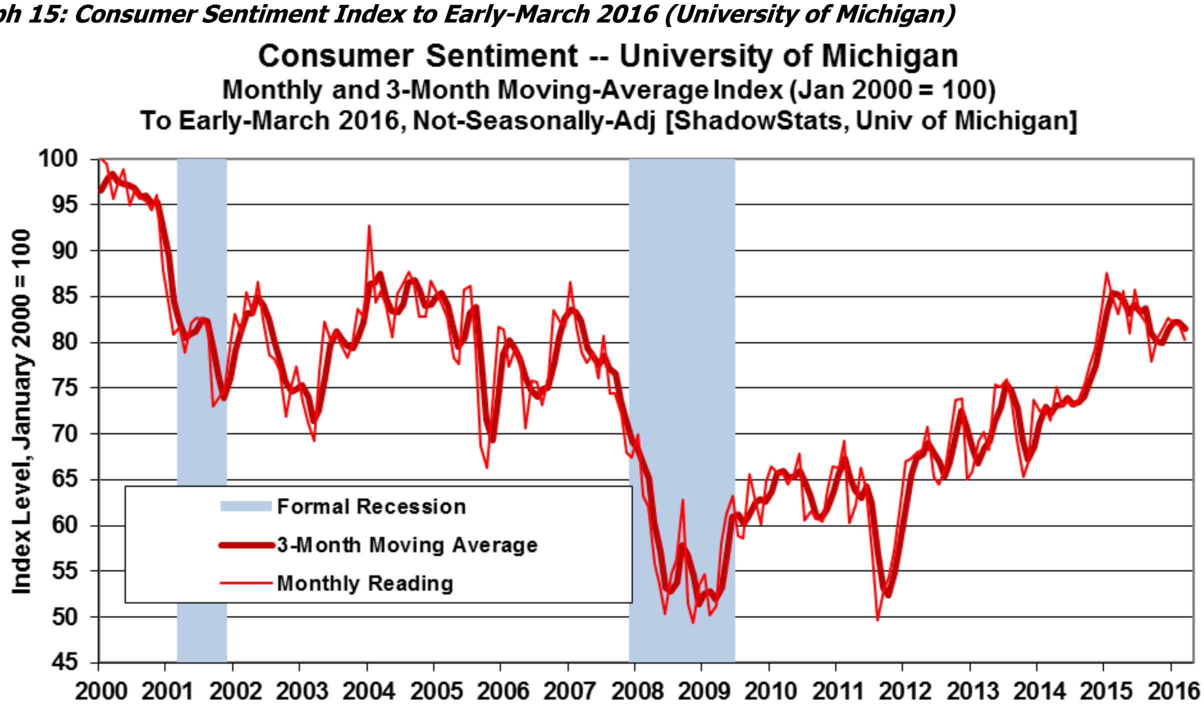
Consumer Conditions Update: Tumbling Consumer Sentiment and Confidence. A full update of consumer liquidity conditions will follow in *Commentary No. 797,* of April 5th. That should include updated and benchmarked material from www.SentierResearch.com on February 2016 monthly median household income, along with full-March readings of Consumer Sentiment (University of Michigan) and Consumer Confidence (The Conference Board). Today's update covers the latest in consumer conditions, specifically, the early-March reading of the Consumer Sentiment measure published on March 18th.

Constraining New- and Existing-Homes sales and other popular indicators of residential real estate activity, the consumer remains in an extreme liquidity bind, as briefly updated in *Commentary No. 793*, *Commentary No. 792* and *Commentary No. 791* and as discussed broadly in *Commentary No. 790* and *No. 777 Year-End Special Commentary*. Without sustained growth in real income, and without the ability and/or willingness to take on meaningful new debt in order to make up for a shortfall in income, the U.S. consumer has been unable to sustain positive growth in domestic personal consumption and in home ownership that drives related construction activity. Those circumstances—in the last nine-plus years of economic collapse and stagnation—have prevented a normal recovery in broad U.S. economic activity, 70% of which is dependent on consumer spending and residential investment.

With consumer conditions remaining severely squeezed and generally deteriorating, home sales and underlying construction activity should continue to trend meaningfully lower, in the context of what soon is likely to gain recognition as a formal "new" recession.

This brief consumer update specifically covers the latest Sentiment and Confidence readings, which tended to reconfirm the pre-existing, generally-bleak outlook for consumer conditions. Shown in *Graph 15*, the just-published University of Michigan early-March 2016 Consumer Sentiment Index turned down in the month, along with related downticks in the three- and six-month moving averages of the series.

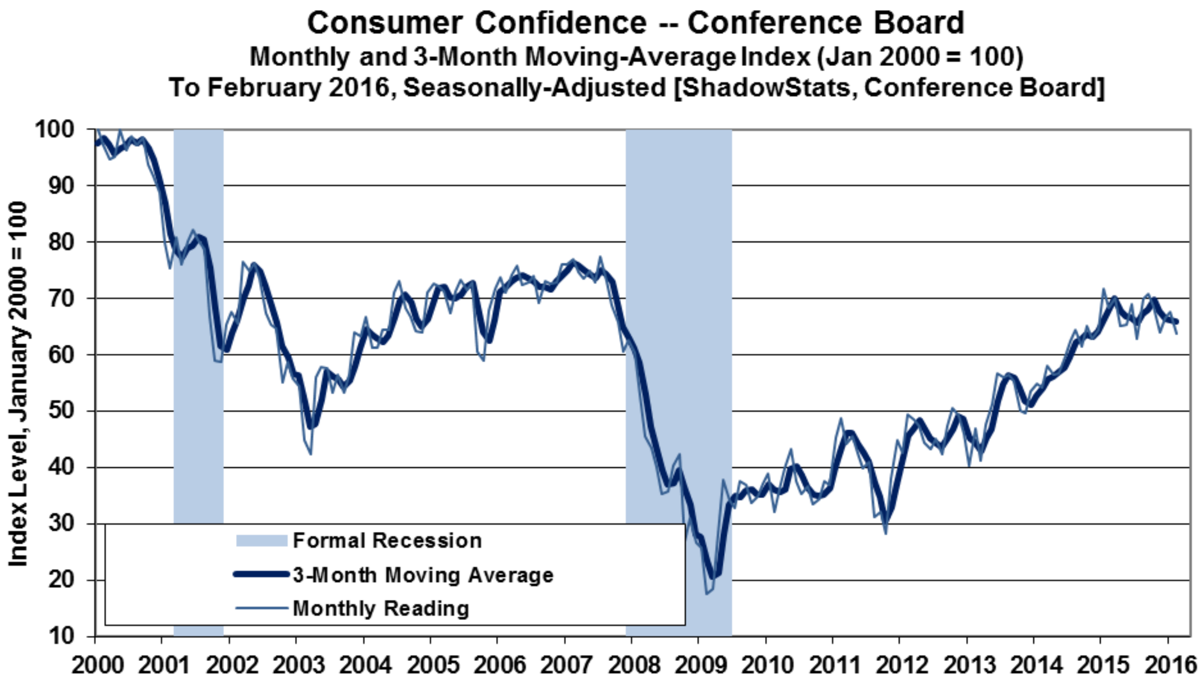
Graph 15: Consumer Sentiment Index to Early-March 2016 (University of Michigan)



The headline not-seasonally-adjusted Sentiment index level was down by 1.9% (-1.9%) month-to-month in March 2016. Addressing any seasonality questions, subsequent to an annual gain of 2.8% in November

2015, the index turned down year-to-year by 1.1% (-1.1%) in December 2015, by 6.2% (-6.2%) in January 2016, by 3.9% (-3.9%) in February 2016, and by 3.2% (-3.2%) early-March 2016 from the year-ago full-month reading. Full-month detail for March 2016 will be released Friday, April 1st, with no revision to the prior full-February estimate.

Graph 16: Consumer Confidence to February 2016 (Conference Board)



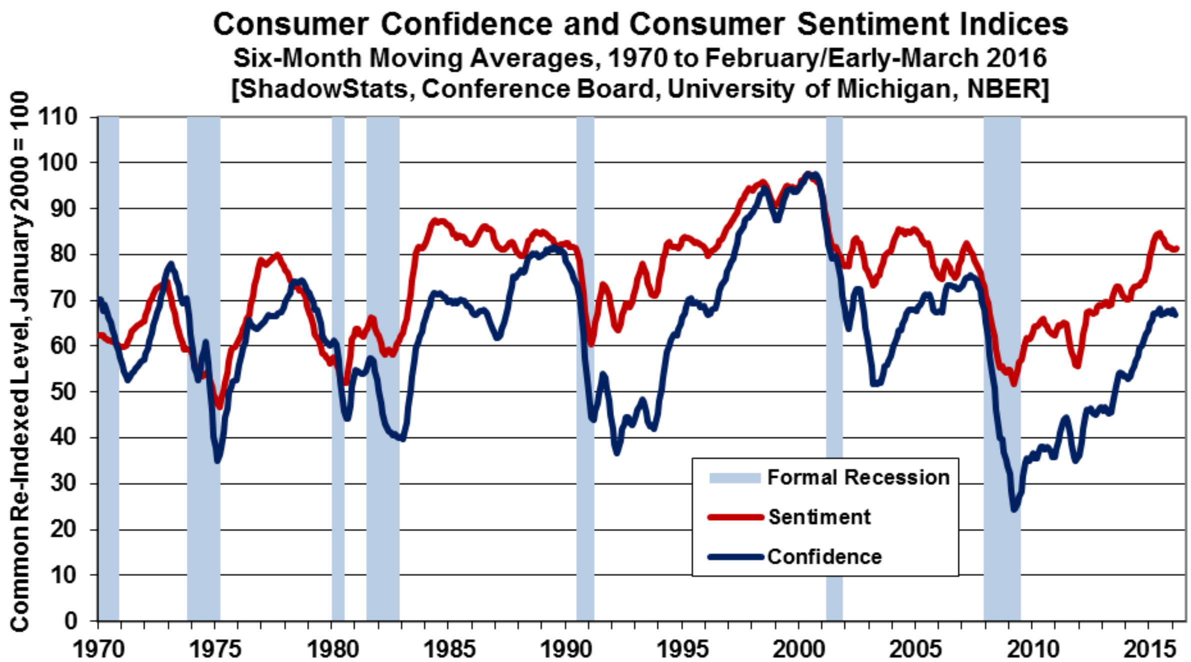
The Conference Board's seasonally-adjusted (unadjusted data are not available) Consumer-Confidence Index (*Graph 16*) fell sharply, by 5.7% (-5.7%) in February. Such also was accompanied by related downticks in the three- and six-month moving averages of the series. This series turned negative year-to-year subsequent to an annual gain of 3.4% in December 2015, down by 5.8% (-5.8%) in January 2016 and by 6.7% (-6.7%) in February 2016. With no advance reading on March 2016 Consumer Confidence, full-month reporting for March, along with a revision to February will be published on Tuesday, March 29th.

For purposes of showing the Consumer Confidence and Consumer Sentiment measures on a comparable basis, the accompanying graphs reflect both measures re-indexed to January 2000 = 100 for the monthly reading. Standardly reported, the Conference Board's Consumer Confidence Index is set with 1985 = 100, while the University of Michigan's Consumer Sentiment Index is set with January 1966 = 100.

Both measures remain below near-term peaks. The Confidence and Sentiment series tend to mimic the tone of headline economic reporting in the press (see discussion in *Commentary No. 764*), and often are highly volatile month-to-month, as a result. With increasingly-negative, headline financial and economic reporting and circumstances at hand and ahead, successive negative hits to both the confidence and sentiment readings remain highly likely to continue in the months ahead. Those factors likely contributed to the weaker February and early-March readings.

Smoothed for irregular, short-term volatility, the two series remain at levels seen typically in recessions. Suggested in *Graph 17*—plotted for the last 45 years—the latest readings of Confidence (monthly through February) and Sentiment (monthly through early-March) generally have not recovered levels preceding most formal recessions of the last four decades. Broadly, the consumer measures remain well below, or are inconsistent with, periods of historically-strong economic growth seen in 2014 and sporadically into third-quarter 2015 GDP growth.

Graph 17: Comparative Consumer Confidence and Sentiment (6-Month Moving Averages) since 1970



REPORTING DETAIL

NEW ORDERS FOR DURABLE GOODS (February 2016)

Durable Goods Orders Turned Down for the Month and Quarter, in the Context of Downside Revisions. Headline February 2016 durable goods orders fell by 2.8% (-2.8%), about as expected by the markets, in the context of a downside revision of 0.7% (-0.7%) to the previously reported level of January 2016 activity [January's prior headline monthly gain of 4.9% was revised lower to 4.2%]. Somewhat more than half of the February monthly contraction came a from decline in commercial aircraft orders, with other contracting activity spread broadly across most major orders categories (computers, motor vehicles and "other" goods excepted). Inventories also declined more sharply in February 2016 than in January, suggestive of a less-than-robust inventory-building prop to the initial estimate of first-quarter 2016 GDP growth on April 28th.

This regularly-volatile orders series declined in the month, with major trends holding negative. Given the patterns of general decline in the monthly, quarterly and annual activity of the last year, and the developing quarterly contraction in first-quarter 2016, the broad signal for unfolding U.S. economic activity remained sharply negative, with the summary statistics and smoothed six-month average trends still signaling a deepening and ongoing recession.

Quarterly Growth. Annualized quarterly declines in real new orders (ex-commercial aircraft) were 5.58% (-5.58%) in fourth-quarter 2014 and 7.73% (-7.73%) in first-quarter 2015. With appropriate one-quarter lags, those were followed by quarterly contractions in both first- and second-quarter 2015 industrial production.

Annualized real change for second-quarter 2015 orders was a gain of 2.10%, with third-quarter activity up at an annualized 10.38%. Fourth-quarter 2015, contracted at a revised annualized pace of 1.85% (-1.85%) [previously down by 1.78% (-1.78%), initially down by 2.30% (-2.30%)]. Based solely on January and February 2016 reporting, this series is on early track for real, annualized quarterly growth of 0.56% [previously up by 4.89% based just on initial January reporting]. The quarterly gains or muted real contractions here are due partially to highly-suspect, and increasingly-negative durable goods inflation in the PPI reporting, which has the effect of boosting the real monthly-, quarterly- and annual-growth detail.

Third-quarter industrial production growth was on the plus-side, but fourth-quarter 2015 industrial production collapsed. Current fourth-quarter durable goods orders are a negative indicator for first-quarter 2016 production, which now also has turned negative in trend, a continued solid signal for a deepening recession (see *Commentary No. 793*).

On a nominal basis (before inflation adjustment), initial fourth-quarter 2015 orders growth—again, ex-commercial aircraft—fell at a minimally-revised annualized quarterly pace of 2.71% (-2.71%) [previously down by 2.72% (-2.72%), initially down by 3.23% (-3.23%)], versus a third-quarter 2015 unrevised annualized gain of 8.63%, second-quarter 2015 quarterly annualized growth of 0.57%, a first-quarter 2015 annualized contraction of 7.29% (-7.29%), and a decline of 4.36% (-4.36%) in fourth-quarter 2014. Based solely on January and February 2016 reporting, annualized first-quarter 2016 growth is on early track for a contraction of 0.41% (-0.41%) [previously up by 2.52%, based just on initial January 2016 reporting].

Headline Nominal (Not-Adjusted-for-Inflation) February 2016 Reporting. The Census Bureau reported this morning, March 24th, that the regularly-volatile, seasonally-adjusted, nominal level of February 2016 new orders for durable goods declined month-to-month by 2.78% (-2.78%), versus a downwardly-revised monthly growth rate of 4.21% [previously up by 4.89%] in January, and an unrevised monthly decline of 4.63% (-4.63%) in December 2015. Net of the revisions to January, aggregate new orders in February fell in the month by 3.41% (-3.41%), instead of the headline 2.78% (-2.78%).

The year-to-year change in February 2016 durable goods orders was an increases of 1.82%, following a downwardly-revised 1.09% gain [previously up by 1.75%] in January 2016 and an unrevised annual decline of 0.15% (-0.15%) in December 2015.

The headline February 2016 detail, again, was before consideration of the volatility in commercial-aircraft orders. With the aircraft orders considered, headline changes in February were smaller but still negative. Before and after consideration of commercial-aircraft volatility, and the monthly irregularities in the headline reporting of new orders, the smoothed trends of activity continued to be negative, consistent with a downturn in what had been a continuing pattern of broad stagnation. The inflation-adjusted real series, and that same series corrected for the understatement of official inflation, are discussed and graphed in the *Opening Comments* section. The corrected series—net of commercial aircraft orders—has remained relatively flat, at a low-level and now in a down-trending pattern of stagnation, with the other plotted series still showing an unfolding downturn of a nature that usually precedes or coincides with a recession or a deepening business downturn.

Detail Net of Volatility in Commercial-Aircraft Orders. The reporting of extreme contractions and surges in commercial-aircraft orders is seen commonly in an irregularly-repeating process throughout the year, and that often dominates changes in headline monthly durable goods orders. These extremely volatile aircraft orders are booked years into the future and are indicative more of longer-term, rather than shorter-term prospects for manufacturing activity. In the current circumstance, the monthly decline in February commercial aircraft orders accounted for roughly 55% of the headline monthly decline in the aggregate orders series.

Net of a headline monthly decline of 27.15% (-27.15%) in February 2016 commercial aircraft orders , a downwardly revised headline gain of 48.60% [previously up by 54.16%] in January 2016, and a minimally-revised December contraction of 29.37% (-29.37%) [previously down by 29.10% (-29.10%), initially down by 29.36% (-29.36%)], aggregate new orders fell by 1.25% (-1.25%) in February 2016. In like manner, ex-commercial aircraft orders, net orders rose by a revised 2.29% [previously up by 2.75%] in January and fell by a minimally-revised 3.17% (-3.17%) [previously down by 3.18% (-3.18%), initially down by 3.63% (-3.63%)] in December.

Year-to-year and seasonally-adjusted, February 2016 new orders (net of commercial aircraft) rose by 2.84%, following a revised 1.09% gain [previously up by 1.54%] in January 2016 an unrevised annual decline of 1.88% (-1.88%) in December 2015.

Real (Inflation-Adjusted) Durable Goods Orders—February 2016. ShadowStats uses the PPI component inflation measure "Durable Manufactured Goods" for deflating the new orders for durable goods series. Published only on a not-seasonally-adjusted basis, the related February 2016 PPI series was "unchanged," at 0.00% month-to-month for the second month, having contracted on a monthly basis in ten of the preceding twelve months. Also flat in January 2016, the related PPI series fell month-to-month in December 2015 by 0.24% (-0.24%). Headline annual inflation in February 2016 contracted year-to-year by 1.25% (-1.25%), having declined in January 2016 by 1.31% (-1.31%) and in December 2015 by 1.02% (-1.02%).

Adjusted for that "unchanged" monthly February 2016 inflation, and as reflected in the graphs in the *Opening Comments* section, real month-to-month aggregate orders in February 2016 fell by the same 2.78% (-2.78%) as seen in nominal terms, rose by a downwardly revised 4.21% gain [previously up by 4.89%] in January and fell by an unrevised 4.40% (-4.40%) in December. Ex-commercial aircraft, monthly real orders fell by 1.25% (-1.25%) in February 2016, rose by a downwardly-revised 2.29% [previously up by 2.75%] in January 2016 and declined by an unrevised 2.94% (-2.94%) in December 2015.

Real aggregate new orders rose year-to-year by 3.11% in February 2016, versus a downwardly-revised annual gain of 2.43% [previously up by 3.11%] in January 2016 and a minimally revised gain of 0.87% [previously up by 0.88%, initially up by 0.44%] in December 2015. Ex-commercial aircraft, real orders rose year-to-year by 4.15% in February 2016, versus a downwardly revised gain of 2.43% [previously up by 2.89%] in January 2016 and a minimally-revised decline of 0.88% (-0.88%) [previously down by 0.88% (-0.88%), initially down by 1.30% (-1.30%)] in December 2015.

Annual Benchmark Revisions Back to 1997 Set for May 18, 2016. The Census Bureau announced today (March 24th) background to the annual benchmarking of the *Manufacturers' Shipments, Inventories, and Orders (M3) Survey* (New Orders for Durable Goods), scheduled for May 18th. Encompassing a variety of updated detail, seasonally-adjusted data will be revised from January 1997 through March 2016, with the unadjusted data revised for the period January 2001 to March 2016 (see page 4 of the Census *press release* for further detail.)

Graphs of Inflation-Adjusted and "Corrected" Smoothed Durable Goods Orders. Three sets of inflation-adjusted graphs (*Graphs 1* to *5*) are displayed in the *Opening Comments* section. The first set (*Graphs 1* and *2*) shows the headline monthly detail, as well as the six-month moving-average activity for both the aggregate new orders series and the series net of the unstable commercial-aircraft orders. The moving-average levels in both series had turned lower into year-end 2014 and into the first two quarters of 2015, with some smoothed bounce-back into third-quarter 2015, followed by renewed downturn into late fourth-quarter 2015 and February 2016, despite a short-lived bounce in January 2016.

The second set of graphs (*Graphs 3* to *4*) shows the patterns of six-month moving averages of historical, headline real new orders for durable goods, net of official inflation, as well as that pattern "corrected" for the understatement of that inflation (and for the related overstatement of official, inflation-adjusted growth). The third set of graphs (*Graphs 5* to *6*) shows the same patterns, but for the aggregate durable goods orders series, net of commercial aircraft orders.

Caution: Current durable goods reporting remains subject to many of the same sampling and concurrent-seasonal-adjustment problems seen with retail sales, payroll and unemployment reporting. Unusual seasonal-factor volatility raises issues as to the significance of reported seasonally-adjusted monthly and annual changes. While those issues were brought into balance, temporarily, with the most-recent annual benchmark revision to durable goods orders on May 14, 2015, subsequent monthly reporting and revisions have made all historical reporting prior to December 2015 inconsistent with the current headline numbers.

NEW-HOME SALES (February 2016)

First-Quarter Sales Continued Indicating Quarterly and Annual Contractions; Smoothed Trend Held in Low—Level Stagnation. As usual, the volatile reporting of monthly and annual changes in February 2016 New-Home Sales was not statistically significant. Down in January, this month the headline detail was on the upside. The unstable February 2016 headline reporting of 512,000 units in annualized sales (a 42,667 monthly rate as used in the graphs) was down year-to-year for a second month. It also remained down by 63% (-63%) from the 2005 pre-recession peak for the series.

ShadowStats assesses such unstable series by considering the gyrations in monthly activity in the context of a six-month moving-average of the headline numbers. With the otherwise meaningless monthly swings in these numbers smoothed out, new-home sales activity continued in a broad pattern of low-level, stagnation (see *Graph 9* in the *Opening Comments*).

Graphed either way, smoothed or not, the various housing series generally have continued to show a pattern of economic activity plunging from 2005 or 2006 into 2009, and then stagnation, with the stagnation continuing at a low level of activity to date. Housing activity never recovered with the purported GDP recovery. From its pre-recession peak of July 2005, headline February 2016 New-Home Sales activity still was down by 63.1 (-63.1%), while February 2016 Single-Unit Housing Starts were down by 57.9% (-57.9%) from the January 2006 high of that series.

Discussed in the *Opening Comments* section, there has been no improvement in underlying consumer liquidity conditions. Correspondingly, with no fundamental growth in liquidity and other conditions to fuel increasing activity, there is no basis for a current or imminent recovery in the housing market.

Headline February 2016 Reporting. Reported by the Census Bureau, yesterday, March 23rd, February 2016 New-Home Sales (counted based on contract signings) rose month-to-month by a headline, seasonally-adjusted, statistically-insignificant 2.0% +/- 22.0% (all confidence intervals are at the 95% level). January sales declined by a revised 7.0% (-7.0%) [previously down by 9.2% (-9.2%)], following a downwardly revised gain of 5.7% [previously up 8.2%, initially up by 10.8%] in December and an upwardly revised gain of 6.5% [previously up by 4.8%, by 1.9% and initially up by 4.3%] in November. Net of prior-period revisions, the monthly gain in February 2016 was 3.6%, instead of the headline 2.0%.

Year-to-year, February 2016 sales fell by a statistically-insignificant 6.1% (-6.1%) +/- 21.0%. That followed a revised, narrowed annual decline in January 2016 of 3.6% (-3.6%) [previously down by 5.2% (-5.2%)], a revised annual gain in December 2015 of 9.1% [previously and initially up by 9.9%] and an upwardly revised annual gain of 13.8% [previously up by 12.0%, by 9.4% and initially up by 9.1%] in November 2015.

In the arena of continued extreme volatility and unstable, nonsensical headline reporting, consider that the annualized quarterly pace of sales gain in first-quarter 2015 was 43.9%, with the second-quarter 2015 sales activity in an annualized quarterly decline of 14.8% (-14.8%). Third-quarter 2015 new-home sales showed an unrevised annualized contraction of 6.8% (-6.8%), with the fourth-quarter sales gain estimated at an upwardly revised 19.6% [previously up by 18.4%, initially up up by 15.3%], with first-quarter 2016 activity now down at an annualized quarterly pace of 2.6% (-2.6%), based on just January and February reporting. An initial estimate of a contraction of 11.3% (-11.3%) was based solely on January 2016 reporting. First-quarter 2016 activity also is on track for an annual contraction of 1.9% (-1.9%).

New-Home Sales Graphs. The regular monthly graph of New-Home Sales is included in the *Opening Comments* section, along with a six-month moving-average version of the series. Added for comparison purposes are parallel graphs of the headline and six-month moving-average versions of February 2016 Housing Starts for single-unit construction, from prior *Commentary No. 793*, along with comparative graphs of Existing-Home Sales and aggregate Housing Starts (see *Graphs 7* to *14*).

EXISTING-HOME SALES (February 2016)

Monthly Sales Plunged Amidst Rising "Distressed" Activity. Discussed in *Commentary No. 782*, the Existing-Home Sales series is based on actual closings of home sales. Recent changes in mortgage closing requirements had disrupted timing in some sales closings relative to the next month's activity, with recent unstable monthly swings in existing-home sales counts. Those systemic distortions likely still are in play, although to an unknown extent, with headline numbers still less stable than usual. At some point, though, the numbers will stabilize. That said, the National Association of Realtors® (NAR) is taking the heavy hit to relative February 2016 sales closings as just regular month-to-month activity. Along with the standard cautions on potential data instabilities, the accompanying detail and graphs reflect the headline numbers.

Ongoing Lack of Recovery from Collapse into 2009. Existing-Home Sales in February 2016 were down by a headline 30.1% (-30.1%) from the June 2005 pre-recession peak, a high that has not been matched since the collapse. In contrast, the February 2016 headline monthly Housing Starts remained down by 48.2% (-48.2%) versus its January 2006 pre-recession high.

First-quarter 2015 Existing-Home Sales showed an annualized quarterly sales decline of 2.6% (-2.6%), with the second-quarter 2015 pace of annualized growth at 19.5%. Third-quarter 2015 growth slowed to an annualized pace of 9.7%, with fourth-quarter 2015 activity contracting at an annualized pace of 14.2% (-14.2%). Based just on January and February 2016, first-quarter 2016 is on track for an annualized gain of 5.9%. That had been at 22.4%, based solely on the initial January detail in this highly-volatile series.

Headline Detail for February 2016 Existing-Home Sales. In the context of likely continued distortions in monthly "closing counts," the March 21st release of February 2016 existing-home sales (counted based on actual closings, NAR) showed a seasonally-adjusted, headline monthly contraction of 7.1% (-7.1%) , following an unrevised monthly gain of 0.4% in January 2015. On a year-to-year basis, February 2016 sales rose by 2.2%, following an unrevised January 2016 sales gain of 11.0%.

These numbers still are moving somewhat outside the normal scope of reporting volatility for this series, again, suggestive of some ongoing reporting issues with the timing of mortgage-related closings that have distorted headline activity since November 2015. Separately, the quality of data underlying this series remains questionable, as seen in erratic reporting over the years. All that said, smoothed for irregular distortions, the reporting remained statistically consistent with a period of low-level broad stagnation. Although it had been slightly up-trending, it now is down-trending, as seen in *Graph 13* in the *Opening Comments*.

Proportion of Distressed Sales Increased for Second Month in February, with All Cash Sales Down a Notch. The NAR estimated the portion of February 2016 sales in "distress" rose for the month to 10% (7% foreclosures, 3% short sales), up from 9% (7% foreclosures, 2% short sales) in January 2016 and from 8% (6% foreclosures, 2% short sales) in December 2015, and against 11% (8% foreclosures, 3% short sales) in February 2015.

Reflecting continued lending problems and stresses within the financial system, including related banking-industry and consumer-solvency issues, as well as the ongoing influx of speculative investment money into the existing-housing market, the NAR estimated that all-cash sales were 25% of February

2016 activity. That was down from 26% of January 2016 sales, but up from 24% in December 2015 and even with the 25% in February 2015.

The primary, underlying difficulty for the housing market remains intense, structural-liquidity constraints on the consumer, which continued to prevent a normal recovery in broad U.S. business activity from the economic collapse, as discussed in the *Opening Comments*.

Existing-Home Sales Graph. In the *Opening Comments* section, *Graph 11* shows the traditional headline Existing-Home Sales monthly detail. Such is supplemented by *Graph 13* of the Six-Month Moving Average of Existing-Home Sales (*Graph 13).* Unlike the levels shown *Graph 11* of the monthly series, there are no special averages to smooth the effects of government programs to create buyer incentives. The series is smoothed only by a six-month moving average, and a related transitional averaging that joins the old and new series otherwise plotted separately as seen in *Graph 11*.

Along with the monthly graphs of Existing-Home Sales are comparative graphs of February 2016 aggregate Housing Starts activity from *Commentary No. 793*, where both series reflect activity in terms of single- and multiple-housing units (see *Graphs 11* to *14*). These plots also are accompanied by comparative graphs of New-Home Sales and single-unit Housing Starts (see *Graphs 7* to *10*).

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WEEK AHEAD

Economic Reporting Should Continue on the Downside of Expectations, Increasingly Pummeling the Dollar and Boosting Gold, Silver and Oil Prices. Likely moving to the downside, again, amidst intensifying, negative headline reporting in weeks ahead, market expectations for business activity should increasingly deteriorate, even as reviewed in the popular media. The broad trend in weakening expectations for business activity has continued, and movement towards looming recession recognition has accelerated, as discussed in the *Opening Comments*, in *Commentary No. 789* and in *No. 777 Year-End Special Commentary*. Increasingly negative reaction has surfaced in trading of the U.S. dollar and in related financial markets, with some upside movement in prices for gold and silver (see the *Hyperinflation Watch*, *Commentary No. 784* and *Commentary No. 785*). Circumstances here also should limit further heavy selling in the oil market, increasingly turning oil prices to the upside, in response to intensified dollar selling.

Weaker headline reporting of the regular monthly economic numbers increasingly should be accompanied by much worse-than-expected—negative—reporting for at least the next several quarters of GDP (and GDI and GNP), still for fourth-quarter 2015 and well into the looming 2016 detail (see the *Opening*

Comments). That includes an eventual outright quarterly contraction in revised fourth-quarter 2015 GDP activity, as well as other pending downside revisions to GDP history in the 2016 annual benchmark revisions, due on July 29th. Increasingly, in conjunction with pending downside revisions to industrial production and retail sales, the GDP benchmarking likely will be the point at which recent headline GDP reporting revises to contraction.

CPI-U consumer inflation—intermittently driven lower in 2015 and early-2016 by collapsing prices for gasoline and other oil-price related commodities—likely has seen its near-term, year-to-year low. Although month-to-month headline inflation was unchanged for January 2016, annual CPI-U jumped sharply, against year-ago weak inflation, to a 15-month high. Although headline monthly February inflation was negative, annual inflation remained positive. Monthly prices should turn positive, again, as early as March, with rising gasoline prices. Inflation will rise more sharply, going forward, pending a weakening U.S. dollar environment, and a related upturn in oil prices and other commodities. Separately, fundamental reporting issues with the CPI are discussed here: *Public Commentary on Inflation Measurement*.

Note on Reporting-Quality Issues and Systemic-Reporting Biases. Significant reporting-quality problems remain with most major economic series. Beyond the pre-announced gimmicked changes to reporting methodologies of the last several decades, which have tended to understate actual inflation and to overstate actual economic activity, ongoing headline reporting issues are tied largely to systemic distortions of monthly seasonal adjustments. Data instabilities—induced partially by the still-evolving economic turmoil of the last nine-to-eleven years—have 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). That has been discussed and explored in the labor-numbers related *Supplemental Commentary No. 784-A* and *Commentary No. 695*.

Separately, discussed in *Commentary No. 778*, a heretofore unheard of spate of "processing errors" has surfaced in recent surveys of earnings (Bureau of Labor Statistics) and construction spending (Census Bureau). This is suggestive of deteriorating internal oversight and control of the U.S. government's headline economic reporting. At the same time, it indicates an openness of the involved statistical agencies in revealing the reporting-quality issues.

Combined with ongoing allegations in the last year or two of Census Bureau falsification of data in its monthly Current Population Survey (the source for the BLS 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 RELEASE:

***Updated* - Gross Domestic Product (GDP)—Fourth-Quarter 2015, Third Estimate, Second Revision (GNP and GDI Initial Estimates).** The Bureau of Economic Analysis (BEA) will publish its third estimate, second revision of fourth-quarter 2015 Gross Domestic Product (GDP) tomorrow, Friday, March 25th and covered in tomorrow's *Commentary No. 795*. Discussed in the opening paragraphs and the opening section of *Commentary No. 793*, although the third estimate of growth should revise lower, the actual headline contraction probably awaits the July 29th GDP benchmark revisions. Where the initial reporting of annualized real quarterly growth here had been 0.69%, that revised to 1.01% in the first revision. Where early market expectations that had been for some downside revision in this next round of reporting, expectations appear to have rallied slightly to "unrevised."

Fourth-quarter 2015 GDP should be in an outright quarterly contraction in its final form. Formal recession recognition (timed from December 2014) likely would follow shortly in the wake of the eventual announcement of a headline contraction in fourth-quarter 2015 GDP, or even a headline contraction in first-quarter 2016 GDP, which may be seen before the benchmarking.

Recent headline seasonal-adjustment revisions to the CPI and PPI already suggest that pending revisions to GDP inflation patterns already would have the fourth-quarter 2015 GDP in headline contraction, but those elements should not come into play, again, until the GDP benchmarking. Separately, solid indications of the pending downside GDP revisions should be evident particularly in the looming downside benchmark revisions to Industrial Productions (April 1st) and Retail Sales (April 29th).

Per the BEA, initial estimates for fourth-quarter 2015 Gross National Product (GNP) and Gross Domestic Income (GDI) also will be published tomorrow. Where GDI is the theoretical income-side equivalent of the consumption-side GDP, and where GNP is the broadest U.S. economic measure (GDP is GNP net of trade flows in interest and dividend payments), those two alternate-GDP measures often provide interesting contrasts to the generally poor-quality and inconsistent headline reporting of the GDP.