

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

COMMENTARY NUMBER 808
April Durable Goods Orders, Home Sales, Household Income
May 26, 2016

**Downwardly-Benchmarked Durable Goods Orders
Remained in Smoothed, Low-Level, Stagnant Non-Recovery,
Both With and Without Commercial Aircraft Orders**

**Headline Jump in April New Orders Was Due Primarily to a
64.9% Surge in Irregular, Long-Term Commercial Aircraft Orders**

**Despite a Nonsensical 16.6% Monthly Surge in New-Home Sales,
Activity Remained 55.4% (-55.4%) Shy of Pre-Recession Recovery,
While the Smoothed Series Continued in Low-Level Stagnation**

**Still 25.0% (-25.0%) Shy of Pre-Recession Recovery,
Existing-Home Sales Are in Smoothed, Down-Trending Stagnation**

April Real Median Household Income Eased to a Five-Month Low

PLEASE NOTE: The next regular Commentary, scheduled for tomorrow, Friday, May 27th will review the first revision to first-quarter 2016 GDP and pending benchmark revisions to the GDP series.

Best wishes to all — John Williams

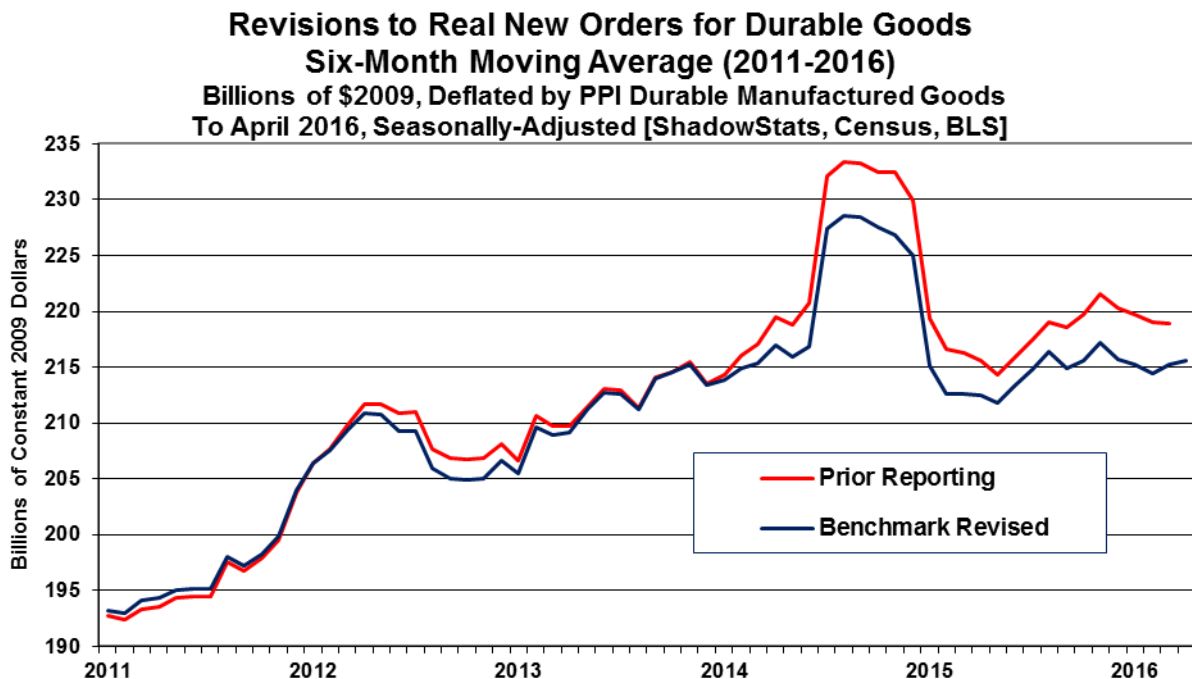
OPENING COMMENTS AND EXECUTIVE SUMMARY

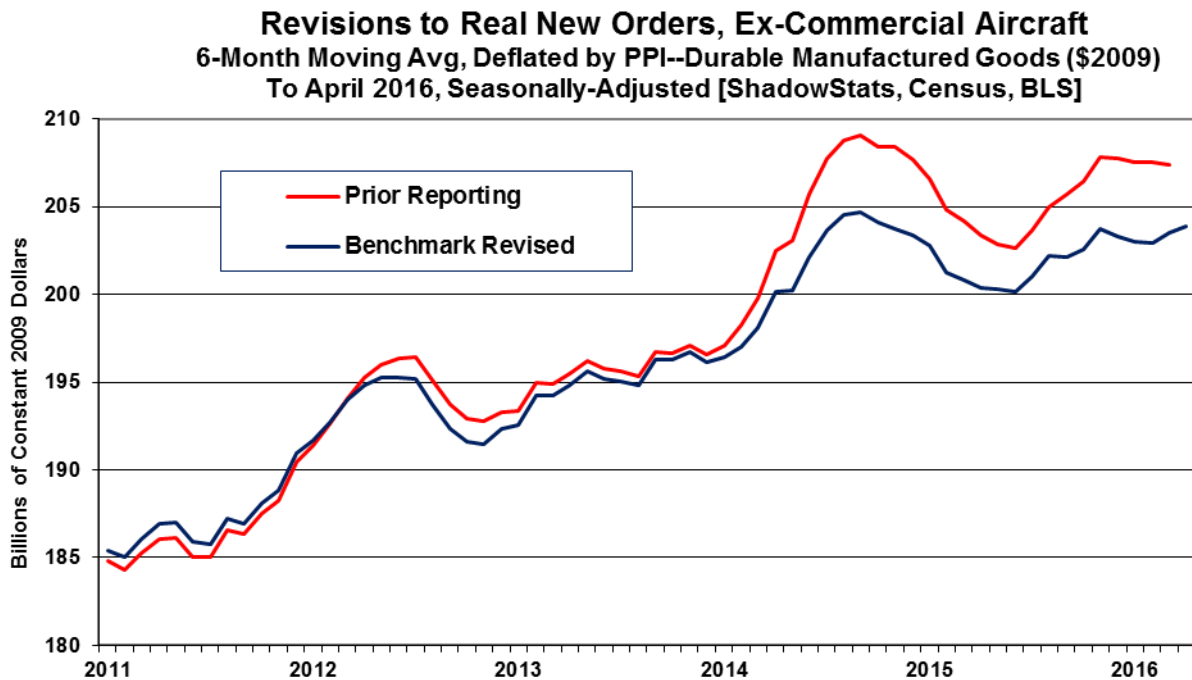
Downside Revisions Loom for the GDP. The headline monthly gain of 3.4% in April New Orders for Durable Goods reflected a 64.9% jump in irregular commercial aircraft orders. Due to the erratic timing of these large orders and the long lead-time involved—usually years—before actual production of the aircraft begins, the durable goods series commonly is viewed net of these orders, as a leading indicator of broad economic activity for the next quarter or two. Net of commercial aircraft, orders rose by 0.5% for the month of April 2016, up by 0.3% net of the headline PPI-Manufactured Durable Goods Inflation.

Today's headline detail, however, started at a lower level of non-recovery versus the pre-recession peak, and with a flatter, broad pattern of smoothed growth than previously. Such was the result of downside annual benchmark revisions to activity of recent years, as published May 18th, for Manufacturers' Shipments and related series, including the durable goods orders, as reviewed in [Supplemental Commentary No. 807-A](#).

The accompanying *Graphs 1* and *2* show respectively the net benchmark revisions to the six-month moving averages of the aggregate real New Orders for Durable Goods series, and the same series net of commercial aircraft orders, updated from the *No. 807-A* missive for today's (May 26th) April 2016 headline reporting detail and revisions to March. These plots can be seen in historical perspective in comparison with the revised historical detail plotted respectively in *Graphs 5* and *7*.

Graph 1: New Orders for Durable Goods, Six-Month Moving Average – Constant 2009 Dollars



Graph 2: Durable Goods, Ex-Commercial Aircraft, 6-Month Moving Average – Constant 2009 Dollars

Home-Sales Gains Were No More than Regular Series Volatility. Despite an unexpectedly-large surge in monthly New-Home Sales, that gain was not statistically significant, while a more-modest increase in Existing-Home Sales also was within the bounds of normal volatility for that reporting. Both home-sales series remained well shy of recovering pre-recession peak activity. Separately, smoothed with a six-month moving average, these irregularly-volatile numbers remained in low-level, stagnating non-recovery. Where the New-Home Sales smoothed series is minimally up-trending, the smoothed Existing-Home Sales is down-trending.

Negative Implications for Historical GDP Reporting. Discussed in the *Week Ahead* section, market expectations for tomorrow's release of the first revision to first-quarter 2016 GDP is for some upside revision to the initial, annualized quarterly real growth estimate of 0.54%. A downside revision also is possible, but a contraction is not likely until perhaps the June 28th second revision, although the difference between the current headline growth and an outright contraction is not statistically meaningful.

ShadowStats' coverage of tomorrow's GDP revision, in *Commentary No. 809*, also will review the major economic benchmarkings of the last month or so, and preview those looming in the next week and month. These series should help to shape the July 29th GDP revisions and move some recent GDP reporting into quarterly contractions, likely triggering formal recognition of a "new" recession in place since the end of 2014. ShadowStats contends that current economic stagnation and the renewed downturn remain ongoing elements of the economic collapse into 2009, and non-recovery from same.

Today's Commentary (May 26th). The balance of today's *Opening Comments* provides a summary of April New Orders for Durable Goods, in the context of annual revisions covered in [Supplemental Commentary No. 807-A](#), and April New- and Existing-Home Sales, including annual revisions to New-

Home Sales and with coverage of Existing-Home Sales as previously reported also in *No. 807-A*. Separately a brief update to *Consumer Conditions* reviews a monthly decline in the April 2016 Sentier Median Household Income Index, as released today.

The most recent *Hyperinflation Outlook Summary* is found in [Commentary No. 783](#), with [Commentary No. 807](#), [Commentary No. 799](#) and [No. 777 Year-End Special Commentary](#) as background to the currently unfolding financial circumstances. These documents will be updated shortly in a new *Special Report*.

The *Week Ahead* section previews tomorrow's reporting of the first revision to first-quarter 2016 GDP, as otherwise reviewed above, and in the *GDP Outlook* of *No. 807-A*.

New Orders for Durable Goods—April 2016—Benchmarked Lower, Smoothed Real Durable Goods Orders Held in Stagnant Non-Recovery. As part of the Manufacturers' Shipments and related series, New Orders for Durable Goods suffered meaningfully-negative annual benchmark revisions through March 2016 (May 18th), detailed in prior [Supplemental Commentary No. 807-A](#). Today's (May 26th) subsequent release of headline April 2016 numbers further revised the March 2016 detail, with the current reporting levels versus the pre-benchmark detail shown in *Graphs 1* and *2* of the opening paragraphs in these *Opening Comments*.

Headline April 2016 total New Orders for Durable Goods rose by a nominal (not-adjusted-for-inflation) 3.36% month-to-month, with 86% of that gain coming from a 64.92% irregular monthly surge in new orders for commercial aircraft. Net of commercial aircraft orders, new orders gained 0.47% before headline-inflation adjustment, and they gained 0.35% in inflation-adjusted real terms. Smoothed with six-month moving averages, both of these highly volatile real series—aggregate and ex-commercial aircraft—remained in non-recovery, low-level stagnation, consistent with an ongoing and deepening “new” recession.

Headline Nominal (Not-Adjusted-for-Inflation) April 2016 Reporting. The benchmark-revised, regularly-volatile, seasonally-adjusted, nominal level of April 2016 new orders for durable goods rose by 3.36%, following a revised 1.87% monthly gain in March and a revised decline of 3.31% (-3.31%) in February.

The year-to-year change in April 2016 durable goods orders was a gain of 1.91%, following a revised decline of 2.91% (-2.91%) in March 2016, and a revised 1.16% annual gain in February 2016.

The headline April 2016 detail, again, was before consideration of the volatility in commercial-aircraft orders. With the aircraft orders considered, headline changes in April were much-less positive. 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 flat-to-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 later in these *Opening Comments*. 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 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 relatively large monthly gain in April commercial aircraft orders reduced the aggregate orders gain to 0.5%, where it would have been 3.4% otherwise.

Net of a headline monthly gain of 64.92% in April 2016 commercial aircraft orders, a revised decline of 1.97% (-1.97%) in March and a revised decline of 26.71% (-26.71%) in February, aggregate new orders rose by 0.47% in April 2016, by a revised 2.06% in March and declined by a revised 1.78% (-1.78%) in February.

Year-to-year and seasonally-adjusted, April 2016 new orders (net of commercial aircraft) rose by 1.67%, following a revised gain of 0.21% in March 2016 and a revised gain of 2.01% in February 2016.

Real (Inflation-Adjusted) Durable Goods Orders—April 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 April 2016 PPI series showed a headline monthly gain of 0.12%, the first monthly uptick in durable goods inflation since October 2015. That increase followed “unchanged” readings of 0.00% month-to-month, in March and February, and negative inflation of 0.06% (-0.06%) in January 2016.

Headline annual inflation contracted year-to-year by 0.84% (-0.84%) in April 2016, having declined by 1.14% (-1.14%) in March 2016, by 1.25% (-1.25%) in February 2016 and by 1.31% (-1.31%) in January 2016.

Adjusted for that 0.12% monthly April 2016 inflation, and as reflected in the accompanying graphs, real month-to-month aggregate orders in April 2016 rose by 3.23%, March orders rose by 1.87%, and February orders declined by 3.31% (-3.31%). In like manner, ex-commercial aircraft, monthly real orders rose by 0.35% in April 2016, by 2.06% in March and fell by 1.78% (-1.78%) in February.

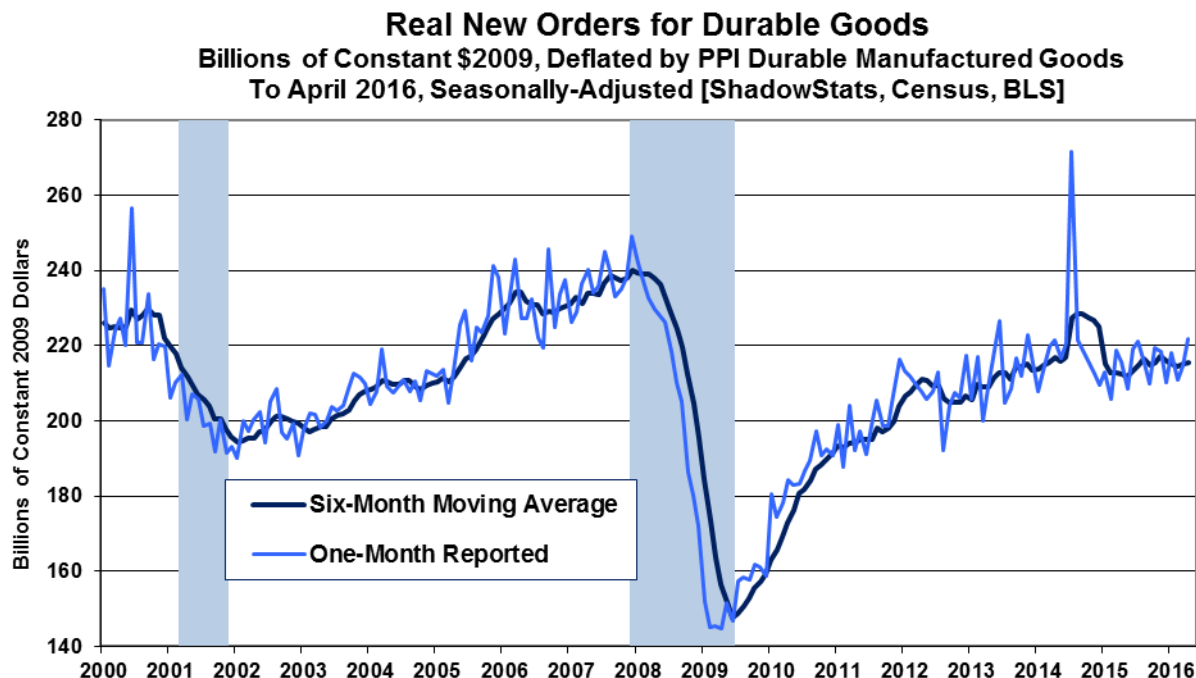
Real aggregate new orders rose year-to-year by 2.77% in April 2016, fell by 1.79% (-1.79%) in March 2016 and showed an annual gain of 2.45% in February 2016. Ex-commercial aircraft, real orders rose year-to-year by 2.53% in April 2016, by 1.36% in March 2016 and by 3.31% in February 2016. Annual real gains here were boosted by headline, negative year-to-year inflation.

Real Quarterly Growth, Ex-Commercial Aircraft. Where the inflation-adjusted series, ex-commercial aircraft, is the best leading economic indicator that comes out of these data, following are the post-benchmark revisions to the annualized real quarterly change in that series. Note the large downside revision in third-quarter 2016 activity and a less-than-compensating movement in the ensuing quarter. Such has negative implications for fourth-quarter 2015 and first-quarter 2016 GDP revisions, as will be discussed in tomorrow’s *Commentary No. 809*.

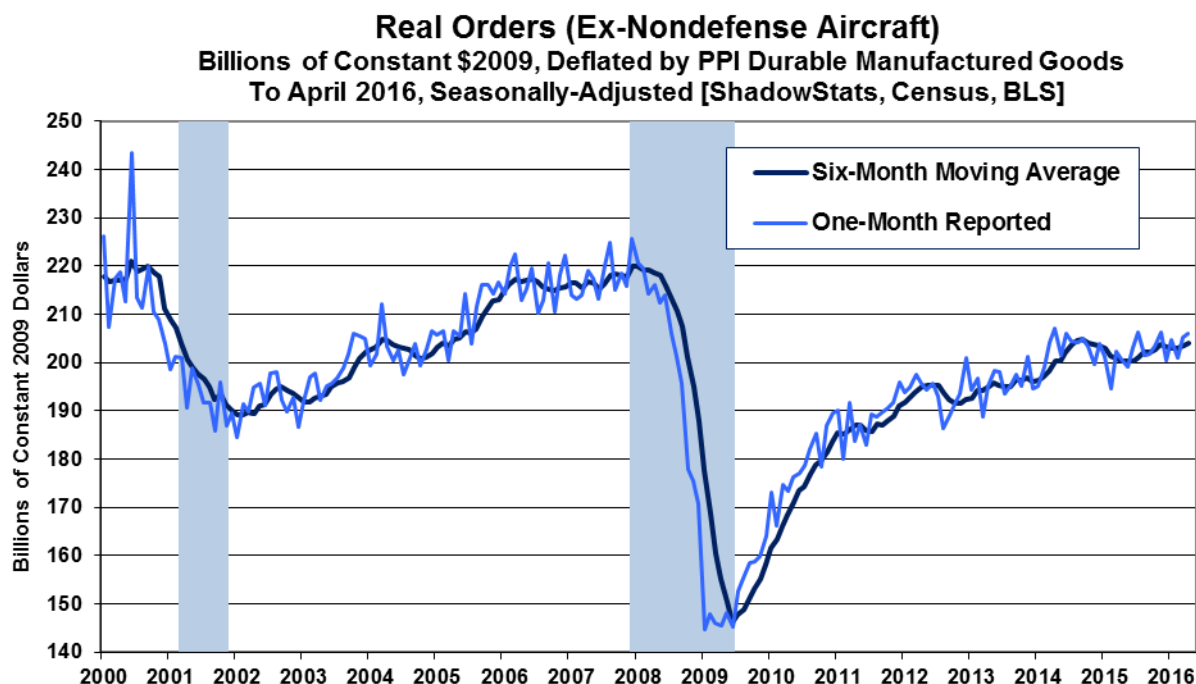
As revised, the real ex-commercial aircraft series showed annualized quarterly declines in real new orders of 4.44% (-4.44%) [pre-benchmark down by 5.58% (-5.58%)] in fourth-quarter 2014, and 5.54% (-5.54%) [pre-benchmark 7.73% (-7.73%)] in first-quarter 2015. Annualized real change for second-quarter 2015 was a gain of 3.31% [pre-benchmark 2.10%], a gain of 4.52% [pre-benchmark 10.38%] in third-quarter

2015 activity, with a revised gain of 0.31% [pre-benchmark down 1.77% (-1.77%)] in fourth-quarter 2015 activity, and a 0.42% [pre-benchmark 0.48%] gain in first-quarter 2016. Based solely on the April 2016 detail, the early-trend for second-quarter 2016 is for annualized quarterly growth of 4.52%.

Graph 3: Real Total New Orders for Durable Goods to Date



Graph 4: Real New Orders for Durable Goods – Ex Commercial-Aircraft Orders to Date



Graphs of Inflation-Adjusted and “Corrected” Smoothed Durable Goods Orders. The preceding *Graphs 3* and *4* 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. All graphs here reflect the annual benchmark revisions as reviewed in [Supplemental Commentary No. 807-A](#), and as updated with previous *Graphs 1* and *2*.

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 first-quarter 2016, with a minor uptrend into April 2016.

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 April 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 trend 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.

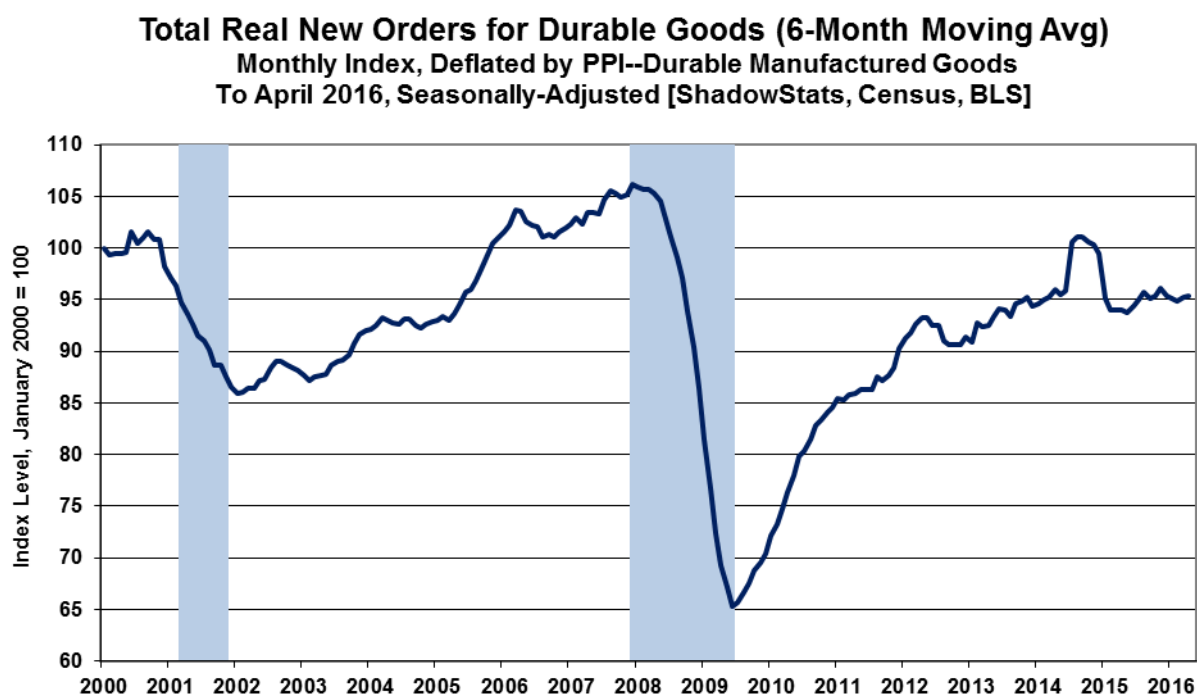
Two sets of graphs follow. The first set (*Graph 5* and *Graph 6*) shows the aggregate series or total durable goods orders; the second set (*Graph 7* and *Graph 8*) shows the ex-commercial aircraft series, all reflective of the benchmarking (see *Graphs 1* and *2*).

The aggregate orders series in *Graphs 5* and *6* 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. Again, *Graphs 7* and *8* are shown net of the volatile commercial aircraft orders.

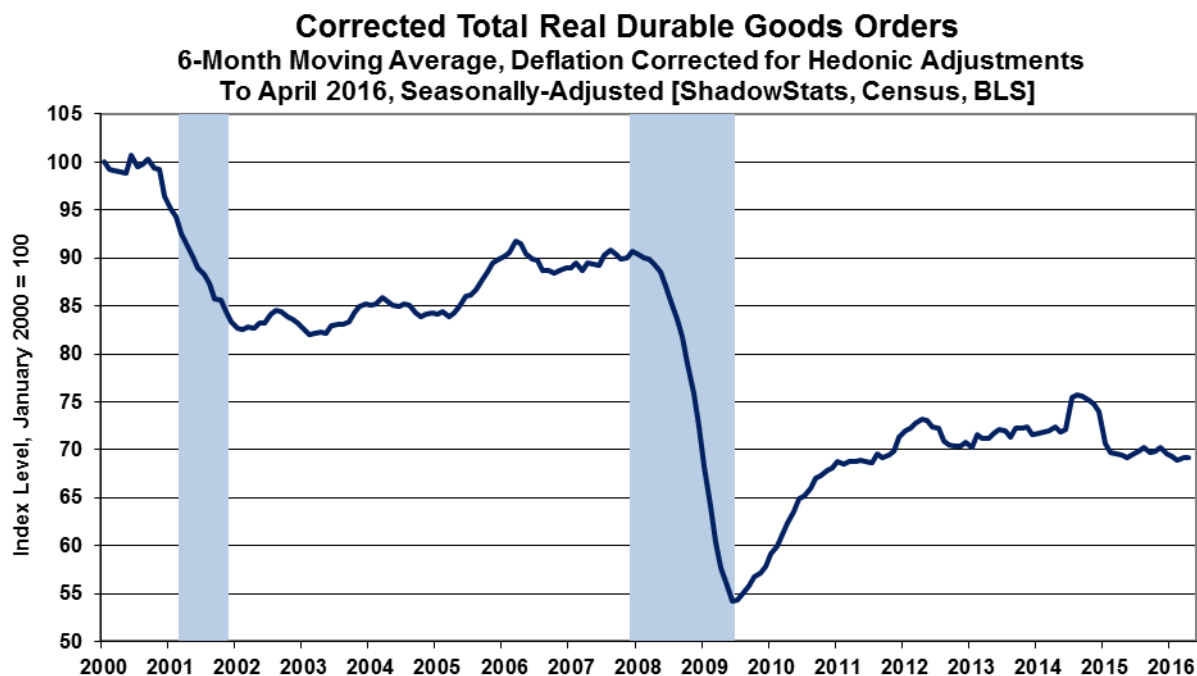
The first graph in each of the two series shows the official six-month moving average, the same heavy dark-blue line shown in *Graph 3* and *Graph 4*, along with the light-blue thin line of monthly detail. The second graph in each set is the same six-month, moving-average series shown in the first graph, but it has been re-deflated to correct for the understatement of the PPI manufactured durable goods inflation measure used in the headline-deflation process. ShadowStats estimates that inflation understatement, with the “corrected” graphs indexed to January 2000 = 100.

Graph 8, 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.

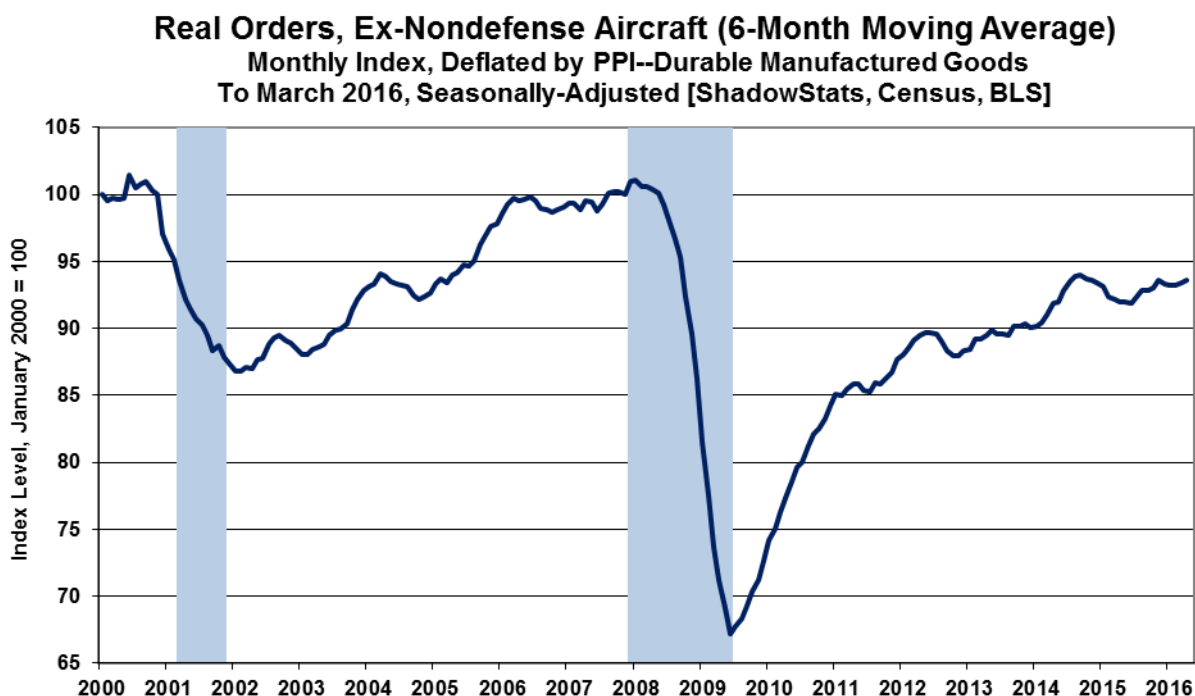
Graph 5: Index of Real Total New Orders for Durable Goods, 6-Month Moving Average



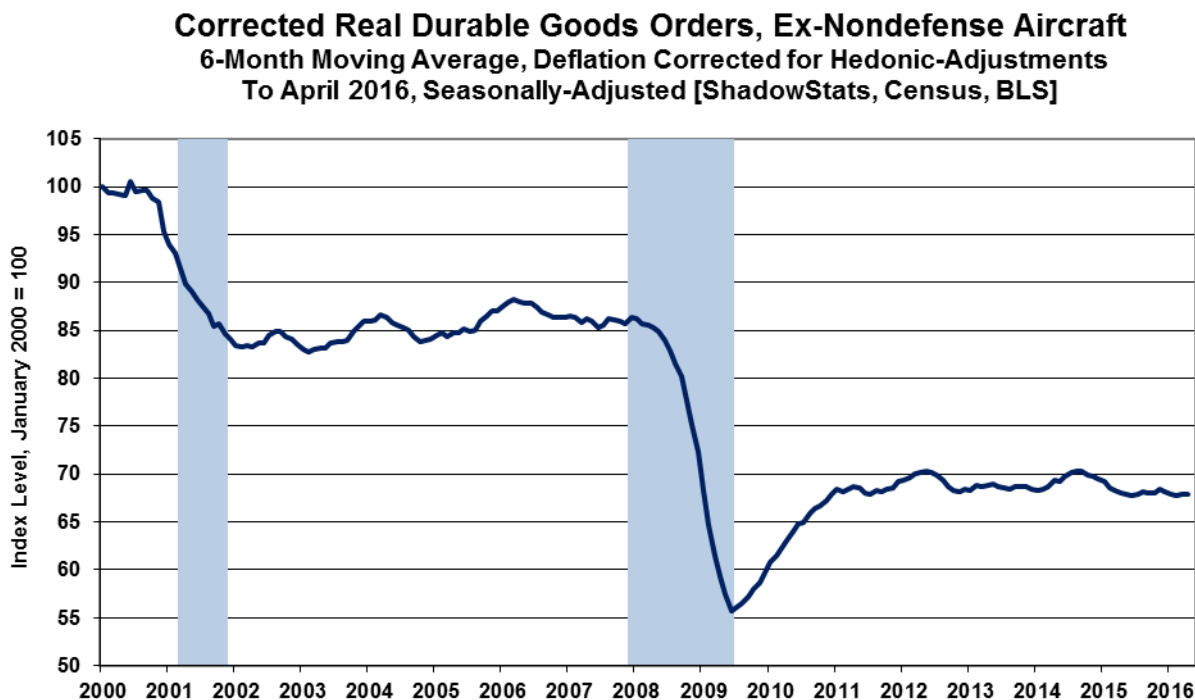
Graph 6: Corrected Index of Real Total New Orders for Durable Goods, 6-Month Moving Average



Graph 7: Index of Durable Goods Orders – Ex Commercial Aircraft, 6-Month Moving Average



Graph 8: Corrected Index of Durable Goods Orders – Ex Commercial Aircraft, 6-Month Moving Average



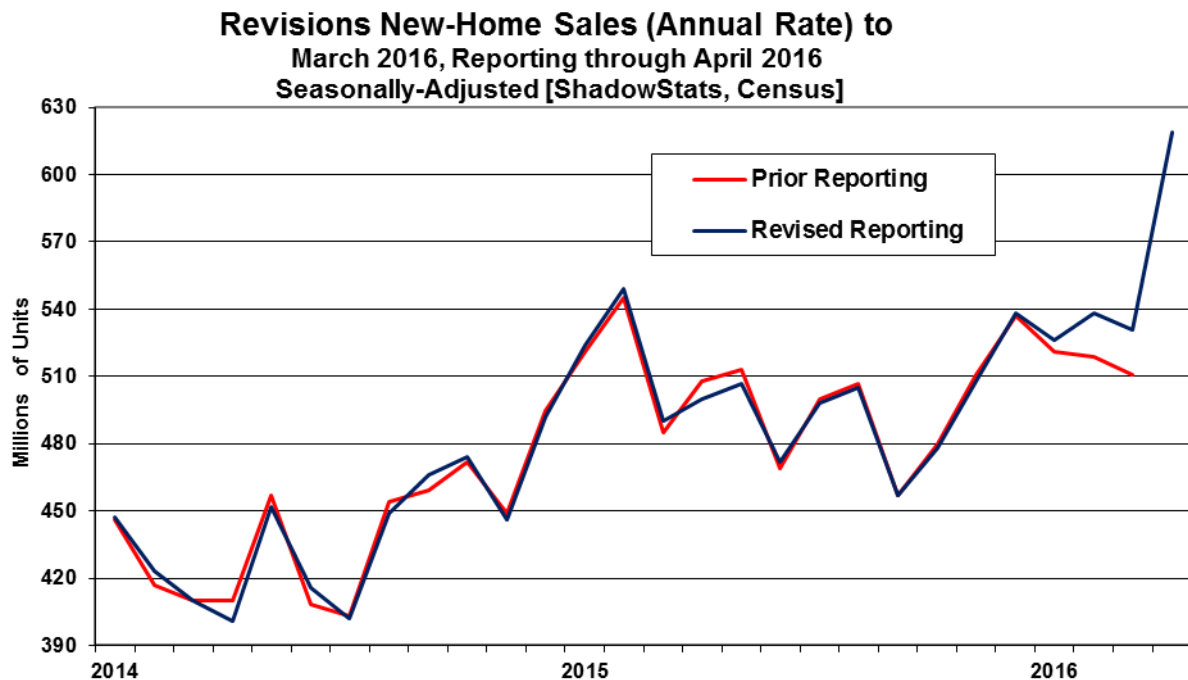
New- and Existing-Home Sales—April 2016—Continued Low-Level Stagnation and No Recovery, Despite Some Wild and Meaningless Data. April 2016 New- and Existing-Home Sales series both remained deep in depression territory (see [Commentary No. 754](#)), down respectively by 55% (-55%) and by 25% (-25%) from pre-recession peaks.

Holding in low-level stagnation, with statistically-insignificant changes in volatile headline activity for New-Home Sales, smoothed activity has been relatively flat (*Graph 12*) in the latter part of 2015 and through April 2016, although currently up-trending. 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 16*) in the latter part of 2015 through April 2016, still down-trending. 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 been stagnant.

More fully discussed in [Commentary No. 806](#) 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-Home Sales—Nonsense April Headline Detail in the Context of Negligible Annual Revisions. As seen in *Graph 9*, the annual revisions to 2014 and 2015 in the New-Home Sales series were nothing more than a shifting of seasonal-adjustment factors. As with the annual revisions to the Housing Starts series, the levels of activity by year were not revised (see [Commentary No. 807](#)). Nonetheless, activity in first-quarter 2016 revised higher, along with a big jump in monthly April 2016 sales. April's activity, though, was not meaningful, as usual.

Graph 9: Unstable New-Home Sales Series, Annual Revisions to March 2016, with Reporting to April 2016



Unstable Monthly Headline Reporting of New Home Sales Rarely Is of Substance; Smoothed Data Held in Low-Level Stagnation. Discussed frequently, headline monthly reporting of this series almost never is of substance. Even with an unexpectedly-large 16.6% month-to-month surge in sales, neither the monthly nor the annual gain was statistically significant. Nonetheless, headline massive swings in this series usually revise towards neutral, or they largely reverse in the next month's reporting.

On a monthly basis, the unstable April 2016 headline reporting of 629,000 units in annualized sales (a 52,417 monthly rate as used in the graphs) soared by 16.6% for the month, on top of upside revisions to March detail, with the annual gain for April at 23.8%. Yet, as usual, the headline monthly changes were not statistically significant, with headline April 2016 activity still below its 2005 pre-recession peak by 55% (-55%).

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, albeit somewhat up-trending stagnation (see *Graph 12*).

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 the series' pre-recession peak of July 2005, headline April 2016 New-Home Sales still were down by 55.4% (-55.4%), while April 2016 Single-Unit Housing Starts were down by 57.3% (-57.3%) from the January 2006 pre-recession high of that series (see [Commentary No. 807](#)).

Headline April New-Home Sales. April 2016 New-Home Sales (Census Bureau, counted based on contract signings) soared month-to-month by a headline, seasonally-adjusted, statistically-insignificant 16.6%. That was against a narrower, revised monthly decline of 1.3% (-1.3%) and an upwardly revised 2.3% monthly gain in February. Net of prior revisions, the monthly gain in April 2016 was 21.1%, instead of the headline 16.6%.

Year-to-year, April 2016 sales rose by a statistically-insignificant 23.8%. That followed an upwardly-revised annual gain of 8.4% in March 2016, and a narrowed, revised annual decline of 2.0% (-2.0%) in February 2016.

In the arena of continued extreme volatility, consider that the revised annualized quarterly pace of sales gain in first-quarter 2015 was 50.1%, with the second-quarter 2015 sales activity in an annualized quarterly decline of 19.8% (-19.8%). Third-quarter 2015 new-home sales declined by 5.0% (-5.0%), with the fourth-quarter sales gain estimated at an unrevised 18.7%. First-quarter 2016 activity showed a revised annualized gain of 29.0%, with second-quarter 2016 at an early, annualized growth pace of 83.7%, based just on the temporary headline April 2016 detail.

Existing-Home Sales—Down-Trending Low-Level Stagnation Continued. Despite a 1.7% monthly gain, and in the context of an upside revision to March 2016 detail, April Existing-Home Sales series remained in non-recovery, never having regained its pre-recession high. Smoothed with a six-month moving average, sales activity continued in down-trending, low-level stagnation, having turned to the downside in the latter part of 2015 and having continued in that pattern through the April 2016 reporting

(see *Graph 16*). That said, the moving average likely will regain some stability and flatten out temporarily in the next couple of months, as some unusually-volatile months work out of the average.

This series also never recovered from the economic collapse into 2009, again, a common issue in the residential real estate industry. Indeed, after going through a period of protracted, low-level stagnation and non-recovery, general housing construction and sales activity broadly have begun to turn down anew, with Existing-Home Sales activity in April 2016 down by a headline 25.0% (-25.0%) from its June 2005 pre-recession peak, a high that has not been matched since the economic collapse into 2009. In like manner, April 2016 headline monthly Housing Starts remained down by 48.4% (-48.4%) from their January 2006 pre-recession high.

Headline April Existing-Home Sales. April 2016 Existing-Home Sales [actual closings of home sales, National Association of Realtors® (NAR)] showed a seasonally-adjusted, headline monthly gain of 1.7%, versus an upwardly revised 5.7% gain in March 2016 and an unrevised contraction of 7.3% (-7.3%) in February. On a year-to-year basis, April 2016 sales rose by 6.0%, versus a revised gain of 2.1% in March 2016 and an unrevised gain of 2.0% in February 2016. Net of prior-period revisions, the month-to-month April gain was 2.3%, versus the headline 1.7% uptick.

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%). First-quarter 2016 expanded at a revised annualized pace of 7.9%. Based just on the April 2016 detail in this series of high month-to-month volatility, second-quarter 2016 is on early track for an annualized quarterly gain of 11.8%.

Graphs of New- and Existing-Home Sales. These series and comparative numbers are plotted in the accompanying *Graphs 10 to 17*.

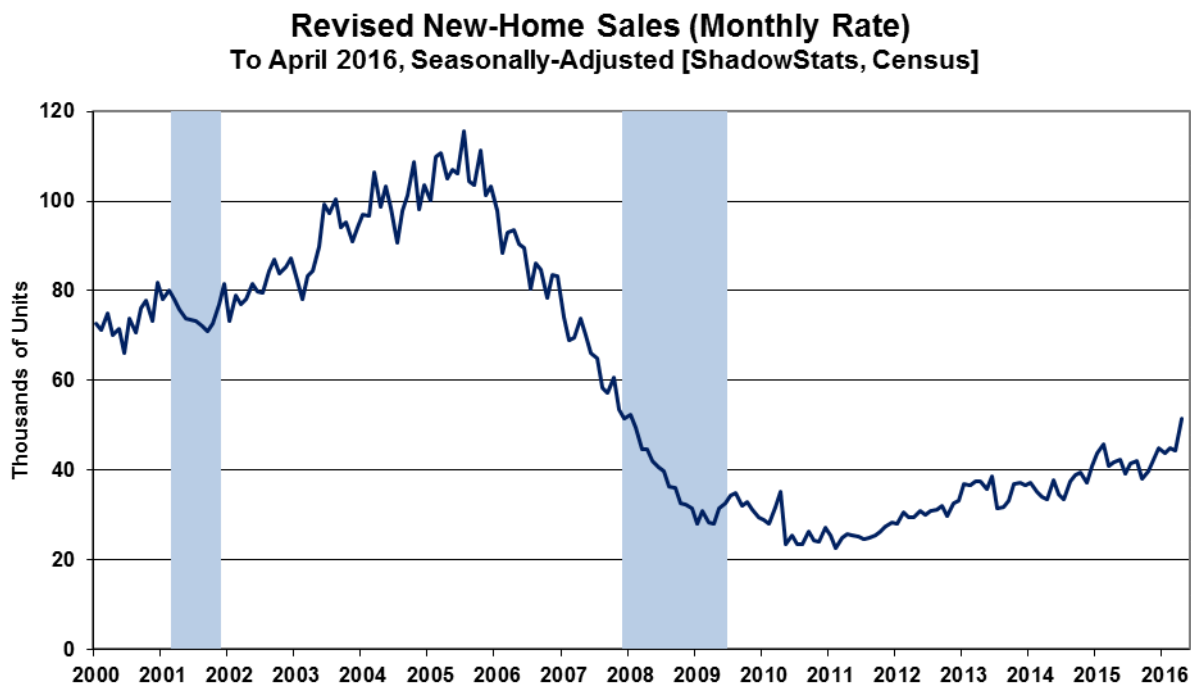
New-Home Sales. *Graphs 10 and 12* show the regular monthly and six-month moving-average versions of New-Home Sales activity in the context of the May 24th revisions to annual seasonal adjustments (see earlier *Graph 9*). Added for comparison purposes are parallel graphs of the headline and monthly and six-month moving-average versions of April 2016 Housing Starts for single-unit construction (*Graphs 11 and 13*) from [Commentary No. 807](#).

Existing-Home Sales. *Graph 14* shows the traditional headline Existing-Home Sales monthly detail, supplemented by *Graph 16* of the Six-Month Moving Average of Existing-Home Sales. Unlike the levels shown *Graph 14* 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 joining the old and new series plotted separately in *Graph 14*.

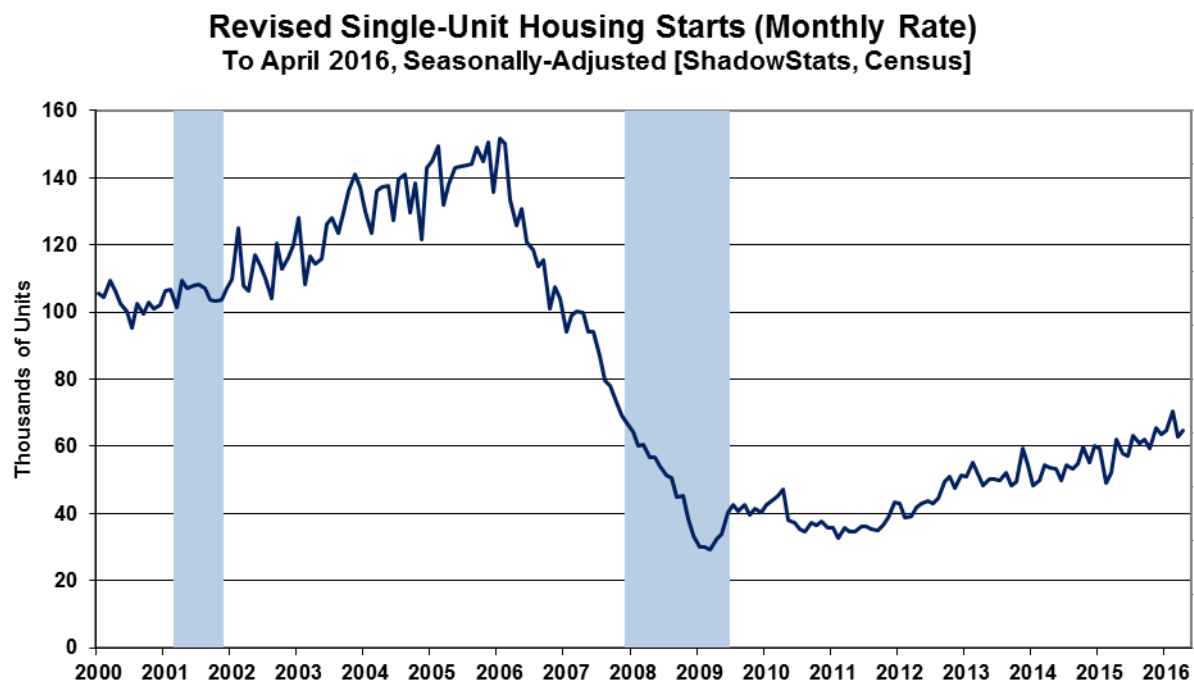
Accompanying the Existing-Home Sales plots are comparative graphs of April 2016 aggregate Housing Starts activity, from [Commentary No. 807](#), where both series reflect activity in terms of single- and multiple-housing units (see *Graphs 15 and 17*).

[*Graphs 10 to 17* follow, beginning on the next page]

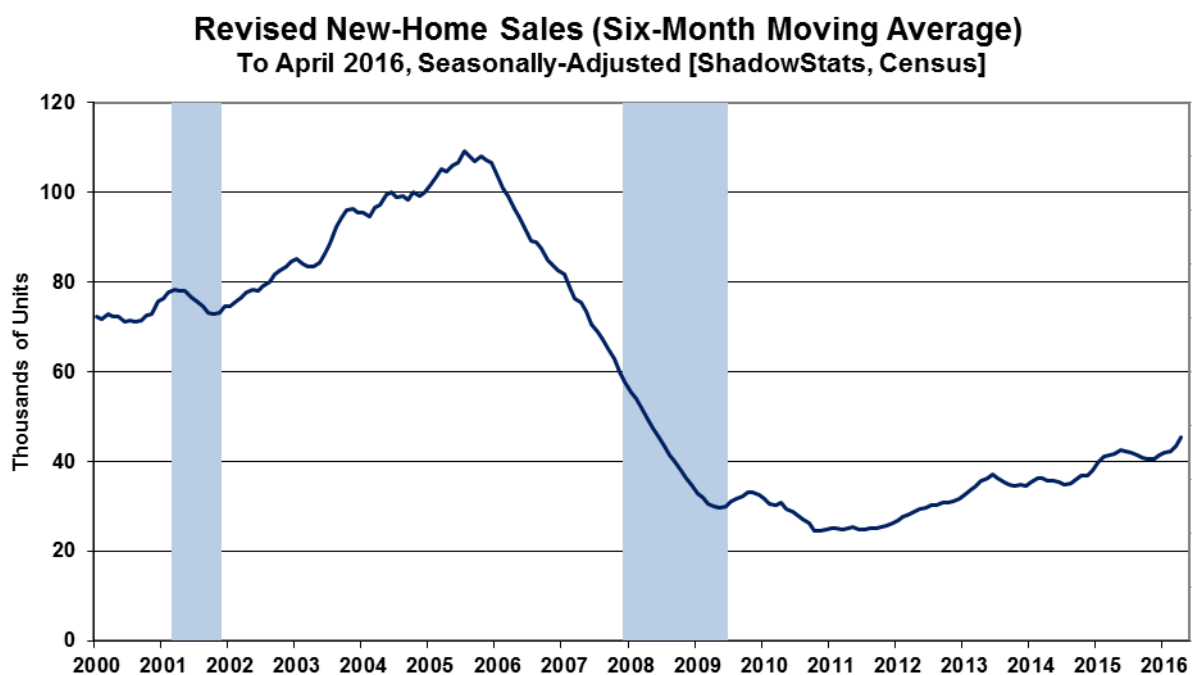
Graph 10: New-Homes Sales – Monthly Rate of Activity



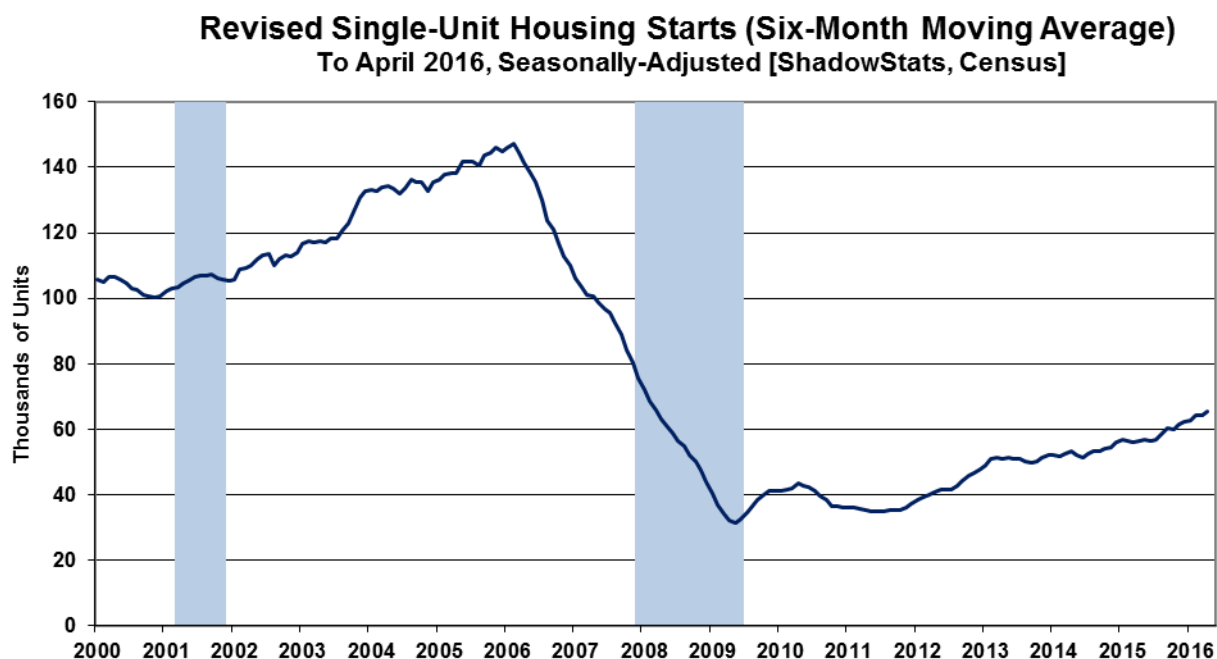
Graph 11: Single-Unit Housing Starts, Monthly Rate of Activity



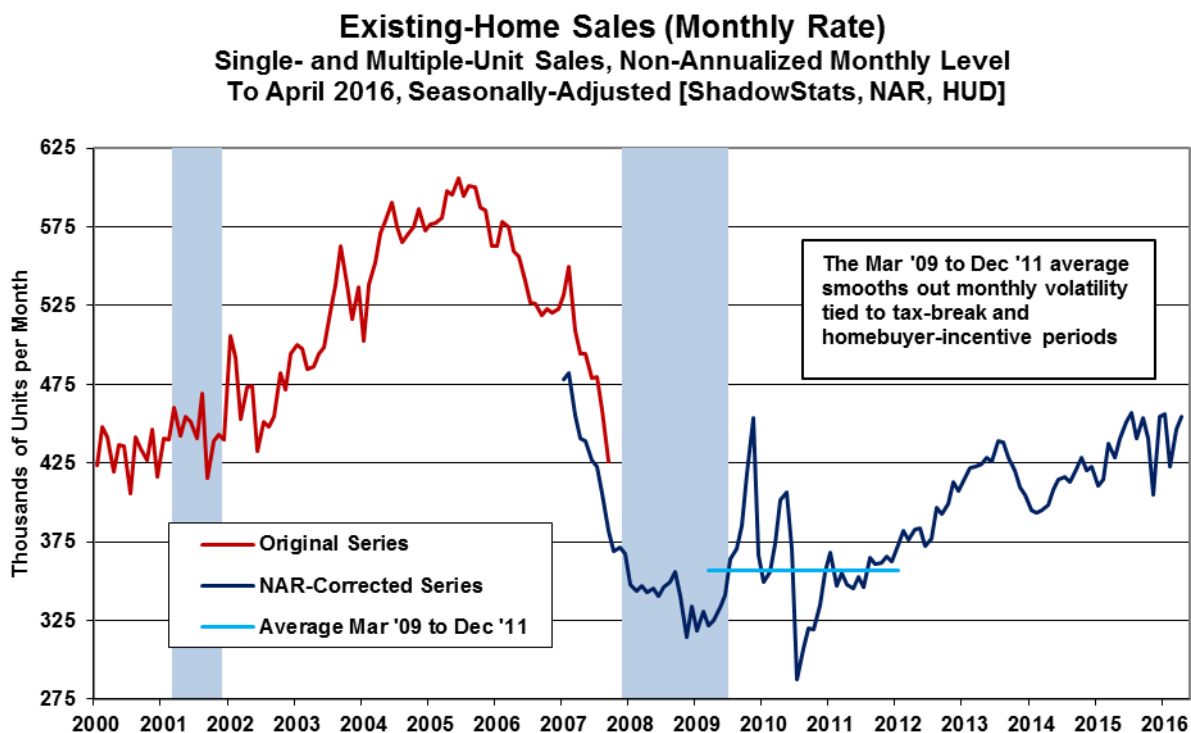
Graph 12: New-Homes Sales – Six-Month Moving Average, Monthly Rate of Activity



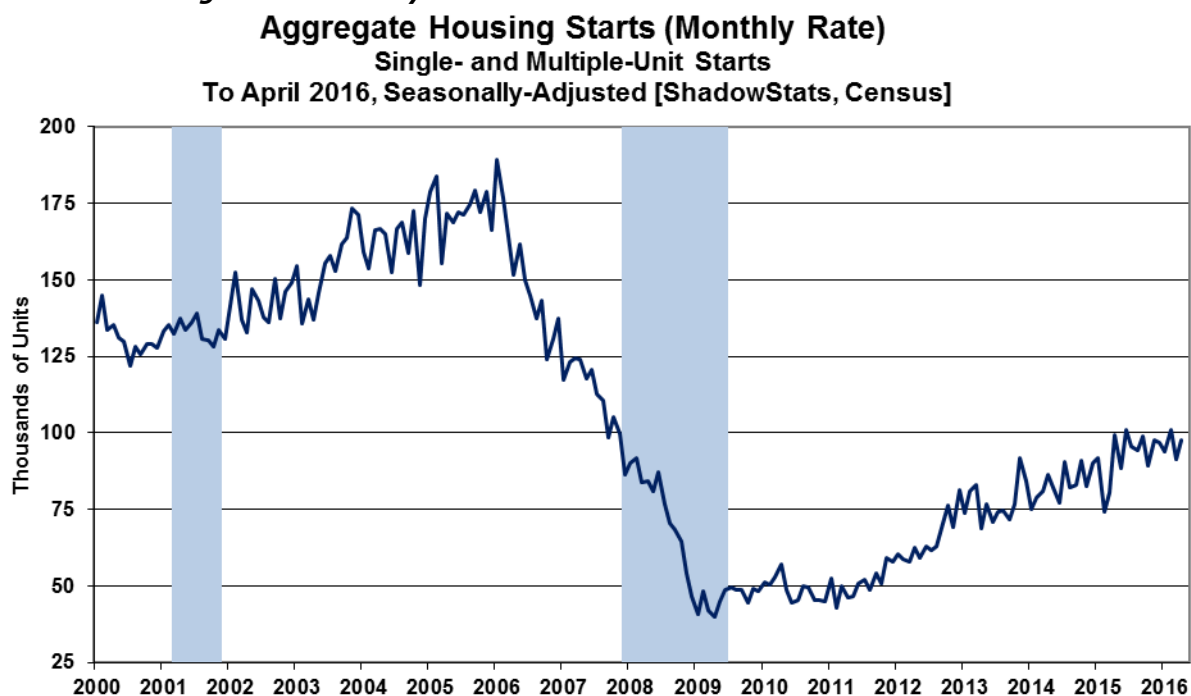
Graph 13: Single-Unit Housing Starts, Six-Month Moving Average, Monthly Rate of Activity



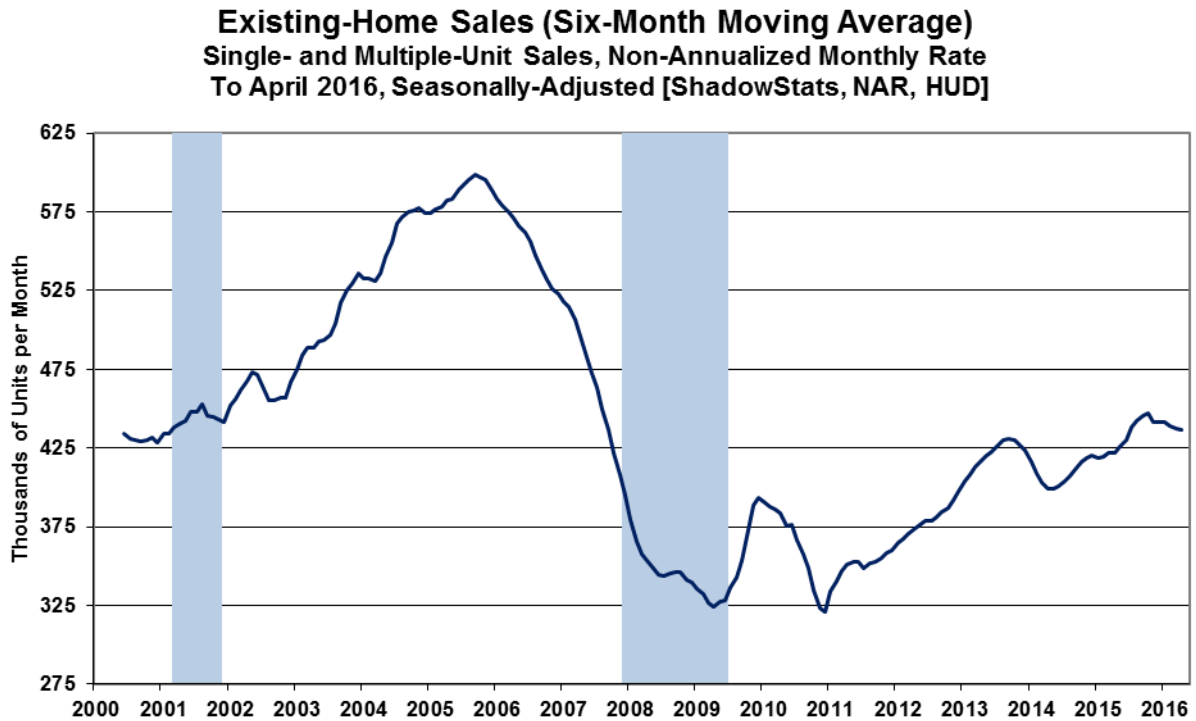
Graph 14: Existing-Home Sales – Monthly Level



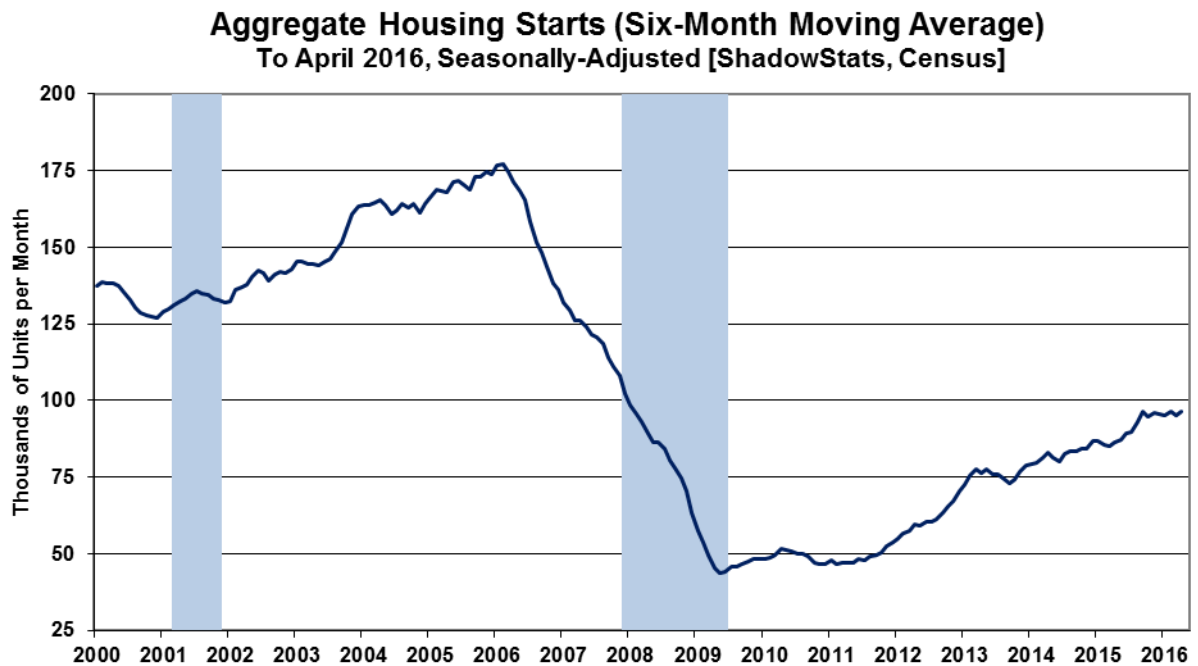
Graph 15: Total Housing Starts – Monthly Level



Graph 16: Existing-Home Sales (Six-Month Moving Average)



Graph 17: Total Housing Starts (Six-Month Moving Average)



Consumer Conditions: April 2016 Real Median Monthly Household Income at 5-Month Low.

Continuing to constrain personal consumption expenditures, including retail sales, and investment in residential real estate, the ongoing the extreme liquidity bind besetting consumers is updated here for today's (May 26th) release of April 2016 real monthly median household income measure, as published by www.SentierResearch.com. General consumer conditions previously were updated fully in [Commentary No. 806](#).

Without sustainable growth in real income, and without the ability and/or willingness to take on meaningful new debt in order to make up for an income shortfall, the U.S. consumer is unable to sustain positive growth in domestic personal consumption, including retail sales, real or otherwise, and including demand for residential real estate.

Underlying fundamentals to consumer economic activity, such as liquidity, have been severely impaired in the last decade or so, having driven economic activity into collapse and prevented meaningful or sustainable economic rebound, recovery or ongoing growth. The level of and growth in sustainable real income, and the ability and willingness of the consumer to take on new debt, remain at the root of the liquidity issues.

Generally, the higher and stronger those measures are, the healthier is consumer spending. Although most measures of consumer liquidity and attitudes are off their lows, one—real monthly median household income—as shown here (*Graph 18*) actually had been boosted to pre-recession levels by a temporary collapse in gasoline prices. These underlying economic fundamentals simply have not supported, and do not support a turnaround in broad economic activity. Never recovering in the post-Panic era, limited growth in household income and credit, and a faltering consumer outlook, have eviscerated and continue to impair broad, domestic U.S. business activity, which feeds off the financial health and liquidity of consumers.

Such has driven the housing-market collapse and ongoing stagnation in consumer-related real estate and construction activity, as well as constraining both nominal and real retail sales activity and the related, personal-consumption-expenditures and residential construction categories of the Gross Domestic Product (GDP), irrespective of gimmicked reporting in that series. Together, those sectors account for more than 70% of total GDP activity in the United States.

With actual, underlying economic activity never having recovered fully from the collapse into 2009 (see [Commentary No. 803](#)), consumers are pulling back on consumption, once again, as evidenced by a renewed slowdown of broad, underlying activity. There has been no economic recovery, and there remains no chance of meaningful, broad economic growth, without a significant, fundamental upturn in consumer- and banking-liquidity conditions.

The relative distribution of income among the general population—income variance—also is a significant indicator of the health of an economy as well as the attendant financial markets. At its current extremes, the imbalances are consistent with continued economic disruption and significant, negative financial-market turmoil (see the general discussion in [No. 777 Year-End Special Commentary](#)).

Real Monthly Household Income Has Begun to Falter, Anew. Shown first in *Graph 18* is the real median household income monthly detail through April 2016. It had stalled recently in statistically-

insignificant flutterings around its near-term January 2016 peak, but as might be expected with a renewed upturn in headline CPI-U inflation, monthly real median household income turned lower in April 2016.

Although the monthly decline was not statistically meaningful, the April 2016 level was the lowest since December 2015. The “recovery” seen in the plot of the headline monthly real median household income series primarily has reflected a gasoline-price driven reduction in the headline CPI-U. Yet, that generally did not translate into increased consumption. Instead, much of the positive impact from consumer savings with low-priced gasoline appears to have gone into paying bills and into slowing growth in otherwise burdensome debt levels.

This measure of real monthly median household income generally can be considered as a monthly version of the annual detail shown in *Graph 19*, but the monthly specifics are generated from separate surveying and questioning by the Census Bureau.

On a monthly basis, when headline GDP purportedly started its solid economic recovery in mid-2009, the monthly household income number nonetheless plunged to new lows. Generally, the income series had been in low-level stagnation, with the recent upturn in the monthly index again boosted specifically by collapsing gasoline prices and related negative headline consumer inflation since mid-2014. The index reached pre-recession levels in the December 2015 reporting, but it has remained minimally below the pre-recession highs for both the formal 2007 and 2001 recessions. It should continue to turn down anew as consumer inflation continues to rebound.

On an annual basis, the Census Bureau’s most-recent (2014) annual measures of household income were discussed and graphed in [Commentary No. 752](#). Unexpected weakness in some of the headline annual income data, though partially masked by changes in survey questions, signaled increasing liquidity difficulties for U.S. households.

Differences in the Monthly versus Annual Median Household Income. The general pattern of relative historical weakness also has been evident in the headline reporting of the annual Census numbers, shown in *Graph 19*, with the latest 2014 real annual median household income at a ten-year low. The monthly and annual series remain broadly consistent, although based on separate questions within the monthly Consumer Population Series (CPS), as conducted by the Census Bureau.

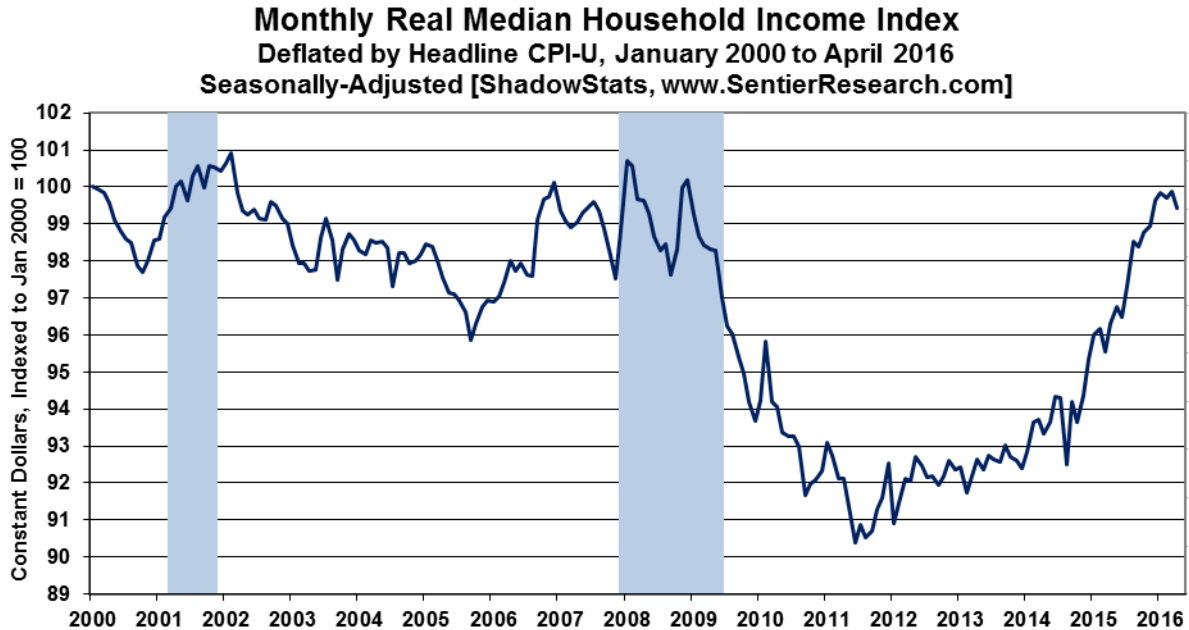
Where Sentier uses monthly questions surveying current annual household income, the headline annual Census detail is generated by a once-per-year question in the March CPS survey, as to the prior year’s annual household income.

Discussed in [Commentary No. 752](#), the Census Bureau changed its annual income questionnaire for 2014, with the effect of boosting income levels reported in 2014. The details on changes between 2013 and 2014, however, also were available on a consistent and comparable basis, and the consistent aggregate annual percentage change of median household income in 2014, versus 2013, was applied to the otherwise consistent historical series to generate *Graph 19*.

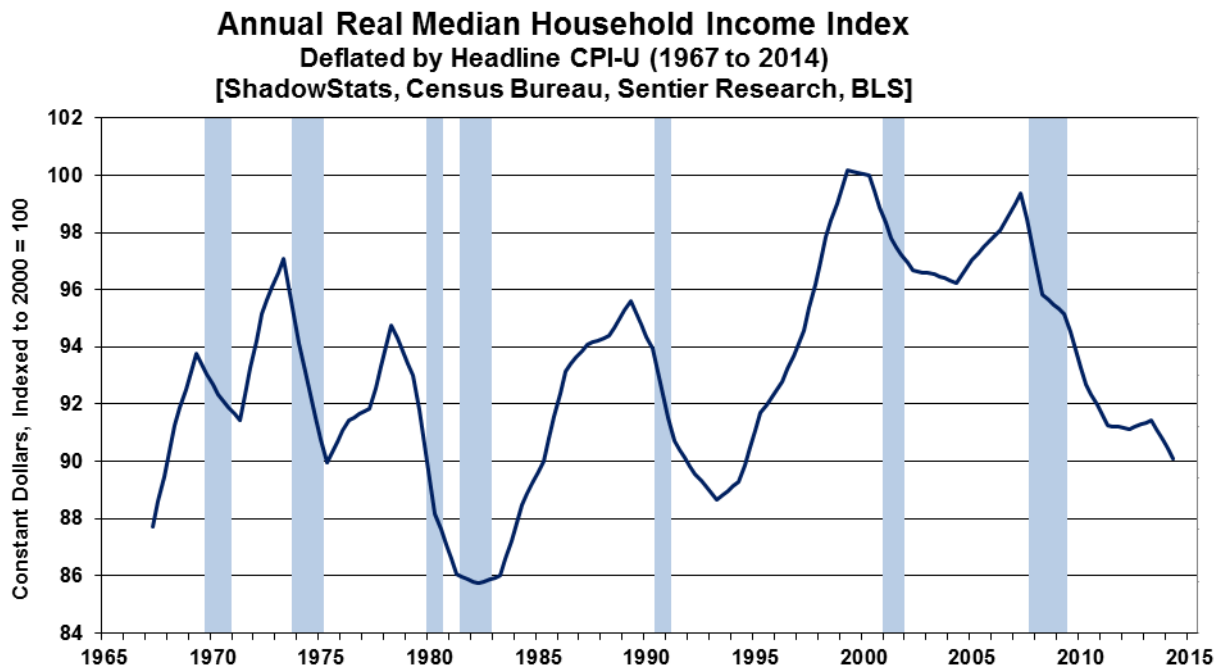
In historical perspective from *Graph 19*, 2011, 2012 and 2013 income levels were below levels seen in the late-1960s and early-1970s, with the 2014 income level below the readings through most of the 1970s, aside from being at a ten-year low.

Such indicates the long-term nature of the evolution of the major structural changes squeezing consumer liquidity and impairing the current economy (see related discussions in [2014 Hyperinflation Report—The End Game Begins](#) and particularly [2014 Hyperinflation Report—Great Economic Tumble](#)).

Graph 18: Monthly Real Median U.S. Household Income through April 2016



Graph 19: Annual Real Median U.S. Household Income through 2014



REPORTING DETAIL

NEW ORDERS FOR DURABLE GOODS (April 2016)

Benchmarked Lower, Smoothed Real Durable Goods Orders Held in Stagnant Non-Recovery. As part of the Manufacturers' Shipments and related series, New Orders for Durable Goods suffered meaningfully-negative annual benchmark revisions through March 2016 (May 18th), detailed in prior [Supplemental Commentary No. 807-A](#)). Today's (May 26th) subsequent release of headline April 2016 further revised the March 2016 detail, with the current reporting levels versus the pre-benchmark detail shown in *Graphs 1* and *2* of the opening paragraphs in the *Opening Comments*.

Headline April 2016 total New Orders for Durable Goods rose by a nominal (not-adjusted-for-inflation) 3.36% month-to-month, with 86% of that gain coming from a 64.92% irregular monthly surge in new orders for commercial aircraft. Net of commercial aircraft orders, new orders gained 0.47% before headline-inflation adjustment, and they gained 0.35% in inflation-adjusted real terms. Smoothed with six-month moving averages, both of these highly volatile real series—aggregate and ex-commercial aircraft—remained in a non-recovery, low-level stagnation that remained consistent in signaling ongoing and deepening “new” recession.

Headline Nominal April 2016 Reporting. The Census Bureau reported this morning, May 26th, that the benchmark-revised, regularly-volatile, seasonally-adjusted, nominal level of April 2016 new orders for durable goods rose by 3.36%, following a revised 1.87% monthly gain [up by a benchmarked 3.43%, up 0.78% pre-benchmark] in March and a revised decline of 3.31% (-3.31%) [down by 3.07% (-3.07%) pre-benchmark] in February.

The year-to-year change in April 2016 durable goods orders was a gain of 1.91%, following a revised decline of 2.91% (-2.91%) [previously benchmarked down 3.31% (-3.31%), a pre-benchmark decline of 2.54% (-2.54%)] in March 2016, and a revised 1.16% annual gain [pre-benchmark of 1.60%] in February 2016.

The headline April 2016 detail, again, was before consideration of the volatility in commercial-aircraft orders. With the aircraft orders considered, headline changes in April were much-less positive. 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 flat-to-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 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 relatively large monthly gain in April commercial aircraft orders reduced the aggregate orders gain to 0.5%, where it would have been 3.4% otherwise.

Net of a headline monthly gain of 64.92% in April 2016 commercial aircraft orders, a revised decline of 1.97% (-1.97%) [previously down by 5.73% (-5.73%)] in March, and a revised decline of 26.71% (-26.71%) [previously down by 26.61% (-26.61%)] in February, aggregate new orders rose by 0.47% in April 2016, rose by a revised 2.06% [previously up by 1.09%] in March, and declined by a revised 1.78% (-1.78%) [previously down by 1.59% (-1.59%)] in February.

Year-to-year and seasonally-adjusted, April 2016 new orders (net of commercial aircraft) rose by 1.67%, following a revised gain of 0.21% [previously up by 0.59%] in March 2016, and a revised gain of 2.01% [previously up by 2.57%] in February 2016.

Real Durable Goods Orders—April 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 April 2016 PPI series showed a headline monthly gain of 0.12%, the first monthly uptick in durable goods inflation since October 2015. That increase followed “unchanged” readings of 0.00% month-to-month, in March and February, and negative inflation of 0.06% (-0.06%) in January 2016.

Headline annual inflation contracted year-to-year by 0.84% (-0.84%) in April 2016, having declined by 1.14% (-1.14%) in March 2016, by 1.25% (-1.25%) in February 2016 and by 1.31% (-1.31%) in January 2016.

Adjusted for that 0.12% monthly April 2016 inflation, and as reflected in the graphs in the *Opening Comments* section, real month-to-month aggregate orders in April 2016 rose by 3.23%, March orders rose by 1.87%, and February orders declined by 3.31% (-3.31%). In like manner, ex-commercial aircraft, monthly real orders rose by 0.35% in April 2016, by 2.06% in March and fell by 1.78% (-1.78%) in February.

Real aggregate new orders rose year-to-year by 2.77% in April 2016, fell by 1.79% (-1.79%) in March 2016 and showed an annual gain of 2.45% in February 2016. Ex-commercial aircraft, real orders rose year-to-year by 2.53% in April 2016, by 1.36% in March 2016 and by 3.31% in February 2016. Annual real gains here are boosted by headline, negative year-to-year inflation.

Real Quarterly Growth, Ex-Commercial Aircraft. Where the inflation-adjusted series, ex-commercial aircraft, is the best leading economic indicator out of these data, following are the post-benchmark revisions to the annualized real quarterly change in that series. Note the large downside revision in third-quarter 2016 activity and a less-than-compensating movement in the ensuing quarter. Such has negative implications for fourth-quarter 2015 and first-quarter 2016 GDP revisions, as will be discussed in tomorrow’s *Commentary No. 809*.

As revised, the real ex-commercial aircraft series showed annualized quarterly declines in real new orders of 4.44% (-4.44%) [pre-benchmark 5.58% (-5.58%)] in fourth-quarter 2014, and 5.54% (-5.54%) [pre-benchmark 7.73% (-7.73%)] in first-quarter 2015. Annualized real change for second-quarter 2015 was a gain of 3.31% [pre-benchmark 2.10%], a gain of 4.52% [pre-benchmark 10.38%] in third-quarter activity, with a revised gain of 0.31% [pre-benchmark down 1.77% (-1.77%)] in fourth-quarter 2015 activity, and a 0.42% [pre-benchmark 0.48%] gain in first-quarter 2016. Based solely on the April 2016 detail, the early-trend for second-quarter 2016 is for annualized quarterly growth of 4.52%.

Graphs of Inflation-Adjusted and “Corrected” Smoothed Durable Goods Orders. Three sets of inflation-adjusted graphs (*Graphs 3 to 8*) are displayed in the *Opening Comments* section. The first set (*Graphs 3 and 4*) 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 flattening into April 2016.

The second set of graphs (*Graphs 5 to 6*) 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 7 to 8*) 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, for a period of ten days, with annual benchmark revision to durable goods orders on May 18, 2016, today’s subsequent monthly reporting and revisions have made all historical reporting prior to February 2016 inconsistent with the current headline numbers. All the historical data will be briefly consistent, once again, come next year’s May 2017 benchmark revisions.

NEW-HOME SALES (April 2016)

Unstable Monthly Headline Reporting of New Home Sales Rarely Is of Substance; Smoothed Data Held in Low-Level Stagnation. Discussed frequently, headline monthly reporting of this series almost never is of substance. Even with the unexpectedly-large 16.6% month-to-month surge in April 2016 sales, the gain was not meaningful. Nonetheless, massive swings in this series usually revise towards neutral or largely reverse with the next month’s reporting.

On a monthly basis, the unstable April 2016 headline reporting of 629,000 units in annualized sales (a 52,417 monthly rate as used in the graphs) soared by 16.6% for the month, on top of upside revisions to March detail, with the annual gain for April at 23.8%. Yet, as usual, neither the monthly nor annual headline gain was statistically significant, with headline April 2016 activity still below its 2005 pre-recession peak by 55% (-55%).

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, albeit up-trending stagnation (see *Graph 12* 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 the series' pre-recession peak of July 2005, headline April 2016 New-Home Sales still were down by 55.4% (-55.4%), while April 2016 Single-Unit Housing Starts were down by 57.3% (-57.3%) from the January 2006 pre-recession high of that series (see [Commentary No. 807](#)).

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 April 2016 Reporting—Negligible Annual Revisions. As seen in *Graph 9* in the *Opening Comments*, the annual revisions to 2014 and 2015 to the New-Home Sales series were nothing more than a shifting of seasonal-adjustment factors. As with the annual revisions to the Housing Starts series, the annual levels of activity by year were not revised (see [Commentary No. 807](#)). Nonetheless, activity in first-quarter 2016 revised higher, along with a big jump in monthly April 2016 sales. Again, though, April's activity was not meaningful, as usual.

Reported by the Census Bureau on April 24th, April 2016 New-Home Sales (counted based on contract signings) soared month-to-month by a headline, seasonally-adjusted, statistically-insignificant 16.6% +/- 18.0% (all confidence intervals are at the 95% level). That was against a narrower, revised monthly decline of 1.3% (-1.3%) [down by 1.5% (-1.5%) pre-benchmark] and an upwardly revised 2.3% monthly gain [up by 1.4% pre-benchmark] in February. Net of the benchmark revisions, the monthly gain in April 2016 was 21.1%, instead of the headline 16.6%.

Year-to-year, April 2016 sales rose by a statistically-insignificant 23.8% +/- 26.7%. That followed an upwardly-revised annual gain of 8.4% [up by 5.4% pre-benchmark] in March 2016, and a narrowed, revised annual decline of 2.0% (-2.0%) [down by 4.8% (-4.8%) pre-benchmark] in February 2016.

In the arena of continued extreme volatility, consider that the annualized quarterly pace of sales gain in first-quarter 2015 was 50.1% [pre-benchmark 43.9%], with second-quarter 2015 sales activity in an annualized quarterly decline of 19.8% (-19.8%) [pre-benchmark 14.8% (-14.8%)]. Third-quarter 2015 new-home sales declined by 5.0% (-5.0%) [pre-benchmark was down by 6.8% (-6.8%)], with the fourth-quarter sales gain estimated at an unrevised 18.7%. First-quarter 2016 activity showed a revised annualized gain of 29.0% [pre-benchmark 6.2%], with second-quarter 2016 at an early, annualized growth pace of 83.7%, based just on the temporary headline April 2016 detail.

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 April 2016 Housing Starts for single-unit construction, from prior [Commentary No. 807](#), along with comparative graphs of Existing-Home Sales and aggregate Housing Starts (see *Graphs 10 to 17*).

EXISTING-HOME SALES (April 2016)

Down-Trending, Low-Level Sales Stagnation Continued. Despite a 1.7% monthly gain, and in the context of an upside revision to March 2016 detail, April Existing-Home Sales remained deep in depression (see [Commentary No. 754](#)), down by 25% (-25%) from its pre-recession peak. Smoothed with a six-month moving average, Existing-Home sales activity held in down-trending, low-level stagnation, having turned to the downside in the latter part of 2015 and having continued in that pattern through today's April 2016 reporting. That said, the moving average likely will regain some stability and flatten out temporarily in the next couple of months, as some unusually-volatile months work out of the average.

This series never recovered from the economic collapse into 2009, a common issue in the residential real estate industry. Indeed, after going through a period of protracted, low-level stagnation and non-recovery, general housing construction and sales activity broadly have begun to turn down anew.

Updated in [Commentary No. 806](#), the U.S. consumer remains in an extreme liquidity bind, which prevents a meaningful recovery in national home-sales growth. 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 an income shortfall, the consumer has been unable to sustain positive growth in broad U.S. economic activity, particularly as tied to residential real estate and personal consumption.

Indeed, Existing-Home Sales activity in April 2016 still was down by a headline 25.0%% (-25.0%) from its June 2005 pre-recession peak, a high that has not been matched since the economic collapse into 2009. In like manner, April 2016 headline monthly Housing Starts remained down by 48.4% (-48.4%) from their January 2006 pre-recession high.

Headline April Detail for Existing-Home Sales. Based on actual closings of home sales, the National Association of Realtors® (NAR) reported this morning (May 20th) a seasonally-adjusted, headline monthly gain of 1.7% in April 2016 Existing-Home Sales, versus an upwardly revised 5.7% [previously 5.1%] monthly gain in March 2016 and an unrevised contraction of 7.3% (-7.3%) in February. On a year-to-year basis, April 2016 sales rose by 6.0%, versus a revised gain of 2.1% [previously up by 1.5%] in March 2016 and an unrevised annual gain of 2.0% in February 2016. Net of prior-period revisions, the month-to-month April gain was 2.3%, versus the headline 1.7% uptick.

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%). First-quarter 2016 expanded at a revised annualized pace of 7.9% [previously 7.1%]. Based just on the April 2016 detail in this series of high month-to-month volatility, second-quarter 2016 is on early track for an annualized quarterly gain of 11.8%.

While the disruptions to the pattern of regular month-end home- sales closings from new mortgage regulations, appear to have been resolved (see [Commentary No. 782](#)), 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 that had been slightly up-trending in earlier in 2015, again, it turned to down-trending late in 2015, as can be seen in *Graph 16*.

Proportion of Distressed Sales Declined to 7% in March, with All Cash Sales Easing to 24%. The NAR estimated the portion of April 2016 sales in “distress” eased in the month to 7% (5% foreclosures, 2% short sales), from 8% (7% foreclosures, 1% short sales) in March 2016, and from 10% (breakout not available) in April 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 24% of April 2016 activity. That was down from 25% in March 2016, but at the same level as 24% in April 2015.

Existing-Home Sales Graphs. Shown in the *Opening Comments*, *Graph 14* plots the traditional headline Existing-Home Sales monthly detail. Such is supplemented by *Graph 16* of the Six-Month Moving Average of Existing-Home Sales. Accompanying the Existing-Home Sales plots are comparative graphs of April 2016 aggregate Housing Starts activity, from [Commentary No. 807](#), where both series reflect activity in terms of single- and multiple-housing units (see *Graphs 15* and *17*).

WEEK AHEAD

Economic Deterioration Should Intensify, Increasingly Pummeling the U.S. Dollar and Boosting Gold, Silver and Oil Prices. Market expectations for business activity should deteriorate at an accelerating pace, amidst intensifying, negative headline economic reporting and Fed-policy waffling in the weeks and months ahead. The broad trend in weakening expectations for business activity, and in movement towards looming recession recognition, continues, as discussed in today’s *Opening Comments*, [Supplemental Commentary No. 807-A](#), [Commentary No. 807](#), [Commentary No. 806](#), [Commentary No. 805](#), [Commentary No. 804](#), [Commentary No. 803](#), [Commentary No. 802](#), [Commentary No. 801](#), [Commentary No. 800](#), [Commentary No. 799](#), [Commentary No. 796-A](#), [Commentary No. 796](#) and [No. 777 Year-End Special Commentary](#).

In response to perpetual non-recovery and an intensifying downtrend in underlying economic activity, negative market reactions generally have surfaced in trading of the U.S. dollar and in related financial markets, with upside pressures on gold, silver and oil prices—although market activity is somewhat mixed at the moment—as discussed in [Commentary No. 807](#) and [Commentary No. 799](#). These reactions reflect, at least in part, a solidifying sense of Federal Reserve impotence, despite any near-term games being played by the U.S. central bank. Further tightening by the Fed before the election remains unlikely—despite the continued “good cop” versus “bad cop” routine being used by Fed officials with the

stock market—and despite a rising chorus of “rates are going up next month,” renewed quantitative easing could become a target of intensified market speculation as the deepening recession unfolds.

Increasingly-weak headline reporting of the regular monthly economic numbers should be accompanied by much worse-than-expected—negative—reporting for at least the next several quarters of GDP (and GDI and GNP). That includes good odds of a reported outright quarterly contraction in first-quarter 2016 GDP by the June 28th second monthly revision, as well as pending downside revisions to GDP history (including headline quarterly contractions in first-quarter 2015, fourth-quarter 2015 and first-quarter 2016, should it still be in positive territory) come the July 29th annual GDP benchmark revisions.

Consistent with the relatively neutral benchmark revisions to retail sales and housing starts, and in line with recent sharp downside revisions to industrial production and durable goods orders, and likely pending negative benchmark revisions to construction spending and trade, expectations for the GDP benchmarking also should fall sharply. That GDP benchmarking now appears to be the most-likely point at which the elements for a “formal” recession call will be in full play.

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. Headline March and April 2016 detail moved into positive headline territory, in tandem with rising gasoline prices. CPI inflation is on track to rise further in May and likely going forward, still boosted by a weakening U.S. dollar environment, and a continued, related upturn in oil prices and other commodities. Fundamental reporting issues with the headline CPI also 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](#).

Further, discussed in [Commentary No. 778](#), a heretofore unheard of spate of “processing errors” 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](#)). John Crudele of the *New York Post* continues his investigations in reporting irregularities: [Crudele Investigation](#).

PENDING RELEASES:

Updated - Gross Domestic Product (GDP)—First-Quarter 2016, First Revision, Second Estimate.

The Bureau of Economic Analysis (BEA) will publish its first revision to, second estimate of first-quarter 2016 Gross Domestic Product (GDP) tomorrow, Friday, May 27th. That will be covered in tomorrow's *Commentary No. 809*. Initial estimates of the broader measure of first-quarter 2016 Gross National Product (GNP) and the theoretical GDP equivalent of the Gross Domestic Income (GDI) also are scheduled for release. They often offer unpredictable surprise for the markets.

The outlook for the first revision was discussed the opening paragraphs of [*Supplemental Commentary No. 807-A*](#). Despite limited downside revisions in hand for previously-reported first-quarter detail, chances remain good for some downside revision to the initial growth estimate of 0.54%, but the BEA likely will keep the headline first-quarter GDP detail in positive territory for this revision, lacking a major shift to the downside, so far, in consensus expectations. Publicly-available consensus expectations are for an upside revision to 0.9% or 1.0%.

That said, the recent, sharply negative annual benchmark revisions to Industrial Production ([*No. 796-A*](#)), to Manufacturers' Shipment, Orders (including Durable Goods) and Inventories ([*No. 807-A*](#)), and likely still-pending negative annual revisions to the trade balance and construction detail, all promise meaningful downside adjustments to historical and recent headline GDP growth in the GDP benchmark revisions of July 29th. Formal recession recognition should follow in response to the economics community and the financial markets absorbing and assessing that GDP benchmarking.
