

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

COMMENTARY NUMBER 814
May 2016 Consumer Price Index, Real Retail Sales and Earnings, FOMC
June 16, 2016

**Watch Out for Heavy U.S. Dollar Selling, as the
U.S. Economy Continues to Sink and the FOMC Continues to Balk**

**May 2016 Annual Inflation Softened Across the Board:
CPI-U at 1.0%, CPI-W at 0.7%, ShadowStats at 8.7%**

Headline Monthly CPI-U Rose by 0.22% Adjusted, 0.41% Unadjusted

Real Retail Sales Continued an Intense Recession Signal

**Revised Real Earnings Now Are Down for Three Months Straight,
Indicating a Second-Quarter Contraction**

PLEASE NOTE: The next regular Commentary, scheduled for tomorrow, Friday, June 17th, will cover May Housing Starts and review the latest economic reporting. Due to travel, the posting likely will be late-day, possibly overnight.

Best wishes to all — John Williams

OPENING COMMENTS AND EXECUTIVE SUMMARY

May Real Retail Sales Continued an Intense Recession Signal. Today's (June 16th) missive covers the third of four rounds of the major economic releases due out this week. Discussed in [General Commentary No. 811](#), May 2016 data should tend to show deteriorating headline economic conditions. Generally, that is unfolding, despite a small upside surprise in nominal May retail sales, a small downside surprise in headline May CPI inflation, and consistent with downside surprises to May production. This week's new economic detail, including the release of May housing starts, will be reviewed in tomorrow's *Commentary No. 815* of Friday, June 17th, along with prospective GDP reporting.

The general economic outlook has become increasingly bleak. What the continually-waffling Federal Reserve and the Administration are afraid to admit is that the U.S. economy never really recovered from the "2007 Recession," and that it is turning down anew. Discussed in today's *Hyperinflation Watch*, implications for the U.S. dollar and related financial markets are highly negative.

Today's Commentary (June 16th). The balance of these *Opening Comments* provides summaries of the May 2016 Consumer Price Index (CPI) details and related real Retail Sales and Real Average Weekly Earnings. Significant additional coverage and graphics are found in the *Reporting Detail* section.

The gold and dollar graphs that usually accompany the monthly *CPI Commentary* are found in the *Hyperinflation Watch*, along updated observations post-June 15th FOMC. The most-recent *Hyperinflation Outlook Summary* is found in [Commentary No. 783](#), with [General Commentary No. 811](#), [Commentary No. 799](#) and [No. 777 Year-End Special Commentary](#) as background to the currently unfolding financial circumstances. These documents will be updated and consolidated shortly in a new *Special Report*, when first half-2016 economic detail is in place.

The *Week and Month Ahead* section previews the remaining *Pending Release* for the week ahead, specifically May 2016 Housing Starts.

Consumer Price Index (CPI)—May 2016—Inflation Moved Higher With Gasoline Prices, but Still Was Hit by Negative Seasonal Adjustments. Headline May 2016 CPI-U monthly inflation of 0.2% came in below expectations, largely due to continuing irregular and unstable seasonal adjustments to energy inflation, although that general trend remained negative for those adjustments in the first half of the calendar year, as usual. Noted last month, passing into the second quarter, the seasonal adjustments used in battering first-quarter energy prices had softened a bit in April, but they hit hard again in May. Moving into the second half of the year, seasonal-adjustments will boost the monthly unadjusted gasoline prices, starting with headline July data.

May 2016 gasoline prices continued to rise (up by 7.0% unadjusted for the second month per the Department of Energy, up by 6.6% in May versus 9.1% in April, per the Bureau of Labor Statistics (BLS). Yet, the BLS seasonal adjustments for May, relative to April, still depressed adjusted gasoline prices enough to generate a headline monthly CPI-U gain of 0.22%, instead of what would have been 0.40% otherwise, with annual inflation dropping to 1.02% in May, from 1.13% in April, instead of notching higher. Such remained well shy of common experience.

Discussed in other, recent *CPI Commentaries*, it is the unadjusted, not the seasonally-adjusted detail that tends to match consumer experience most closely, to the extent that these numbers come close to matching actual experience at all. On an unadjusted basis, monthly CPI-U rose by 0.41% in May 2016.

Separately, although official annual CPI-U inflation has been holding around 1.0%, year-to-year inflation is not and has not been quite as soft as indicated, when considered in the context of traditional CPI reporting and common experience. The ShadowStats-Alternate Inflation Measures showed annual inflation in May 2016 of 4.6%, based on 1990 methodologies, and 8.7%, based on 1980 methodologies.

Longer-Range Inflation Outlook. Reviewed in today's *Hyperinflation Watch*, high risk of extreme flight from the U.S. dollar—a massive dollar debasement—continues to threaten an increasingly-rapid upturn in energy and dollar-based commodity inflation, which would drive headline U.S. consumer inflation much higher. That process continues, and it should accelerate in tandem with renewed tumbling in U.S. economic activity. Global markets increasingly recognize that the U.S. Federal Reserve and other major central banks have no effective idea as to how to boost current economic activity, or to stabilize global banking-system solvency. That circumstance is exacerbated regularly by the Fed's continued bluffing on raising rates.

CPI-U. The headline, seasonally-adjusted May 2016 CPI-U rose by 0.22% month-to-month. That followed a headline April increase of 0.41%, a March increase of 0.09% and a monthly decline of 0.17% (-0.17%) in February. On an unadjusted basis, monthly May 2016 CPI-U rose by 0.41%, following monthly gains of 0.47% in April, 0.43% in March and 0.08% in February.

Also not seasonally adjusted, May 2016 year-to-year inflation for the CPI-U eased back to 1.02%, from 1.13% in April 2016, versus 0.85% in March 2016 and 1.02% in February 2016.

Encompassed by the seasonally-adjusted monthly gain of 0.22% [up by an unadjusted 0.41%] in the May 2016 headline CPI-U, May food inflation declined by a seasonally-adjusted 0.20% (-0.20%) [down by 0.22% (-0.22%) unadjusted], May energy inflation rose by a seasonally-adjusted 1.25% [up by an unadjusted 3.78%], while the adjusted “core” (ex-food and energy) inflation rate rose by 0.20% [up by 0.23% unadjusted]. Separately, core CPI-U inflation showed unadjusted year-to-year inflation of 2.24% in May 2016, up from 2.15% in April 2016 and 2.19% in March 2016, but down from 2.33% in February 2016.

CPI-W. The May 2016 seasonally-adjusted, headline CPI-W, which is a narrower series and has greater weighting for gasoline than does the CPI-U, rose month-to-month by 0.20%, following a monthly gain of 0.45% in April, a monthly gain of 0.13% in March and a decline of 0.32% (-0.32%) in February. On an unadjusted basis, the monthly CPI-W rose by 0.43% in May 2016, having gained 0.53% in April, 0.54% in March and having declined by 0.04% (-0.04%) in February.

Also unadjusted, May 2016 annual CPI-W rose by 0.66%, down from 0.83% in April 2016, and against annual gains of 0.50% in March 2016 and 0.68% in February 2016.

Chained-CPI-U. The headline C-CPI-U is not seasonally adjusted, and it is revised quarterly in an effort to accelerate the process of finalizing the monthly number, with the goal of using this rate as a low-ball inflation estimate to plug into the government's cost-of-living-adjustment calculations.

In the context of last month's downside revisions by roughly 0.1% (-0.1%) to annual headline C-CPI-U inflation back to April 2015, the unadjusted May 2016 annual inflation came in at 0.62%, down from 0.71% in April 2016, versus 0.33% in March 2016 and 0.46% in February 2016.

Alternate Consumer Inflation Measures. The ShadowStats-Alternate Consumer Inflation Measures are constructed on top of the unadjusted CPI-U series. For the ShadowStats-Alternate Consumer Inflation Measure (1990-Base)—year-to-year annual inflation was roughly 4.6% in May 2016, versus 4.7% in April 2016 and 4.4% in March 2016.

The May 2016 ShadowStats-Alternate Consumer Inflation Measure (1980-Base), which reverses gimmicked changes to official CPI reporting methodologies back to 1980, was at about 8.7% year-to-year, versus 8.8% in April 2016 and 8.5% in March 2016.

Real Retail Sales—May 2016—Low Inflation Boosted Second-Quarter Trend. Detailed in [Commentary No. 812](#), nominal Retail Sales—before any adjustment for inflation—rose month-to-month by 0.45% in May 2016, following a revised monthly gain of 1.27% in April and a revised decline of 0.31% (-0.31%) in March. May 2016 nominal year-to-year change was a gain of 2.55%, versus a revised 3.01% gain in April 2016 and a revised 1.69% annual increase in March 2016.

Based on the headline seasonally-adjusted monthly CPI-U increases of 0.22% in May 2016, 0.41% in April and 0.09% in March, May 2016 real Retail Sales rose by 0.23%, following a minimally-revised 0.86% gain for April and a revised decline of 0.31% (-0.31%) in March.

Intense Signal of Recession in Annual Real Growth. During normal economic times, annual real growth in Retail Sales at or below 2.0% signals an imminent recession. That signal basically has been in play since February 2015 (the “new” recession likely will be timed from December 2014, based on industrial production, retail sales and other indicators), suggesting a deepening, broad economic downturn.

Year-to-year, May 2016 real retail sales rose by 1.46%, versus a revised 1.85% in April 2016 and a revised 0.81% in March 2016. With annual real growth on track for a 1.59% annual gain in second-quarter 2016, versus 1.62% in first-quarter 2016 and at a revised 1.61% in fourth-quarter 2015, the recession signal remains intense, consistent with an unfolding recession.

First-Quarter 2016 Annualized Real Growth Still Waffling Around “Unchanged,” with the Second-Quarter Trend Positive. Reflecting the latest reporting and revisions to the nominal retail sales detail, what had still been a post-benchmark annualized contraction in first-quarter 2016 real Retail Sales of 0.08% (-0.08%), revised to an annualized gain of 0.07%, along with the headline April 2016 detail, and to an annualized gain of 0.10% with the May revisions.

Based solely on the headline April and May 2016 numbers, second-quarter 2016 real Retail Sales was on track for a 3.48% annualized quarterly growth rate. Previously, based solely on the headline April 2016 number, second-quarter 2016 real Retail Sales was on early track for 2.88% annualized growth.

Adjusted for realistic inflation, as discussed and graphed in the *Corrected Retail Sales* section, real retail sales and the broad economy never truly recovered from the economic collapse into 2008 and 2009.

Real Retail Sales Graphs. *Graphs 10 to 13* in the *Reporting Detail* section show the level of and year-to-year change in real retail sales activity on varying time scales. Where the aggregate headline fourth-quarter 2015 growth largely had dissipated in various revisions, and flattened out, real first-quarter 2016 activity also flattened out, with April and May 2016 detail showing what likely also will be short-lived spikes. Annual real growth had slowed markedly into fourth-quarter 2015, and tumbled to a 25-month low of 0.81% in March 2016, the weakest showing since February 2014, generating an intense recession signal, with annual growth at 1.46% in May 2016, following a short-lived spike to 1.85% in April.

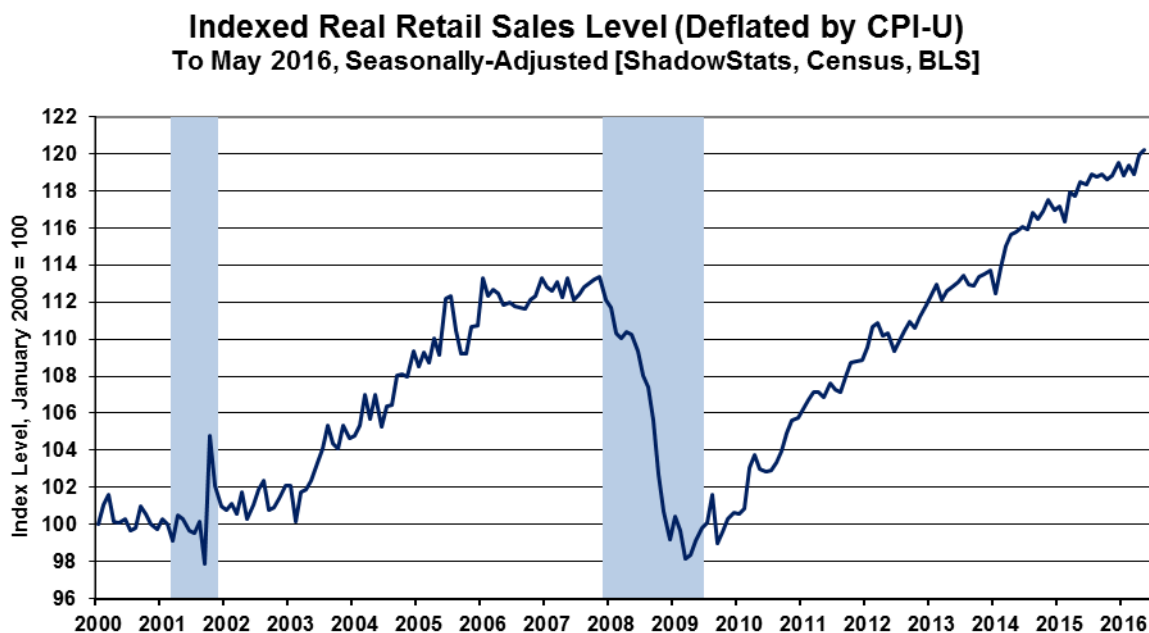
Corrected Real Retail Sales—May 2016. The apparent “recovery” of headline real retail sales shown in *Graph 1* (see also *Graph 10* in the *Reporting Detail*) generally continued into late-2014, although headline reporting turned down in December 2014, into first-quarter 2015, turned higher into the third-quarter 2015, slowed to a near-standstill in fourth-quarter 2015 and first-quarter 2016, with an uptick in April and May 2016. Nonetheless, headline real growth in retail sales continues to be overstated heavily, due to the understatement of the rate of CPI-U inflation used in deflating the retail sales series. Discussed more fully in *Chapter 9* of [2014 Hyperinflation Report—Great Economic Tumble – Second Installment](#) and [Public Commentary on Inflation Measurement](#), deflation by too-low an inflation number (such as the CPI-U) results in the deflated series overstating inflation-adjusted economic growth.

Both of the accompanying graphs are indexed to January 2000 = 100.0 to maintain consistency in the series of graphs related to corrected inflation-adjustment (including the regular plots of the “corrected” industrial production index shown in prior [Commentary No. 813](#), “corrected” new orders for durable goods ([Commentary No. 808](#)) and corrected GDP ([Commentary No. 809](#)). The first graph here reflects the official real retail sales series, except that it is indexed, instead of being expressed in dollars. The plotted patterns of activity and rates of growth are exactly same for the official series, whether the series is indexed or expressed in dollars, again, as is evident in a comparison of *Graph 1* with *Graph 10* in the *Reporting Detail* section.

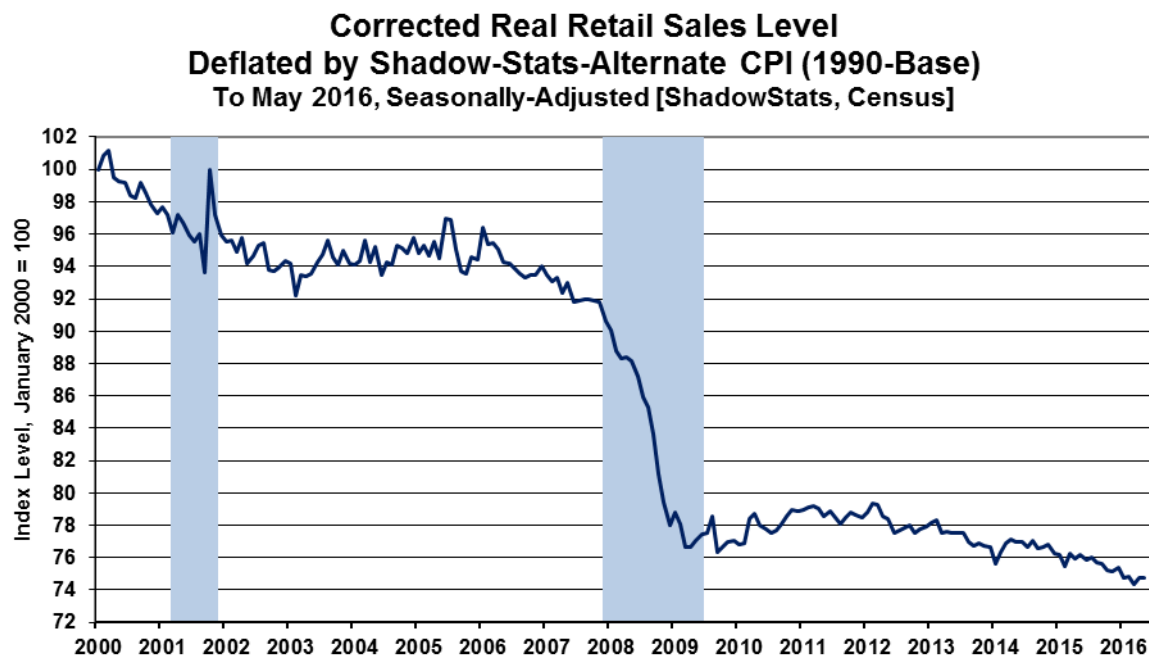
Instead of being deflated by the CPI-U, the “corrected” real retail sales numbers—in *Graph 2*—use the ShadowStats-Alternate Inflation Measure (1990-Base) for deflation. With the higher inflation of the ShadowStats measure, the revamped numbers show a pattern of plunge and stagnation and renewed downturn. That pattern is consistent with consumer indicators such as real average weekly earnings (see *Graph 3*), broad unemployment series (see [Commentary No. 810](#)) and most housing statistics such as Housing Starts detail (see [Commentary No. 807](#), and tomorrow’s *Commentary No. 814*).

A topping out in late-2011 and early-2012 reverted to renewed decline in second-quarter 2012 in this series (*Graph 2*), which had been bottom-bouncing at a low-level plateau of economic activity since the economic collapse into 2009. The renewed contraction has trended into and deepened on a monthly basis throughout 2015, and now into second-quarter 2016, allowing for occasional and temporary upside blips.

Graph 1: Headline Real Retail Sales Level, Indexed to January 2000 = 100



Graph 2: "Corrected" Real Retail Sales Level, Indexed to January 2000 = 100

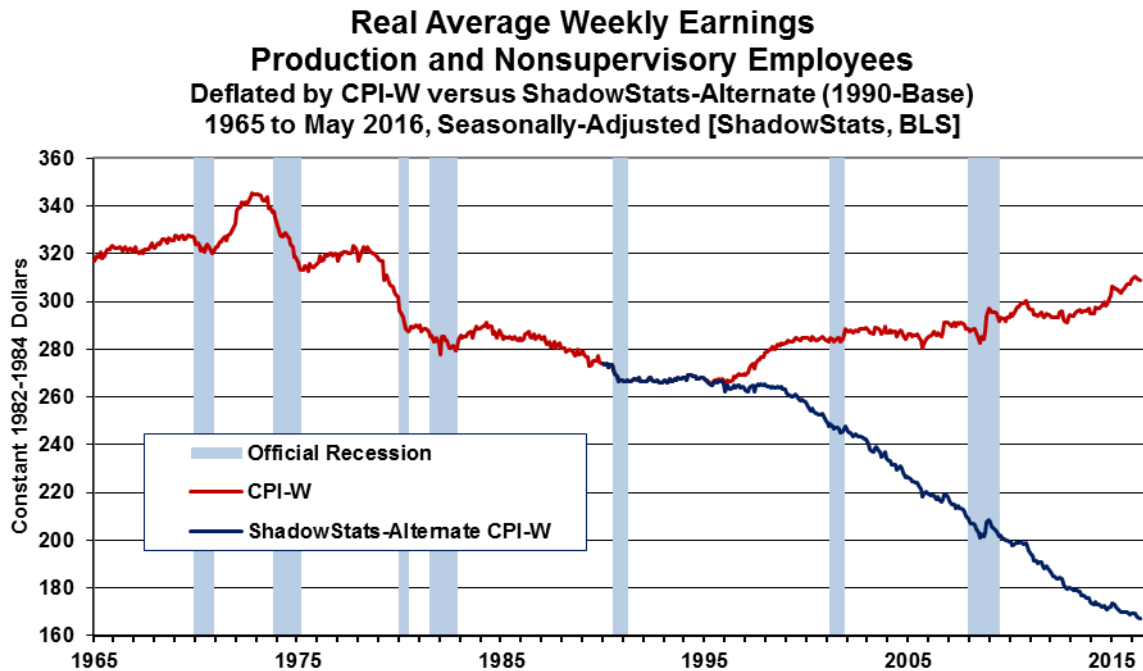


Real Average Weekly Earnings—May 2016—Tumbling into the Second-Quarter. The BLS published its estimates for May 2016 real average weekly earnings, coincident with the release of the May CPI-W. In the production and nonsupervisory employees category—the only series for which there is a meaningful history, real average weekly earnings fell by 0.06% (-0.06%) in May 2016, following a sharp, negative revision to April earnings, now down by 0.17% (-0.17%) for the month, where they initially had been reported on the upside by 0.08%.

That was against an unrevised month-to-month decline in real average weekly earnings for March of 0.19% (-0.19%), following an unrevised gain of 0.41% in February 2016. These heavily revised and seasonally-adjusted monthly changes are without much, if any, meaning in the near-term, although the longer term and benchmarked trend tends to be of some substance.

Second-Quarter 2016 on Track for a Quarterly Contraction in Real Average Weekly Earnings. Putting aside all reporting issues, seasonally-adjusted headline details for April and May 2016 show second-quarter activity to be on track for an annualized quarterly contraction of 0.76% (-0.76%). That follows an annualized gain of 2.71% in first-quarter 2016, a fourth-quarter 2015 gain of 3.91%, and quarterly contractions of 0.46% (-0.46%) in third-quarter 2015, and 0.49% (-0.49%) in second-quarter 2015.

Graph 3: Real Average Weekly Earnings, Production and Nonsupervisory Employees, 1965-to-Date



The preceding *Graph 3* plots this series, showing the seasonally-adjusted earnings as officially deflated by the BLS (red-line), and as adjusted for the ShadowStats-Alternate CPI Measure, 1990-Base (blue-line). When inflation-depressing methodologies of the 1990s began to kick-in, the artificially-weakened CPI-W (also used in calculating Social Security cost-of-living adjustments) helped to prop up the reported real earnings. Official real earnings today still have not recovered their inflation-adjusted levels of the early-1970s, and, at best, have been in a minimal uptrend for the last two decades (albeit spiked recently by negative headline inflation). Deflated by the ShadowStats (1990-Based) measure, real earnings have been

in fairly-regular decline for the last four decades, which is much closer to common experience than the pattern suggested by the CPI-W. See the [Public Commentary on Inflation Measurement](#) for further detail.

[The Reporting Detail section contains significant additional graphs and statistical analysis.]

HYPERINFLATION WATCH

GOLD, DOLLAR GRAPHS AND THE FOMC

Despite What Might Be Unusually Volatile Markets Tied to “Brexit,” the U.S. Dollar Remains the Primary Point of Vulnerability for the Global Financial Markets and System. The detail discussed in [General Commentary No. 811](#) of June 10th, has been updated here in the wake of the Federal Reserve’s Federal Open Market Committee (FOMC) not raising interest rates yesterday, on June 15th, as once had been presumed by some in the markets as a done deal. Subsequent to the FOMC meeting, comments generally have been in the context of suggesting the move towards tightening has become less aggressive. While the global financial markets are showing increasing and likely temporary volatility as the United Kingdom moves to exit the European Union in the week ahead, increasingly fundamental pressures are building against the U.S. dollar, among other issues. The primary prop under the U.S. dollar since mid-2014 has been direct intervention in various markets, combined with continual prattle of a strong U.S. economy, the end of quantitative easing and the Fed moving to raise interest rates. Most of that has been fundamental nonsense, and the global financial markets are beginning to realize such.

Noted last week, the rapidly approaching big economic problem for the U.S. Federal Reserve is that the U.S. economy likely will be in a formal “new” recession soon, by mid-August. Market speculations under such a circumstance likely would move rapidly towards some expanded form of Quantitative Easing (QE4). Such considerations increasingly should savage the exchange-rate value of the U.S. dollar, placing meaningful upside pressure on the prices of gold, silver and oil.

Not only does the Fed appear to backing off aggressive interest rate increases in the year ahead, but also speculation likely will mount as to expanded quantitative easing. In response, the world increasingly should be dumping U.S. Treasuries. Intensifying weakness in the U.S. dollar should result in a self-feeding cycle of flight from the dollar and dumping the Treasuries.

The more troubled the economy and the more intense the selling pressure on the U.S. currency, the more difficult circumstances will become for the U.S. equity markets. The broad impact from weakness in the

U.S. currency should be seen in higher domestic inflation, including rising oil prices, as well as continued flight to the precious metals of gold and silver.

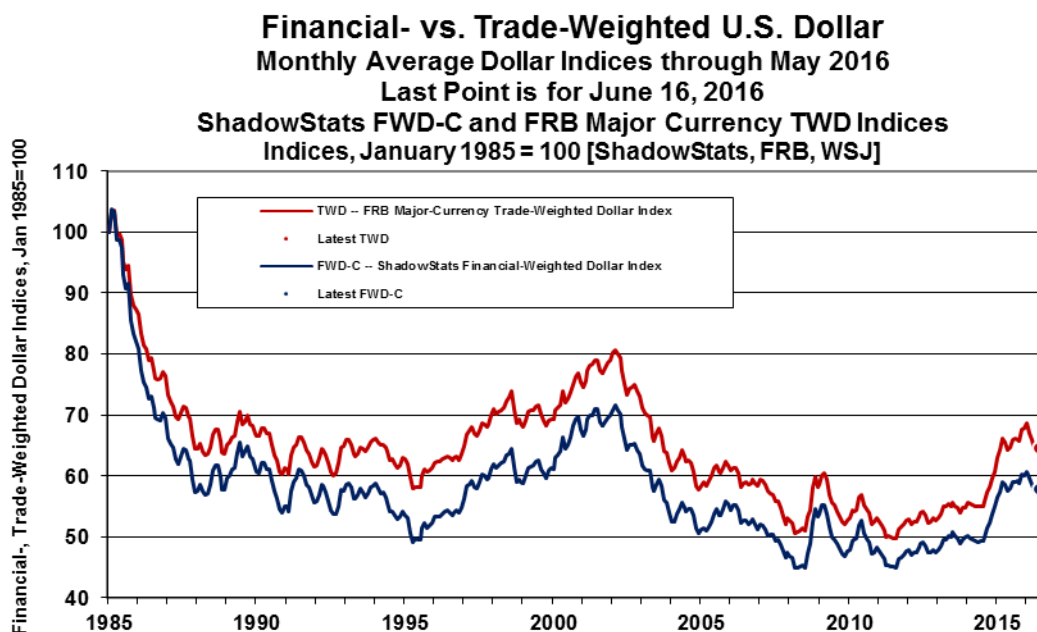
Monthly plots of the U.S. Dollar (*Graphs 4 and 5*), along with the three gold graphs (*Graphs 6, 7 and 8*) follow, updated through mid-afternoon New York prices for June 16th, in what otherwise has been a highly volatile trading day. These graphs usually accompany the monthly *CPI Commentary*.

Oil prices have rebounded some—despite little if any relief from the oil glut—generally in response to the weakening U.S. dollar. Supply and demand issues aside, U.S. dollar-denominated oil prices have a negative correlation of eighty-percent with the trade- or financial-weighted dollar. That means that when the U.S. dollar declines, oil prices rally about eighty-percent of the time in response. In reverse, a dollar rally tends to depress oil prices.

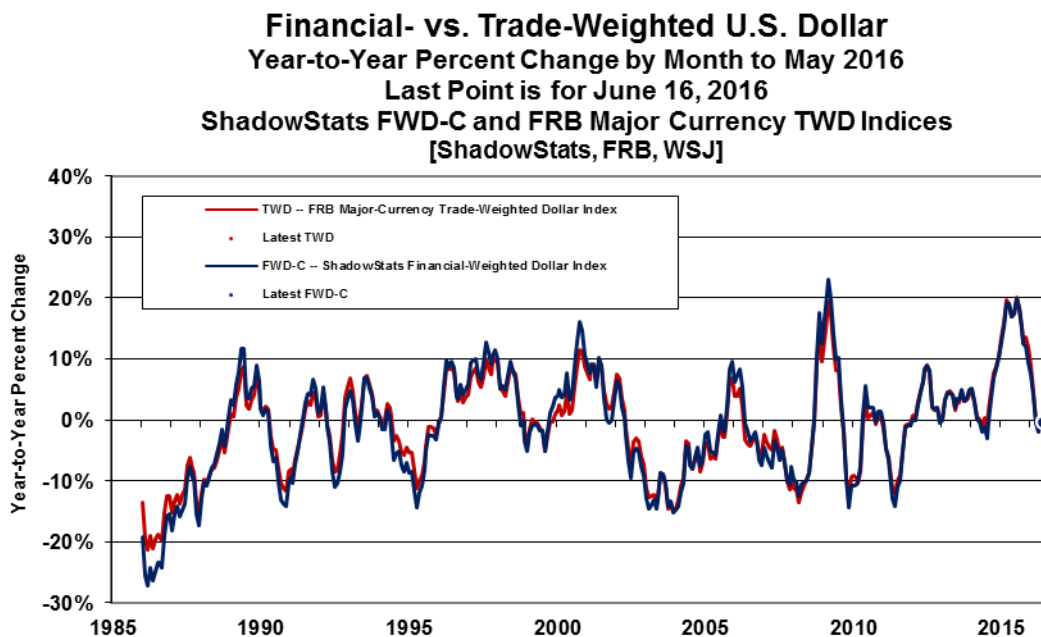
Again, heavy dollar selling threatens to rekindle headline U.S. inflation. As the U.S. dollar faces continued, fundamental debasement, holdings of physical gold and silver will offer the strongest options for preserving the purchasing power and desired liquidity for one's wealth and assets, through the difficult times ahead. To be effective, though, such protection needs to be held in place through the peak of the crisis (see [*No. 777 Year-End Special Commentary*](#)).

[Graphs 4 to 8 begin on the next page.]

Graph 4: Financial- versus Trade-Weighted U.S. Dollar

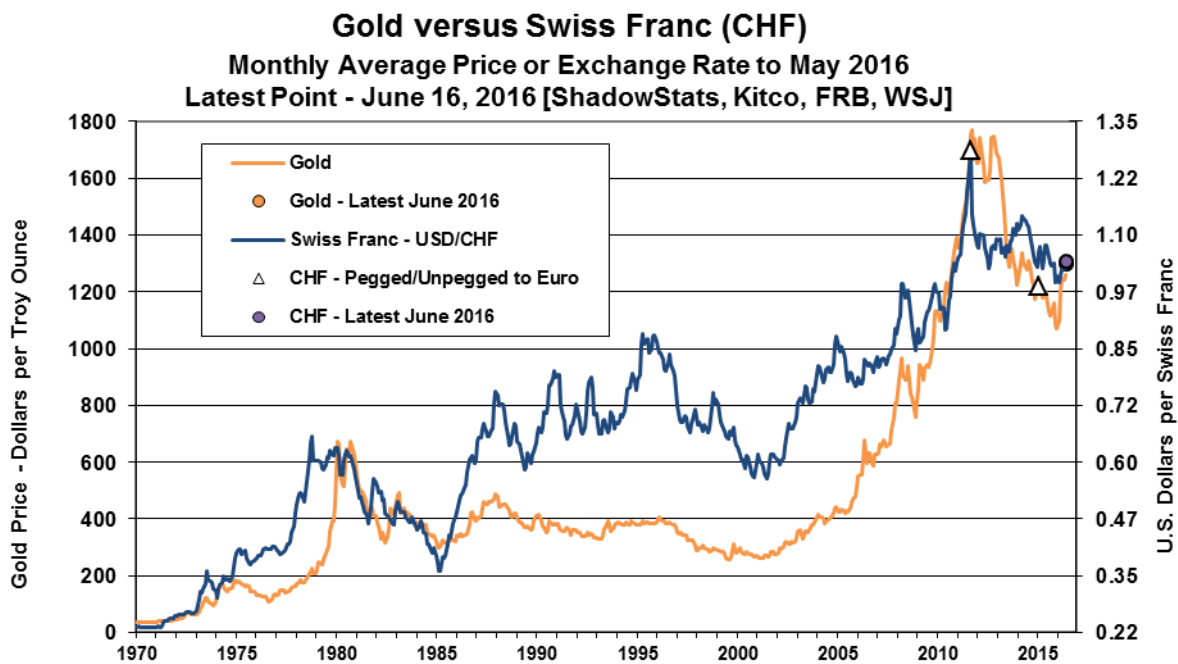


Graph 5: Year-to-Year Change, Financial- versus Trade-Weighted U.S. Dollar

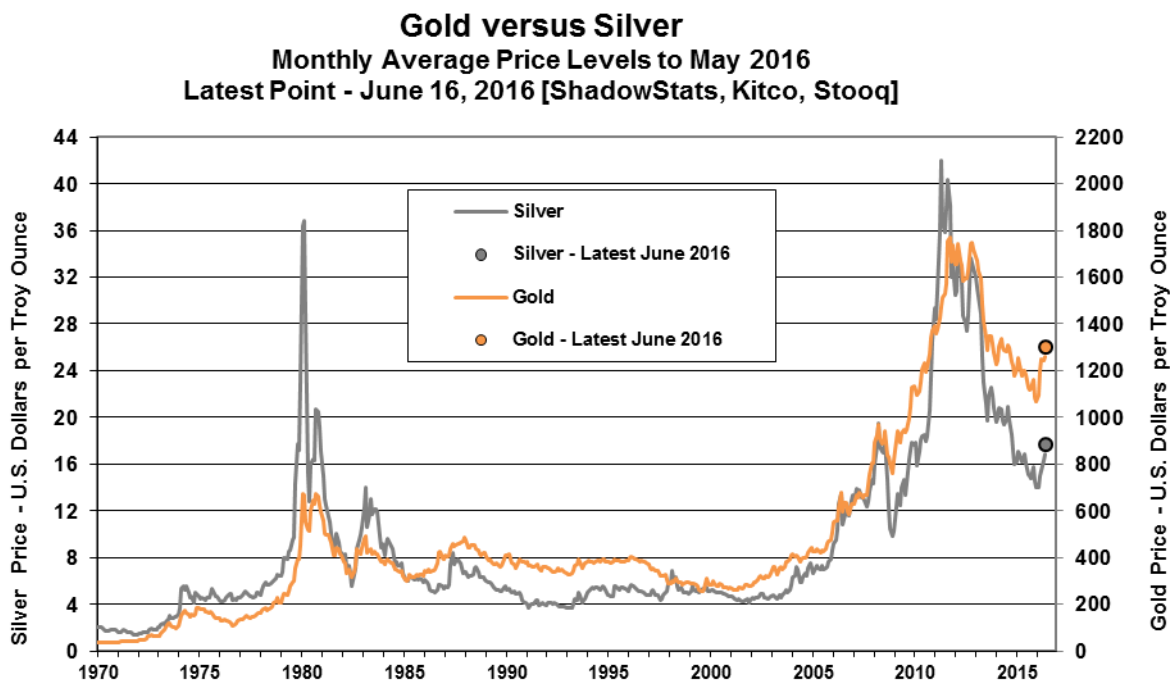


Note: The “latest” Swiss franc point overlaps the “latest” gold point.

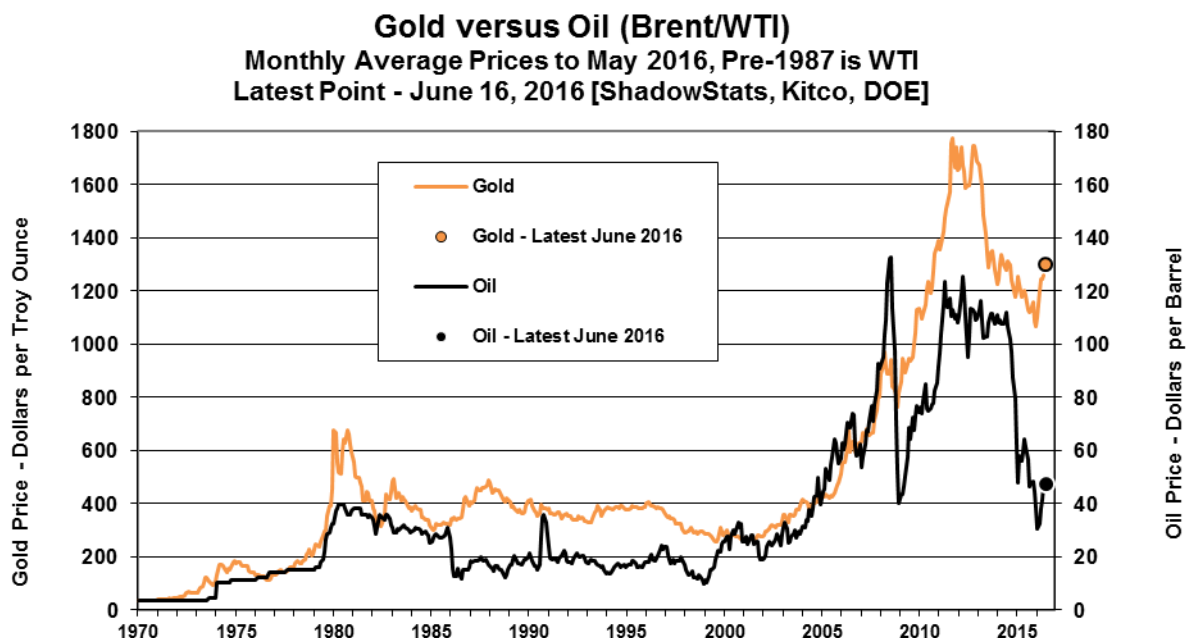
Graph 6: Gold versus the Swiss Franc



Graph 7: Gold versus Silver



Graph 8: Gold versus Oil



REPORTING DETAIL

CONSUMER PRICE INDEX—CPI (May 2016)

Headline CPI-U Inflation Moved Higher With Gasoline Prices, but Still Was Hit by Negative Seasonal Adjustments. *[These first three paragraphs largely are repeated from the Opening Comments section.]* The headline May 2016 CPI-U monthly inflation of 0.2% came in below expectations, largely due to continuing irregular and unstable seasonal adjustments to energy inflation, although the general trend remained negative for those adjustments in the first half of the calendar year. Noted last month, passing into the second quarter, the seasonal adjustments used in battering first-quarter energy prices tended to soften a bit in April, but they hit hard again in May. Moving into the second half of the year, seasonal-adjustments will boost the monthly unadjusted gasoline prices.

May 2016 gasoline prices continued to rise (up by 7.0% for the second month per the Department of Energy, up by 6.6% in May versus 9.1% in April, per the BLS). Yet, the BLS seasonal adjustments for May, relative to April, still depressed adjusted gasoline prices enough to generate a headline monthly

CPI-U gain of 0.22%, instead of what would have been 0.40%, with annual inflation dropping to 1.02% in May, from 1.13% in April, instead of notching higher. Such remained well shy of common experience.

Discussed in other, recent CPI *Commentaries* (see [Commentary No. 793](#)), it is the unadjusted, not the seasonally-adjusted detail that tends to match consumer experience most closely, to the extent that these numbers come close to matching actual experience at all. On an unadjusted basis, monthly CPI-U rose by 0.41% in May 2016.

Separately, although official annual CPI-U inflation has been holding around 1.0%, year-to-year inflation is not and has not been quite as soft as indicated, when considered in the context of traditional CPI reporting and common experience. The ShadowStats-Alternate Inflation Measures showed annual inflation in May 2016 of 4.6%, based on 1990 methodologies, and 8.7%, based on 1980 methodologies.

Longer-Range Inflation Outlook. Reviewed in today's *Hyperinflation Watch* and discussed more broadly in [General Commentary No. 811](#) and [No. 777 Year-End Special Commentary](#), high risk of extreme flight from the U.S. dollar—a massive dollar debasement—continues to threaten an increasingly-rapid upturn in energy and dollar-based commodity inflation, which would drive headline U.S. consumer inflation much higher. That process continues, and it should accelerate in tandem with renewed tumbling in U.S. economic activity. Global markets increasingly are realizing that the U.S. Federal Reserve and other major central banks have no effective idea as to how to boost current economic activity, or to stabilize global banking-system solvency. That circumstance is exacerbated regularly by the Fed's continued bluffing on raising rates.

Notes on Different Measures of the Consumer Price Index

The Consumer Price Index (CPI) is the broadest inflation measure published by the U.S. Government, through the Bureau of Labor Statistics (BLS), Department of Labor:

*The **CPI-U (Consumer Price Index for All Urban Consumers)** is the monthly headline inflation number (seasonally adjusted) and is the broadest in its coverage, representing the buying patterns of all urban consumers. Its standard measure is not seasonally-adjusted, and it never is revised on that basis except for outright errors.*

*The **CPI-W (CPI for Urban Wage Earners and Clerical Workers)** covers the more-narrow universe of urban wage earners and clerical workers and is used in determining cost of living adjustments in government programs such as Social Security. Otherwise, its background is the same as the CPI-U.*

*The **C-CPI-U (Chain-Weighted CPI-U)** is an experimental measure, where the weighting of components is fully substitution based. It generally shows lower annual inflation rate than the CPI-U and CPI-W. The latter two measures once had fixed weightings—so as to measure the cost of living of maintaining a constant standard of living—but now are quasi-substitution-based. Since it is fully substitution based, the series tends to reflect lower inflation than the other CPI measures. Accordingly, the C-CPI-U is the “new inflation” measure being proffered by Congress and the White House as a tool for reducing Social Security cost-of-living adjustments by stealth. Moving to accommodate the Congress, the BLS introduced changes to the C-CPI-U estimation process with the February 26, 2015 reporting of January 2015 inflation, aimed at finalizing the C-CPI-U estimates on a more-timely basis, and enhancing its ability to produce lower headline inflation than the traditional CPI-U.*

*The **ShadowStats Alternative CPI-U Measures** are attempts at adjusting reported CPI-U inflation for the impact of methodological change of recent decades designed to move the concept of the CPI away from being a measure of the cost of living needed to maintain a constant standard of living. There are two measures, where the first is based on reporting methodologies in place as of 1980, and the second is based on reporting methodologies in place as of 1990.*

CPI-U. The Bureau of Labor Statistics reported on June 16th that the headline, seasonally-adjusted May 2016 CPI-U rose by 0.2% month-to-month, up by 0.22% at the second decimal point. That followed a headline April increase of 0.4% month-to-month, up by 0.41% at the second decimal point, a March increase of 0.1% month-to-month, up by 0.09% at the second decimal point, and a monthly decline of 0.2% (-0.2%), down by 0.17% (-0.17%) in February.

The adjusted headline May 2016 inflation gain was reduced by negative seasonal adjustments to the energy sector, but otherwise received effectively neutral seasonal-adjustment contributions from the negative foods sector and positive “core” inflation. On an unadjusted basis, monthly May 2016 CPI-U rose by 0.41%, following monthly gains of 0.47% in April, 0.43% in March and 0.08% in February.

Seasonal adjustments for monthly gasoline inflation were sharply negative in May 2016, turning an unadjusted headline gain of 6.57% gas prices into an adjusted increase of 2.26%. A headline, unadjusted monthly gain of 6.99% for the month had been estimated by the Department of Energy (DOE).

Major CPI-U Groups. Encompassed by the seasonally-adjusted monthly gain of 0.22% in May 2016 [up by an unadjusted 0.41%] in the headline CPI-U, May food inflation declined by a seasonally-adjusted 0.20% (-0.20%) [down by 0.22% (-0.22%) unadjusted], May energy inflation rose by a seasonally-adjusted 1.25% [up by an unadjusted 3.78%], while the adjusted “core” (ex-food and energy) inflation rate rose by 0.20% [up by 0.23% unadjusted].

Separately, core CPI-U inflation showed unadjusted year-to-year inflation of 2.24% in May 2016, up from 2.15% in April 2016 and 2.19% in March 2016, but down from 2.33% in February 2016.

Year-to-Year CPI-U. Not seasonally adjusted, May 2016 year-to-year inflation for the CPI-U eased back to 1.0% (1.02% at the second decimal point), from 1.1% (1.13%) in April 2016, versus 0.9% (0.85%) in March 2016 and 1.0% (1.02%) in February 2016.

Year-to-year, CPI-U inflation would increase or decrease in next month’s June 2016 reporting, dependent on the seasonally-adjusted monthly change, versus the adjusted, headline gain of 0.23% in June 2015 CPI-U. The adjusted change is used here, since that is how consensus expectations are expressed. To approximate the annual unadjusted inflation rate for June 2016, the difference in June’s headline monthly change (or forecast of same), versus the year-ago monthly change, should be added to or subtracted directly from the May 2016 annual inflation rate of 1.02%. For example, another seasonally-adjusted, headline monthly gain of 0.2% in the June 2016 CPI-U, would hold annual CPI-U inflation rate for June 2016 at about 1.0%, plus-or-minus, depending on rounding.

CPI-W. The May 2016 seasonally-adjusted, headline CPI-W, which is a narrower series and has greater weighting for gasoline than does the CPI-U, rose month-to-month by 0.20%, following a monthly gain of 0.45% in April, a monthly gain of 0.13% in March and a decline of 0.32% (-0.32%) in February. On an unadjusted basis, the monthly CPI-W rose by 0.43% in May 2016, having gained 0.53% in April, 0.54% in March and having declined by 0.04% (-0.04%) in February.

Year-to-Year CPI-W. Unadjusted, May 2016 annual CPI-W rose by 0.66%, down from 0.83% in April 2016, and against annual gains of 0.50% in March 2016 and 0.68% in February 2016.

Chained-CPI-U. The headline C-CPI-U is not seasonally adjusted, and it is revised quarterly in an effort to accelerate the process of finalizing the monthly number, with the goal of using this rate as a low-ball inflation estimate to plug into the government's cost-of-living-adjustment calculations.

In the context of last month's downside revisions by roughly 0.1% (-0.1%) to annual headline C-CPI-U inflation back to April 2015, the unadjusted May 2016 annual inflation came in at 0.62%, down from 0.71% in April 2016, versus 0.33% in March 2016 and 0.46% in February 2016.

See discussions in the earlier CPI [Commentary No. 721](#) and in the opening notes in the *CPI Section* of [Commentary No. 699](#) as to recent changes in the series. More-frequent revisions and earlier finalization of monthly detail are designed to groom the C-CPI-U series as the new Cost of Living Adjustment (COLA) index of choice for the budget-deficit-strapped federal government, as discussed in the [Public Commentary on Inflation Measurement](#).

Caution: Artificially-low inflation numbers estimated by the U.S. Government and used in fields ranging from Social Security COLAs to determining income-tax brackets, have been redesigned in recent decades specifically to help reduce the federal deficit. They are harmfully misleading to anyone using a government CPI estimate as a meaningful cost-of-living measure for guidance on income or investment purposes.

Alternate Consumer Inflation Measures. The ShadowStats-Alternate Consumer Inflation Measures are constructed on top of the unadjusted CPI-U series. Adjusted to pre-Clinton methodologies—the ShadowStats-Alternate Consumer Inflation Measure (1990-Base)—year-to-year annual inflation was roughly 4.6% in May 2016, versus 4.7% in April 2016 and 4.4% in March 2016.

The May 2016 ShadowStats-Alternate Consumer Inflation Measure (1980-Base), which reverses gimmicked changes to official CPI reporting methodologies back to 1980, was at about 8.7% (8.68% for those using a second decimal point) year-to-year, versus 8.8% in April 2016 and 8.5% in March 2016.

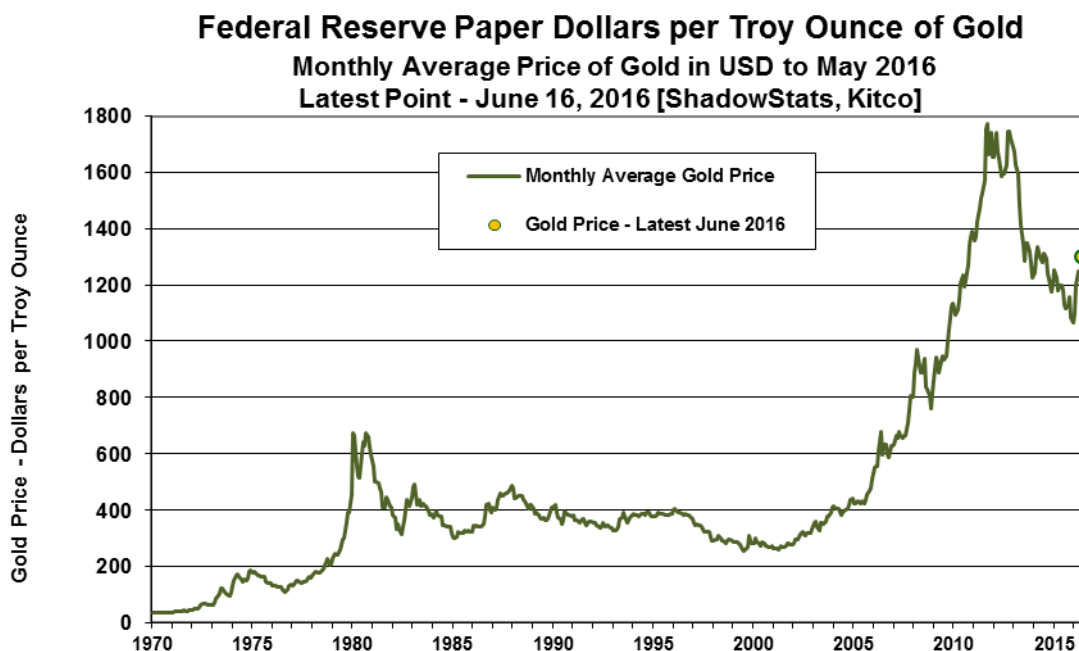
Note: The ShadowStats-Alternate Consumer Inflation Measures largely have been reverse-engineered from BLS estimates of the anticipated impact on annual CPI inflation from various changes made to CPI reporting methodology since the early 1980s, as also incorporated in the CPI-U-RS series. That series provides an official estimate of historical inflation, assuming that all current methodologies were in place going back in time. The changes reflected there are parallel with and of the same magnitude of change as estimated by the BLS, when a given methodology was changed.

The ShadowStats estimates are adjusted on an additive basis for the cumulative impact on the annual inflation rate from the various BLS changes in methodology (reversing the net aggregate inflation

reductions by the BLS). The series are adjusted by ShadowStats for those aggregate changes, but the series otherwise are not recalculated.

Over the decades, the BLS has altered the meaning of the CPI from being a measure of the cost of living needed to maintain a constant standard of living, to something that neither reflects the constant-standard-of-living concept nor measures adequately what most consumers view as out-of-pocket expenditures. Roughly five percentage points of the additive ShadowStats adjustment since 1980 reflect the BLS's formal estimate of the annual impact of methodological changes; roughly two percentage points reflect changes by the BLS, where ShadowStats has estimated the impact not otherwise published by the BLS. For example, the BLS does not consider more-frequent weightings of the CPI series or shifting the nature of retail outlets to be changes in methodology. Yet those changes have had the effect of reducing headline inflation from what it would have been otherwise (See [Public Commentary on Inflation Measurement](#) for further details.)

Graph 9: Monthly Average Gold Price in Dollars (Federal Reserve Notes)



Gold and Silver Historic High Prices Adjusted for May 2016 CPI-U/ShadowStats Inflation—

CPI-U: GOLD at \$2,625 per Troy Ounce, SILVER at \$153 per Troy Ounce

ShadowStats: GOLD at \$12,913 per Troy Ounce, SILVER at \$751 per Troy Ounce

Despite the September 5, 2011 historic-high gold price of \$1,895.00 per troy ounce (London afternoon fix), and despite the multi-decade-high silver price of \$48.70 per troy ounce (London fix of April 28, 2011), gold and silver prices have yet to re-hit their 1980 historic levels, adjusted for inflation. The earlier all-time high of \$850.00 (London afternoon fix, per Kitco.com) for gold on January 21, 1980 would be \$2,625 per troy ounce, based on May 2016 CPI-U-adjusted dollars, and \$12,913 per troy ounce, based on May 2016 ShadowStats-Alternate-CPI (1980-Base) adjusted dollars (all series here are not seasonally adjusted).

In like manner, the all-time high nominal price for silver in January 1980 of \$49.45 per troy ounce (London afternoon fix, per silverinstitute.org)—although approached in 2011—still has not been hit since 1980, including in terms of inflation-adjusted dollars. Based on May 2016 CPI-U inflation, the 1980 silver-price peak would be \$153 per troy ounce and would be \$751 per troy ounce in terms of May 2016 ShadowStats-Alternate-CPI (1980-Base) adjusted dollars (again, all series not seasonally adjusted).

As shown in Table 1, on page 31 of [*2014 Hyperinflation Report—The End Game Begins – First Installment Revised*](#), over the decades, the increases in gold and silver prices have compensated for more than the loss of the purchasing power of the U.S. dollar as reflected by CPI inflation. They also effectively have come close to fully compensating for the loss of purchasing power of the dollar based on the ShadowStats-Alternate Consumer Price Measure (1980-Methodologies Base).

Real (Inflation-Adjusted) Retail Sales—May 2016—Low Inflation Boosted Second-Quarter Trend.

Detailed in [Commentary No. 812](#), nominal Retail Sales—before any adjustment for inflation—rose month-to-month by 0.45% in May 2016, following a revised monthly gain of 1.27% [previously up by 1.26%] in April and a revised monthly decline of 0.31% (-0.31%) [previously down 0.33% (-0.33%)] in March. May 2016 nominal year-to-year change was a gain of 2.55%, versus a revised 3.01% [previously 3.00%] gain in April 2016 and a revised 1.69% [previously 1.67%] annual increase in March 2016.

Based on the headline seasonally-adjusted monthly CPI-U increases of 0.22% in May 2016, 0.41% in April and 0.09% in March, May 2016 real Retail Sales rose by 0.23%, following a minimally-revised 0.86% [previously 0.85%] gain for April and a revised decline of 0.31% (-0.31%) [previously down by 0.42% (-0.42%)] in March.

Intense Signal of Recession in Annual Real Growth. During normal economic times, annual real growth in Retail Sales at or below 2.0% signals an imminent recession. That signal basically has been in play since February 2015 (the “new” recession likely will be timed from December 2014, based on industrial production, retail sales and other indicators), suggesting a deepening, broad economic downturn.

Year-to-year, May 2016 real retail sales rose by 1.46%, versus a revised 1.85% [previously 1.83%] in April 2016 and a revised 0.81% [previously up by 0.79%, initially up by 0.87%] in March 2016. With annual real growth on track for a 1.59% annual gain in second-quarter 2016, versus 1.62% in first-quarter 2016 and at a revised 1.61% in fourth-quarter 2015, the recession signal remains intense, consistent with an unfolding recession. *Graphs 11 and 13*, following, show the latest patterns of headline annual real growth.

First-Quarter 2016 Annualized Real Growth Still Waffling Around “Unchanged,” with the Second-Quarter Trend Positive. Reflecting the latest reporting and revisions to the nominal retail sales detail, what had still been a post-benchmark annualized contraction in first-quarter 2016 real Retail Sales of 0.08% (-0.08%) [down by 0.23% (-0.23%) pre-benchmark], revised to an annualized gain of 0.07%, along with the headline April 2016 detail, and to an annualized gain of 0.10% with the May revisions.

Based solely on the headline April and May 2016 numbers, second-quarter 2016 real Retail Sales was on track for a 3.48% annualized quarterly growth rate. Previously, based solely on the headline April 2016 number, second-quarter 2016 real Retail Sales was on early track for 2.88% annualized growth.

Adjusted for realistic inflation (see *Graph 2* in the *Opening Comments* and [Commentary No. 809](#) and [No. 777 Year-End Special Commentary](#)), however, real retail sales and the broad economy never truly recovered from the economic collapse into 2008 and 2009.

Consumer Liquidity Problems Continue to Impair Retail Sales. Fully updated in [Commentary No. 812](#) and [No. 777 Year-End Special Commentary](#), the consumer remains in an extreme liquidity bind, constraining retail sales (both real and nominal), as well as residential real estate activity.

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 U.S. consumer has been unable to sustain positive consumption growth, which represents more than 70% of broad U.S. economic activity, as defined by the GDP. There remains no chance of a near-term, sustainable turnaround in general economic activity, without a fundamental upturn in consumer and banking-liquidity conditions. That has not happened and does not appear to be in the offing.

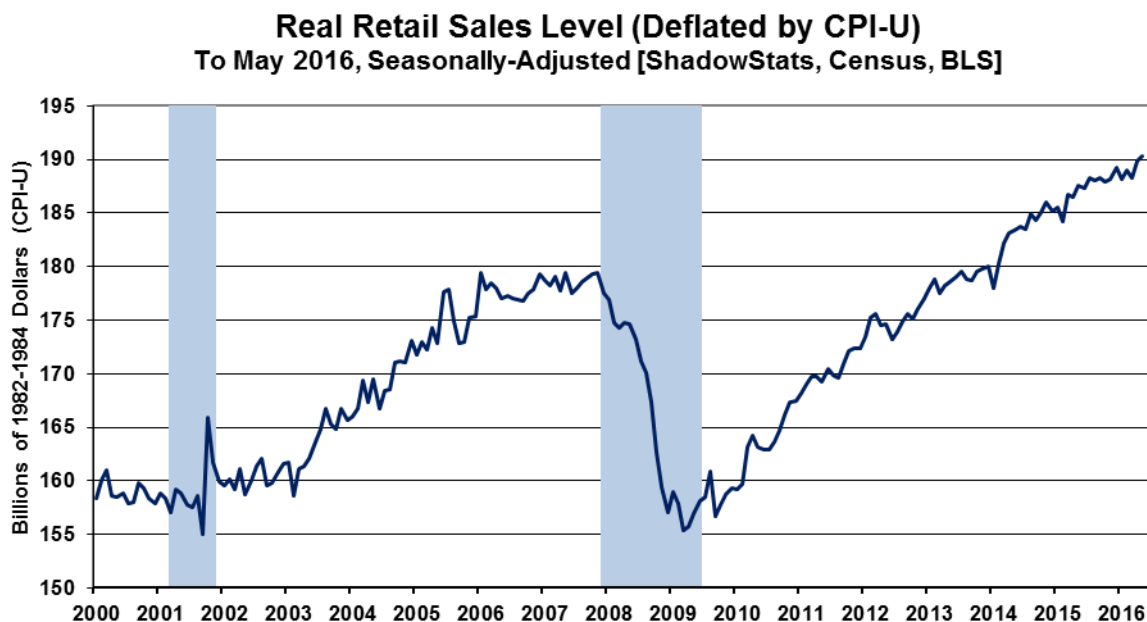
As official consumer inflation continues its upside climb in the year ahead, and as overall retail sales continue to suffer from the ongoing consumer liquidity squeeze—reflected partially by the general pattern of ongoing real earnings difficulties discussed in the next section—these data should continue trending meaningfully lower, in what should be recognized soon as a formal “new” recession.

Real Retail Sales Graphs. *Graph 10*, the first of the four graphs following, shows the level of real retail sales activity (deflated by the CPI-U) since 2000; *Graph 11* shows the year-to-year percent change for the same period. Where the aggregate headline fourth-quarter 2015 growth largely had dissipated in various revisions, and flattened out, real first-quarter 2016 activity also has flattened out, with the April and May 2016 detail showing what likely will be short-lived spikes.

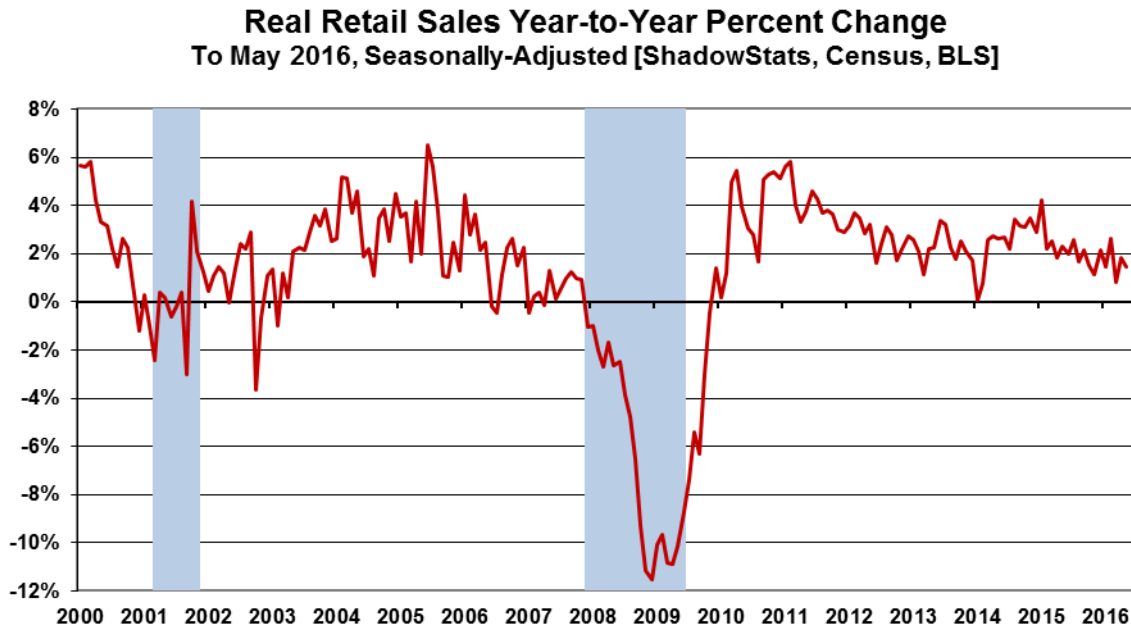
Annual real growth had slowed markedly into fourth-quarter 2015, and tumbled to a 25-month low of 0.81% in March 2016, the weakest showing since February 2014, generating an intense recession signal, with annual growth at 1.46% in May 2016, following a short-lived spike to 1.85% in April. *Graphs 12* and *13* show the level of, and annual growth in, real retail sales (and its predecessor series) in full post-World War II detail.

[Graphs 10 to 13 begin on the next page.]

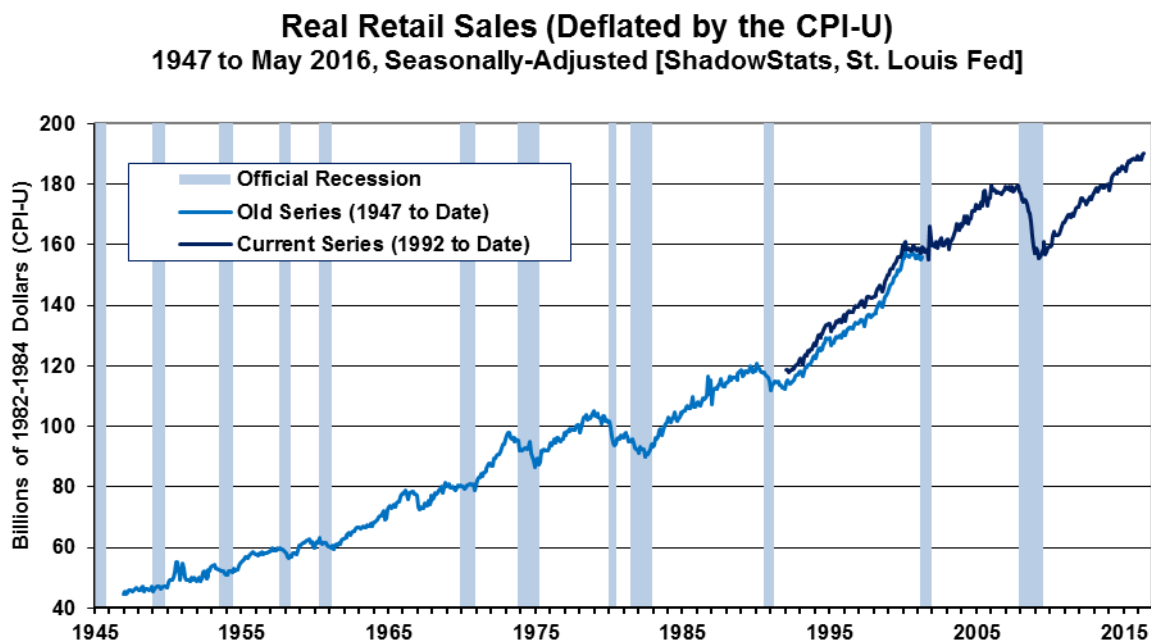
Graph 10: Level of Real Retail Sales (2000 to 2016)



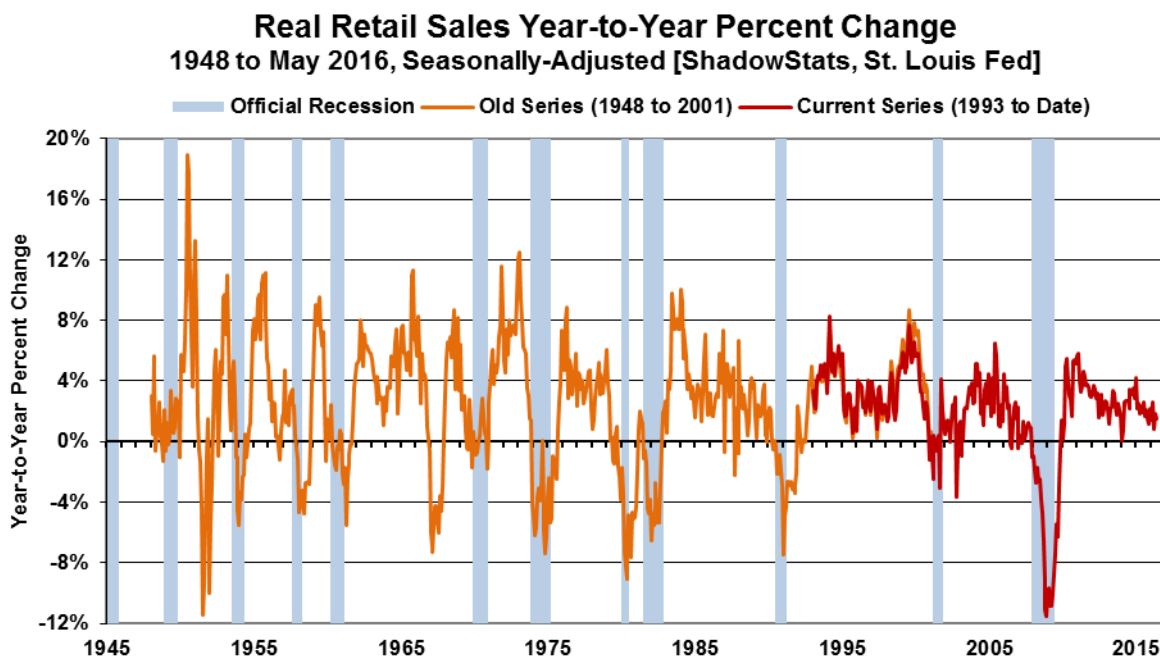
Graph 11: Real Retail Sales (2000 to 2016), Year-to-Year Percent Change



Graph 12: Level of Real Retail Sales (1947 to 2016)



Graph 13: Real Retail Sales (1948 to 2016), Year-to-Year Percent Change



The relative strength seen in the real retail series since the economic trough in 2009 largely has reflected the understatement of the rate of inflation used in deflating the series. Discussed more fully in *Chapter 9* of [2014 Hyperinflation Report—Great Economic Tumble – Second Installment](#), deflation by too low an

inflation number (such as the CPI-U) results in the deflated series overstating inflation-adjusted, real economic growth.

Shown in the latest “corrected” real retail sales—*Graph 2* in the *Opening Comments* section—with the deflation rates corrected for the understated inflation reporting of the CPI-U, the recent pattern of real sales activity has turned increasingly negative. The corrected graph shows that the post-2009 period of protracted stagnation ended, and a period of renewed and ongoing contraction began in second-quarter 2012 and continues to date. The corrected real retail sales numbers use the ShadowStats-Alternate Inflation Measure (1990-Base) for deflation instead of the CPI-U.

Real (Inflation-Adjusted) Average Weekly Earnings—May 2016—Tumbling into the Second-Quarter. The BLS published its estimates for May 2016 real average weekly earnings, coincident with the release of the May CPI-W. In the production and nonsupervisory employees category—the only series for which there is a meaningful history, real average weekly earnings fell by 0.06% (-0.06%) in May 2016, following a sharp, negative revision to April earnings, now down by 0.17% (-0.17%) for the month, where they initially had been reported on the upside by 0.08%.

That was against an unrevised month-to-month decline in real average weekly earnings for March of 0.19% (-0.19%), following an unrevised gain of 0.41% in February 2016. These heavily revised and seasonally-adjusted monthly changes are without much, if any, meaning in the near-term, although the longer term and benchmarked trend tends to be of some substance. As with the BLS reporting tied to the nonfarm payrolls, the headline seasonally-adjusted data here are not comparable due to reporting issues with concurrent seasonal factor adjustments (see *Headline Distortions from Shifting Concurrent-Seasonal Factors* in [Commentary No. 810](#)).

For those not living in a seasonally-adjusted world, after declining month-to-month since November 2015, real average weekly earnings turned higher month-to-month in April and May 2016. Separately, where year-to-year change should be reasonably consistent on a monthly basis, regardless of seasonal adjustment, consider that annual changes March to May 2016 respectively were down by 0.20% (-0.20%), and up by 1.73% and 3.06%, not seasonally adjusted, while those same annual growth rates were 1.60%, 1.36% and 1.64%, seasonally adjusted.

Separately, the CPI-W deflated reporting here also is warped versus the CPI-U-deflated series, where the CPI-W—more heavily weighted with gasoline prices—tends to have much deeper, negative headline inflation, with resulting weaker headline, real growth than would be seen with the CPI-U, when gasoline prices are falling. The reverse was true for the third month, however, with rising gasoline prices.

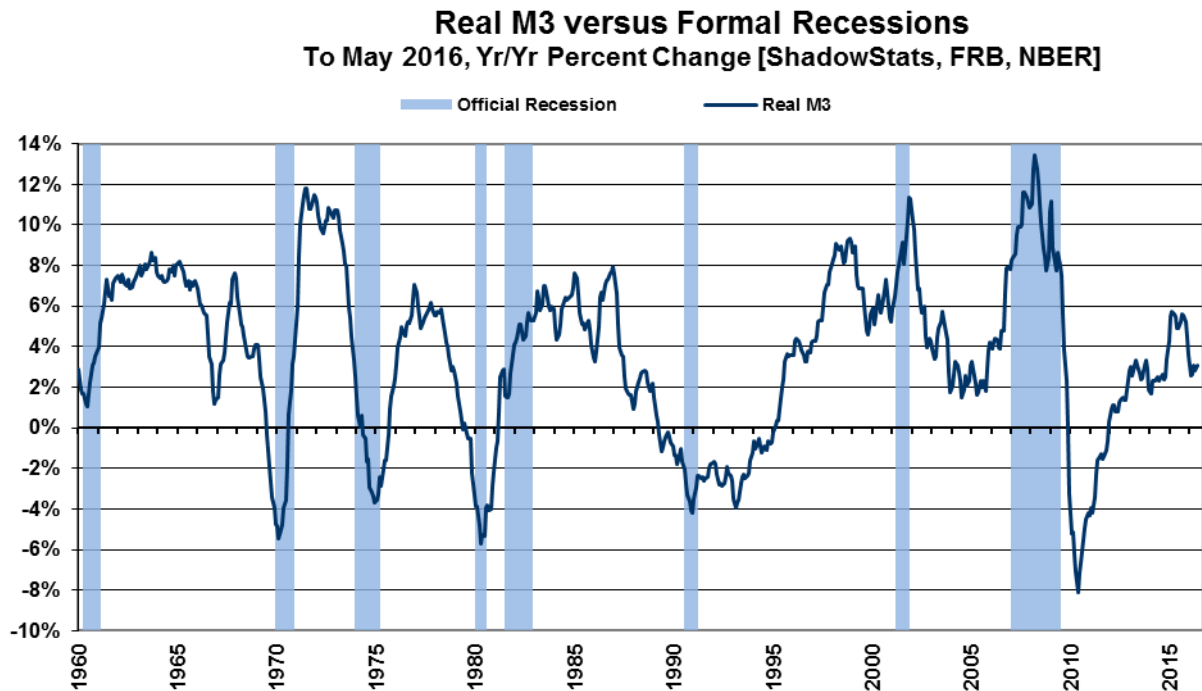
Second-Quarter 2016 on Track for a Quarterly Contraction in Real Average Weekly Earnings. Putting aside all the reporting issues, seasonally-adjusted headline details for April and May 2016 show second-quarter activity to be on track for an annualized quarterly contraction of 0.76% (-0.76%). That follows an annualized gain of 2.71% in first-quarter 2016, a fourth-quarter 2015 gain of 3.91%, and quarterly contractions of 0.46% (-0.46%) in third-quarter 2015, and 0.49% (-0.49%) in second-quarter 2015.

Found in the *Opening Comments* section, *Graph 3* plots this series, showing the seasonally-adjusted earnings as officially deflated by the BLS (red-line), and as adjusted for the ShadowStats-Alternate CPI Measure, 1990-Base (blue-line). When inflation-depressing methodologies of the 1990s began to kick-in, the artificially-weakened CPI-W (also used in calculating Social Security cost-of-living adjustments)

helped to prop up the reported real earnings. Official real earnings today still have not recovered their inflation-adjusted levels of the early-1970s, and, at best, have been in a minimal uptrend for the last two decades (albeit spiked recently by negative headline inflation). Deflated by the ShadowStats (1990-Based) measure, real earnings have been in fairly-regular decline for the last four decades, which is much closer to common experience than the pattern suggested by the CPI-W. See the [Public Commentary on Inflation Measurement](#) for further detail.

Real (Inflation-Adjusted) Money Supply M3—May 2016—Some Rebound in Annual Growth. The signal for a double-dip, multiple-dip or simply protracted, ongoing recession, based on annual contraction in the real (inflation-adjusted) broad money supply (M3), remains in place, despite real annual M3 growth having rallied in positive territory for a number of years. The economic downturn never evolved into a sustainable recovery. As shown in the accompanying graph—based on May 2016 CPI-U reporting and the latest ShadowStats-Ongoing M3 Estimate (including annual Federal Reserve Board money supply revisions)—annual inflation-adjusted growth in May 2016 M3 bounced back to 3.1%, after easing to an unrevised 2.8% gain in April 2016, from 3.1% in March 2016. The 0.3% gain in the monthly rate of year-to-year change reflected a 0.1% decline in annual CPI-U inflation and 0.2% jump in the level of annual M3 growth (see [Commentary No. 810](#)).

Graph 14: Real M3 Annual Growth versus Formal Recessions



The signal for a downturn or an intensified downturn is generated when annual growth in real M3 first turns negative in a given cycle; the signal is not dependent on the depth of the downturn or its duration. Breaking into positive territory does not generate a meaningful signal one way or the other for the broad economy. The current “new” downturn signal was generated in December 2009, even though there had been no upturn since the economy purportedly hit bottom in mid-2009. Again, when real M3 growth breaks above zero, there is no signal; the signal is generated only when annual growth moves into negative territory. The broad economy tends to follow in downturn or renewed deterioration roughly six-

to-nine months after the signal. Weaknesses in a number of economic series have continued to the present, with significant new softness in recent reporting. Actual post-2009 economic activity has remained at relatively low levels of activity—in protracted stagnation, with no actual recovery (see *Graph 2* in the *Opening Comments* and [No. 777 Year-End Special Commentary](#)).

Despite the purported, ongoing recovery shown in headline GDP activity, a renewed downturn in official data is underway that still should gain official recognition in the next several months as a “new” or multiple-dip recession. Reality remains that the economic collapse into 2009 was followed by a plateau of low-level economic activity—no meaningful upturn, no recovery from or end to the official 2007 recession—and the unfolding renewed downturn remains nothing more than a continuation and re-intensification of the downturn that began unofficially in 2006.

WEEK AND MONTH AHEAD

Economic Deterioration Should Intensify in the Weeks and Month Ahead, 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 continued Fed-policy waffling in the near term. The general trend in weakening expectations for business activity and movement towards looming recession recognition, reflect a broad spectrum of market-disappointing headline data. That unfolding circumstance has been detailed in [Commentary No. 813](#), [Commentary No. 812](#), [General Commentary No. 811](#), [Commentary No. 810](#), [Commentary No. 809](#), [Commentary No. 808](#), [Supplemental Commentary No. 807-A](#), [Commentary No. 807](#), [Commentary No. 806](#), [Commentary No. 800](#), [Commentary No. 799](#), [Commentary No. 796-A](#), [Commentary No. 796](#) and [No. 777 Year-End Special Commentary](#).

In response to perpetual economic non-recovery and a renewed, intensifying downtrend in underlying economic activity, negative market reactions 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 on oil at the moment—as discussed in [No. 811](#), [No. 807](#) and [No. 799](#). These market reactions reflect, at least in part, an intensifying sense of Federal Reserve impotence, despite any near-term games being played by the U.S. central bank. Further tightening by the Fed prior to the election remains unlikely, despite the continuing “good cop” versus “bad cop” routine (“rates are going” or “rates are not going up”) used by various Fed officials with the investment community. Instead, renewed quantitative easing could become a target of intensified market speculation as the deepening recession unfolds and becomes increasingly obvious in the next several months.

Rapidly weakening, regular monthly economic reporting should be accompanied by much worse-than-expected—negative—reporting for at least the next several quarters of GDP (and GDI and GNP), as seen minimally with the initial reporting of a first-quarter 2016 contraction in the Gross National Product (GNP)—the broadest measure of U.S. economic activity—discussed in [No. 809](#).

Such includes reasonable odds of a reported outright quarterly contraction in first-quarter 2016 GDP in the June 28th second monthly revision, as well as pending, meaningful downside revisions to GDP history (including likely headline quarterly contractions in first-quarter 2015, fourth-quarter 2015 and first-quarter 2016, should it still be in positive territory) come the July 29, 2016 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, durable goods orders, the annual revisions to the real merchandise-trade deficit and likely negative benchmark revisions to construction spending next month, expectations for the GDP benchmarking also should fall sharply. Discussed in the *Opening Comments* of [No. 810](#), upside redefinitions to the service-sector trade surplus could have some minimal upside revision impact pre-2015. Nonetheless, 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 monthly March to May 2016 detail moved into positive headline territory, in tandem with rising gasoline prices. CPI inflation is on track to rise minimally in June and likely going forward, still boosted by a weakening U.S. dollar environment, and a continued, related upturn in oil prices and other commodities. Gasoline price seasonal adjustments also shift to the plus-side in July. Fundamental reporting issues with the headline 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 was 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 increasing 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](#).

UPDATED PENDING RELEASES:

Residential Construction—Housing Starts (May 2016). The Census Bureau will release May 2016 residential construction detail tomorrow, Friday, June 17th, which will be covered in *Commentary No. 815* of that date.

In line with common-reporting experience of recent years, monthly results are likely to be unstable and not statistically meaningful, holding in a general pattern of down-trending stagnation. After the extreme surge and bloating in headline April starts, May reporting likely to be on the catch-up downside, which is where consensus estimates have settled, but with expected monthly declines of a couple of percent versus April's initial headline reporting well shy of any meaningful statistical significance.

Irrespective of the generally meaningless headline detail (although a headline monthly downturn in May 2016 and downside revision to April 2016 are reasonable expectations), the broad pattern of housing starts should remain consistent with the low-level, stagnant activity, seen in the series at present, where April 2016 activity remained down by about 48% (-48%) from the pre-recession high of the series. Such is particularly evident with the detail viewed in the context of a six-month moving average. Again, this series remains is subject to regular and extremely-large, prior-period revisions.

Discussed in [Commentary No. 660](#) on the August 2014 version of this most-unstable of major monthly economic series, the monthly headline detail here simply is worthless. The series best is viewed in terms of a six-month moving average. Again, not only is month-to-month reporting volatility frequently extreme, but also those headline monthly growth rates rarely come close to being statistically significant.

Continuing to constrain spending, the circumstances surrounding the ongoing the extreme liquidity bind besetting consumers, again, were updated fully in the [General Commentary No. 811](#). 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 residential real estate and real retail sales.