

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

COMMENTARY NUMBER 960

June 2018 Consumer and Producer Price Indices, Real Earnings

July 15, 2018

**June 2018 CPI-U and PPI Annual Inflation Rates Jumped to
Respective New 75- and 79-Month Highs of 2.87% and 3.37%**

**Real Average Weekly Earnings Growth Stalled at 0.0% in June 2018,
Unchanged both Month-to Month and Year-to-Year**

**Systemic- and Consumer-Liquidity Woes Have Intensified Sharply,
Driven by Fed Tightening and by Soaring, Oil-Supply-Distorted Inflation**

Exploding Consumer Inflation Does Not Reflect Surging U.S. Economic Demand

Economic Prospects Dim, as the Consumer Outlook Continues to Weaken

PLEASE NOTE: The next regular Commentary on Thursday, July 19th will review June 2018 Retail Sales, Industrial Production and New Residential Construction (Housing Starts and Building Permits). A fresh round of updated Consumer Liquidity and Hyperinflation Watches follows shortly, and should be in place before the next *Commentary*.

Links to the current [Hyperinflation Watch - No. 1](#) and [Consumer Liquidity Watch No. 2](#), always are available directly at www.shadowstats.com, along with your case-sensitive log-in and password. Updates will be advised by e-mail, unless you request otherwise (send a note to johnwilliams@shadowstats.com).

The planned Publication Schedule, revisions to same and any updated Notes are posted regularly near the top of the left hand-column (under the *Latest Commentaries* heading) of the [ShadowStats](#) home page.

Updated-Formatting/Transition Completed. Today's *Commentary* covering June inflation, completes the basic reformatting of the ShadowStats *Commentaries* covering regular economic releases, although the reporting and writing processes will go through continual enhancement.

Going forward, regular *Commentaries* increasingly should become more concise, more frequent and more timely. Thank you for your patience during the transitional period of the last month or so. Your comments and suggestions always are invited.

Best wishes to all, John Williams (707) 763-5786

Today's (July 15th) Opening Comments reviews developing economic and updated consumer-liquidity conditions in the context of the June headline inflation numbers.

The **Reporting Detail** reviews the June 2018 Consumer and Producer Price Indices (CPI and PPI), Real Average Weekly Earnings and related inflation issues.

The **Week, Month and Year Ahead** provides background on recent *Commentaries* and discusses/previews next week's releases of the June 2018 Retail Sales, Industrial Production and New Residential Construction.

Commentary No. 960 contents, including graphs and tables, are indexed and linked on following page.

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OPENING COMMENTS

FOMC and Oil-Price-Distorted Inflation Dampen Consumer Liquidity and Activity

Intensifying Consumer and Economic Stresses Reflect Tightening Liquidity Conditions.

[Incorporated here by reference are [Commentary No. 948](#), [Commentary No. 949](#) and [Consumer Liquidity Watch No. 2](#).] Headline annual consumer inflation has risen every month since the beginning of 2018, standing at a 75-month high in June 2018, well above where it was in June 2017. The June 2018 Consumer Price Index (CPI) showed a continuing monthly increase in the level of unadjusted annual inflation, tied to rising petroleum-related prices, not to robust, domestic economic growth.

CPI-U year-to-year inflation stood at 2.87% in June 2018, versus 1.63% in June 2017, while the narrower CPI-W annual inflation stood at 2.72%, versus 1.21% in June 2017. In turn, year-to-year gasoline prices had jumped by 21.29% in June 2018, versus an annual contraction of 0.39% (-0.39%) in June 2017.

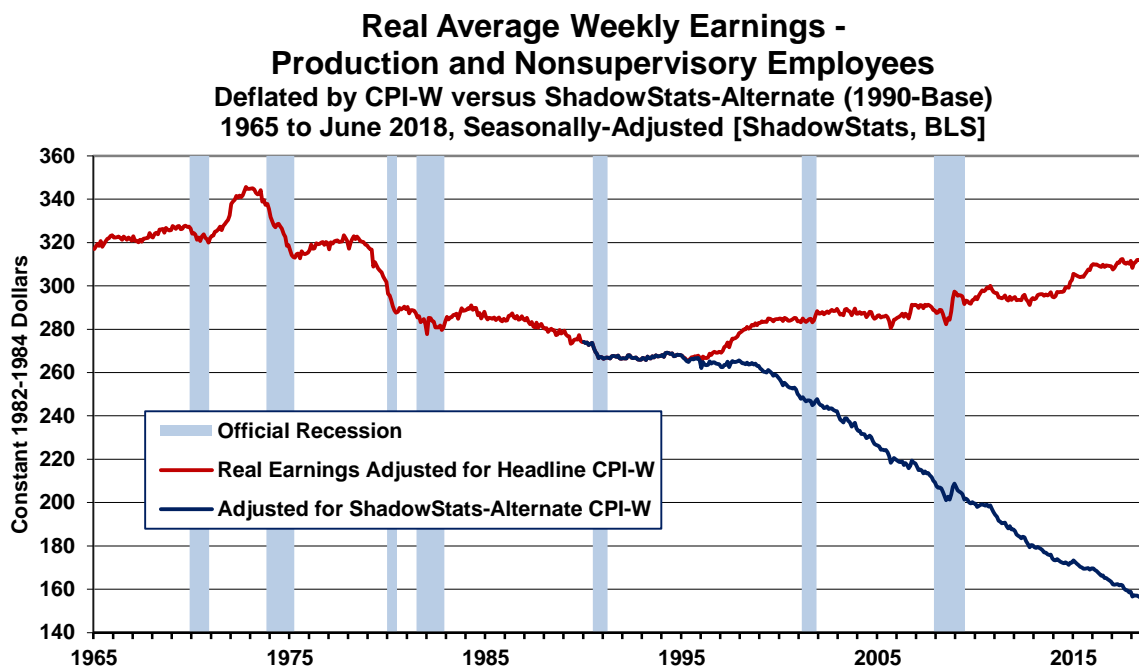
The Producer Price Index (PPI-Final Demand), the aggregate wholesale inflation measure that includes both goods and services, also has been driven broadly by energy costs, with June 2018 annual inflation of 3.37% at a 79-month high, contrasted with annual inflation of 1.90% in June 2017. The PPI energy sector showed June 2018 annual inflation at 17.73%, where June 2017 annual inflation had been 3.81%.

As reviewed in [Commentary No. 949](#), the United States has not seen such a circumstance in more than a decade, and only sporadically going back several decades. In play is rising headline domestic inflation, driven by rising oil prices. Yet, those higher oil prices reflect supply distortions and political disruptions outside the United States, not surging domestic economic demand and not factors otherwise benefitting the U.S. economy other than for nominal domestic oil revenues. Again, at present, the surge in domestic U.S. inflation largely is driven by oil-price distortions, not by healthy, domestic economic activity.

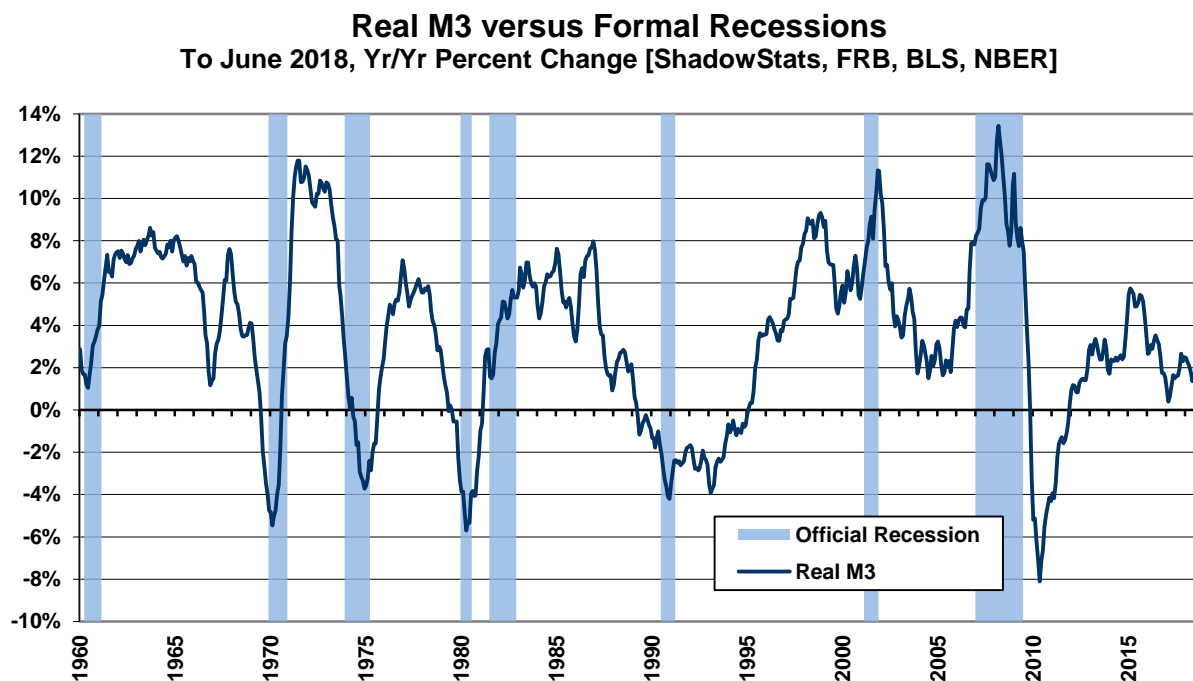
If robust U.S. economic growth were driving the inflation, it also would be driving domestic income higher. Instead, June Real Earnings (*Graph OC-1*), deflated by the CPI-W, showed no income growth. Higher inflation from rising oil prices sapped the domestic purchasing power of real average weekly earnings, which showed 0.0% growth, both month-to-month and year-to-year. Discussed in the *Reporting Detail*, in combination with the current tightening policies of the Federal Open Market Committee (FOMC) of the Board of Governors of the Federal Reserve System, the disruptive oil-supply inflation also has constrained annual growth in domestic liquidity Real M3 Money Supply, shown in (*Graph-OC-2*).

Much of what is unfolding here is a direct result of the effective systemic collapse in 2008, and the Federal Reserve's inability to restore a fully functional system. The FOMC's raising interest rates in this circumstance continues to have extraordinarily dangerous implications for the economy, the financial system and the financial markets.

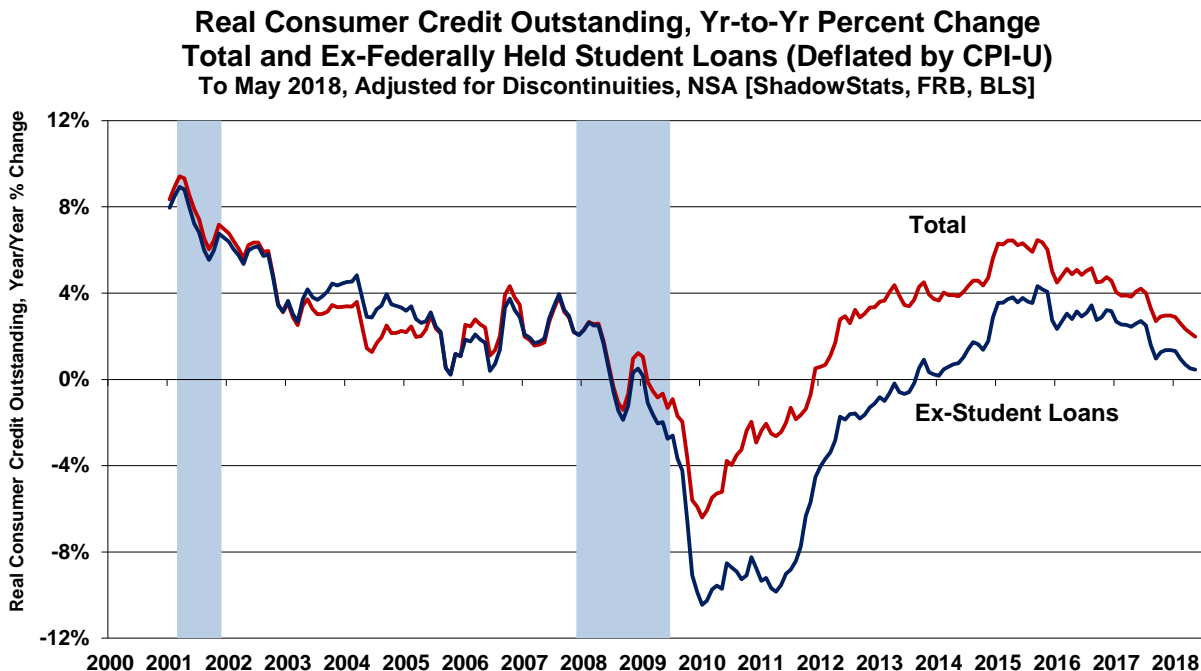
Graph OC-1: Real Average Weekly Earnings, Production and Nonsupervisory Employees, 1965-to-Date
(Same as Graph 4 in the Reporting Detail)



Graph OC-2: Real M3 Annual Growth versus Formal Recessions
(Same as Graph 5 in the Reporting Detail)

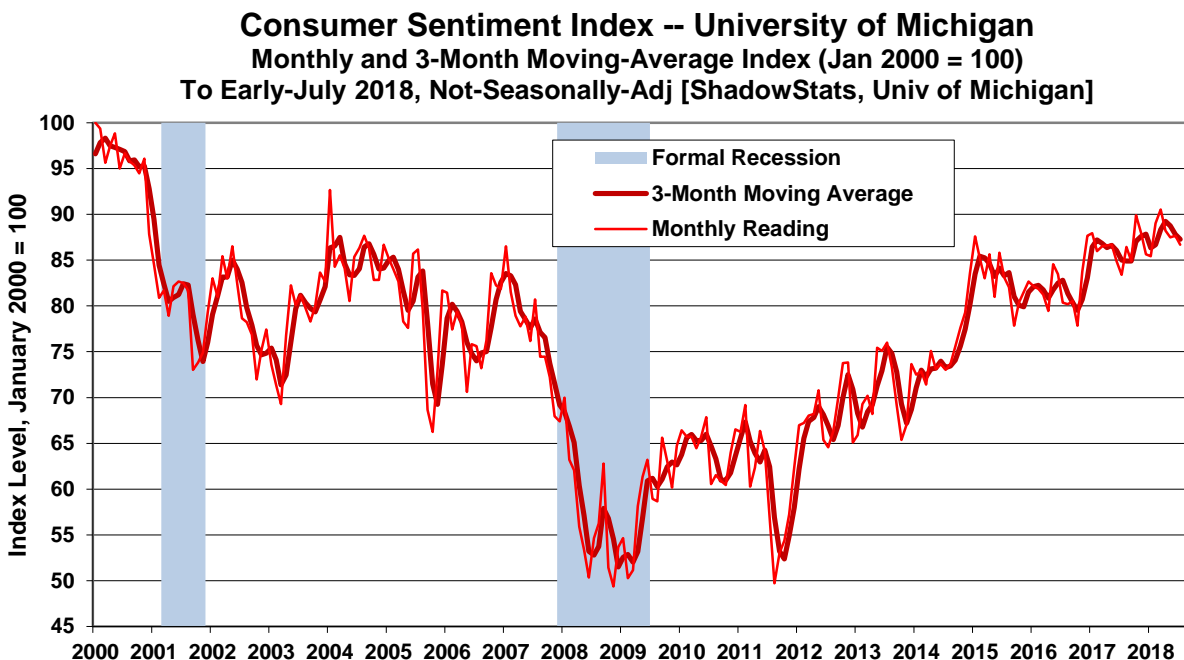


Graph OC-3: Consumer Credit Outstanding, Ex-Federally Held Student Loans, Yr-to-Yr Percent Change
(Same as Graph OC-1 in the prior [Commentary No. 959-B](#))



Graph OC-4: Consumer Sentiment (2000 to 2018)

(See Discussion on the prior June release in the [CLW-No. 2](#))



Other Indications of Mounting Inflation and Liquidity Stresses on Consumer: Credit and Sentiment.

Rising inflation not only dampens real growth in earnings, it also dampens real growth in credit and the spending power of savings. The consumer can expand real consumption by spending earned money, spending borrowed money or by liquidating saved money. Real earnings and real growth in Consumer Credit Outstanding (CCO), are reflected in *Graphs OC-1* and *OC-3*.

Discussed in prior [Commentary No. 959-B](#), inflation-adjusted, real Consumer Credit Outstanding, Ex-Federally-Held Student Loans (CCO) is plotted here as *Graph OC-3*, deflated by the CPI-U. Real annual growth in May 2018 CCO continued in low-level non-expansion, with annual growth continuing to drop, as reflected here in *Graph OC-3*. Ex-Federally Held Student Loans, the unadjusted level (only unadjusted data are available) of real activity remained shy by 15.84% (-15.84%) of recovering its pre-recession peak, with annual growth closing in on zero, as reflected in the graph. Growth in real CCO, net of the student loans category, theoretically has a strong relationship to personal consumption expenditures in the GDP. Real annual growth also is shown for the aggregate series.

Taking on new debt requires both the ability and willingness to borrow. Liquidating savings also reflects willingness. The consumer's outlook was updated July 13th, with the advance estimate of the University of Michigan's Consumer Sentiment Index (Sentiment) for July 2018. As shown in *Graph OC-4*, Sentiment continued to decline off a recent peak, both month-to-month and in the context of its three-month moving average. In theory, income growth, credit growth/availability and relative inflation all will play into the consumer's near-term outlook.

Preceding *Graphs OC-1* and *OC-2* standardly are generated along with the headline monthly reporting of the Consumer Price Index, where the CPI-W is used in deflating Real Average Weekly Earnings (*Graph 4* in the *Reporting Detail*), and where CPI-U is used in deflating year-to-year growth in Real M3 (*Graph 5* in the *Reporting Detail*). Both those series are described in some detail in the *Reporting Detail* and will be posted respectively in the *Consumer Liquidity Watch – No. 3 (CLW3)*, in the next several days, along with *Graphs OC-3* and *OC-4*. Separately, *Graph OC-2* will be posted in *Hyperinflation Watch – No. 2 (HW3)*, which also will be updated in the next several days, along with all the variously related graphs.

REPORTING DETAIL

June 2018 Consumer Price Index (CPI)

CONSUMER PRICE INDEX—CPI (June 2018)

Headline CPI-U Inflation Gained 0.13% Month-to-Month; Unadjusted Annual Inflation Increased to 2.87%; Fed’s Targeted 2.0% “Core” Notched Higher to 2.26%. Although the headline monthly gain of 0.13% June 2018 CPI-U was a notch below consensus expectations, unadjusted annual CPI-U inflation moved to 2.87%, a level last seen in February 2012, the highest reading since 2.93% in January 2012. Given current July gasoline prices holding about even with June, there is good chance for the July 2018 unadjusted annual CPI-U inflation to hit 3.0%, moving the “highest since” comparison to 3.39% in November 2011.

Parallel unadjusted annual pricing of gasoline rose by 24.29% in June 2018, versus 21.80% in May 2018, versus 13.43% in April 2018, and 11.09% in March 2018, with an intervening near-term annual contraction trough of 0.43% (-0.43%) in June 2017. The June 2018 gasoline peak was the highest since 30.66% in February 2017.

Seasonal-Adjustment Distortions to Gasoline Prices Balanced Out a Bit in June. The way most people look at gasoline prices is what they pay at the pump. In June 2018, unadjusted gasoline prices were up month-to-month by 0.31% on an unadjusted basis, per the BLS, while the Department of Energy estimated an unadjusted monthly decline of 0.57% (-0.57%). BLS had gasoline up by 0.54% in the seasonally-adjusted CPI-U.

Such narrowed the adjustment differences a bit from the extreme volatility seen in May 2018, where gasoline rose by 5.87% at the pump, but by just 1.72% in the seasonally-adjusted CPI-U. In April, pump prices rose by 6.21%, with headline adjusted costs up by 3.04%, while March pump prices declined in the month by 0.24% (-0.24%), with the headline, adjusted CPI-U costs down by 4.89% (-4.89%). Distortions flowing through to the headline seasonally-adjusted CPI-U instabilities have the same effect on common experience as do inflation-adjusted real growth estimates of overstating growth (when the used inflation rate used for deflation is too low) or understating growth (when the inflation adjustment is too high).

Related inflation surges in recent decades, past and present, rarely have been driven by an overheating economy, as claimed by some on the Fed's Federal Open Market Committee (FOMC). Indeed, the FOMC's favored charade, the targeted CPI-U inflation measure, the "Core" rate, net of food and energy, finally broke above the 2.0% "target" rate, to an unadjusted 2.11% in March 2018, held at 2.14% in April 2018 and notched higher to 2.24% in May 2018 and negligibly higher to 2.26% in June 2018. Such was against 1.85% in February 2018, where it had held for the prior eleven months at 1.8% +/- 0.1%, otherwise tied as the lowest annual core inflation rate since 1.6% in December 2015.

The headline annual gain did not drop to or below 2.0% in the current cycle until March 2017, when it dropped to 2.00%. Such is a contrived number, from which "Inflation Scare" headlines rarely are made. The term charade is used here, since Alan Greenspan was instrumental in redefining the CPI-U series so that it would not show meaningful inflation (see the [Public Commentary on Inflation Measurement](#) for further detail).

Credibility of Headline CPI-U Inflation Against Consumer Experience Remains an Issue, Well Beyond Short-Term Differences Between Adjusted and Unadjusted Gasoline Inflation. The current approach by the BLS of incorporating the irregular, wild swings of gasoline prices into the headline CPI-U, as if those wild swings could be seasonally-adjusted meaningfully, remains nonsense. Consider, again, the extreme case of last month's May 2018 gasoline prices rising month-to-month by 5.9% at the pump (common experience, unadjusted CPI), yet headline gasoline prices rose by just 1.7% (adjusted CPI), well shy of common experience.

Until gasoline prices return to some semblance of stability with regular seasonal variation, the BLS might do well to report the "adjusted" headline CPI using the unadjusted month-to-month swings, just as they currently use the unadjusted annual swings. Such would approach common experience more-closely, improving somewhat the credibility of the headline data with the public.

Otherwise, in more-general terms, informal surveying by ShadowStats of consumer views, as to the credibility of headline inflation continues to suggest that most individuals believe headline consumer inflation consistently understates reality. The informal consensus is in the range of a 3% to 4% understatement of headline annual inflation, against common experience. That is consistent with the ShadowStats Alternate CPI (versus 1990-based methodologies), and less severe than the 6% to 8% range suggested by the ShadowStats Alternate CPI (1980-based methodologies).

That latter measure is more accurate in terms of the meaningful methodological changes made to CPI reporting, beginning about 1980, which then began to exclude a component measure of the cost of buying a house. The revamped series shifted over to assessing housing costs as "homeowners equivalent rent" and the raising of that rent. Those all were "guesstimations" by the BLS as to what homeowners would charge themselves to rent their owned properties. The inflation rate then was determined to be the amount of increase in the monthly rent that homeowners would charge themselves.

Where this was a completely rigged number, the BLS estimated it would have the net effect of reducing the headline annual CPI-U inflation rate by 1.4% (-1.4%) from what would have been reported otherwise. These issues are discussed in the *Alternate Consumer Inflation Measures* section.

Specifically, with the headline unadjusted annual June 2018 CPI-U inflation up by 2.9%, year-to-year inflation is not and has not been quite as low as indicated, when considered in the context of traditional

CPI reporting and common experience. Moving on top of the unadjusted annual changes to the CPI-U, the ShadowStats-Alternate Inflation Measures showed year-to-year inflation in June 2018 at 6.4%, based on pre-Greenspan-gimmicked 1990 methodologies, and at 10.7%, based on 1980 methodologies. Detailed in [Public Commentary on Inflation Measurement](#), inflation based on common experience is much worse than the headlines, both as experienced by individual consumers, as well the business community.

Longer-Range Inflation Outlook. Despite U.S. dollar strength of recent years, and what had been accelerating, then faltering dollar strength, subsequent to the post-2016 election euphoria, the dollar recently had seen fairly regular and intensifying selling pressure, although that has reversed in recent months, reflecting market expectations of continued FOMC rate hikes in the United States, and recent indications by the European Central Bank (ECB) that it may hold off another year to raise rates (see [Hyperinflation Watch - No. 1](#) or the latest *Hyperinflation Watch* update). Separately there had been some near-term dollar strength, given shifting global political tensions.

Nonetheless, a tremendous threat to the dollar and systemic U.S. liquidity and market stability continues, tied to the U.S. Federal Reserve's fundamental inability to resolve the 2008 financial collapse, other than having bought limited time with emergency, stopgap measures. The proximal trigger here for potential shifts in FOMC policies likely remains tied to "unexpected" economic weakness. In a related matter, also with potential for triggering crisis-level disruptions in the global currency and financial markets, are burgeoning, long-term U.S. sovereign-solvency issues.

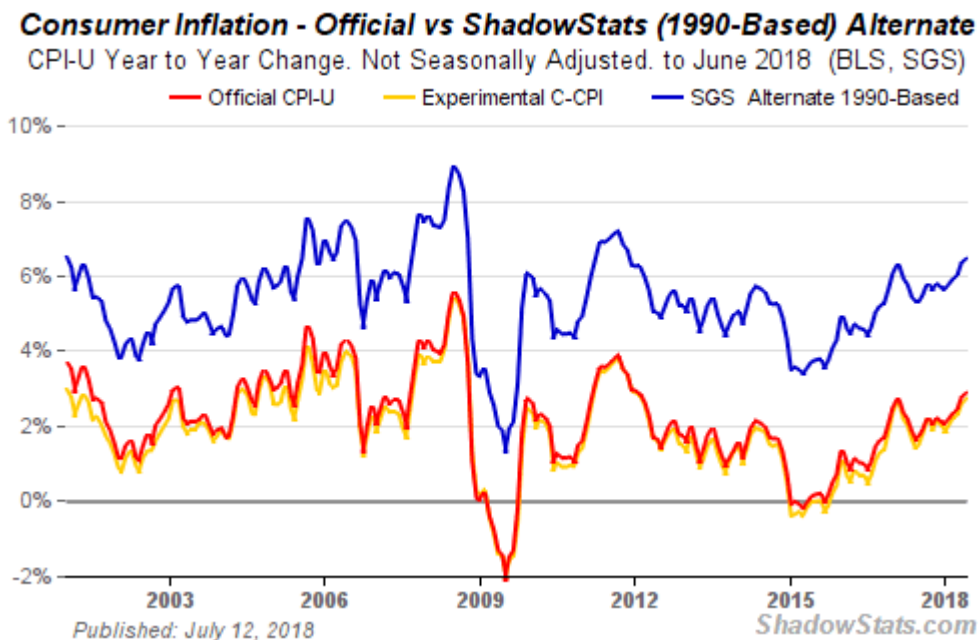
Recent FOMC tightenings have been despite continued, lack of full economic recovery from the 2008 collapse, both in terms of the banking system, where real consumer credit outstanding has not expanded beyond pre-recession levels, and in terms of industries such as manufacturing and construction, which also have not expanded beyond pre-recession levels. These areas remain the realm of "adverse" economic circumstances once feared by former Fed Chair Janet Yellen. Weaker economic circumstances were masked, temporarily, by near-term disaster-recovery boosts to economic activity. That now has unwound (see the discussions in [Commentary No. 957](#), [Commentary No. 952](#) and [Commentary No. 954](#), and [Commentary No. 948](#) and [Commentary No. 947](#)).

Those same "adverse circumstances" have acted as a drain on insurance-industry reserves and personal saving used to pay for disaster damages. With first-quarter 2018 GDP having shown weakened consumer components, the quarterly GDP remains open to significant slowing or contraction in its post-benchmarking revisions (July 27th) in second-quarter 2018. The financial markets, particularly the global currency markets versus the U.S. dollar, should begin to pick up on renewed faltering of U.S. economic activity and on intensifying long-range U.S. Treasury solvency concerns. Fed Chairman Powell's initial response to those unfolding circumstances should be forthcoming in the next couple of months.

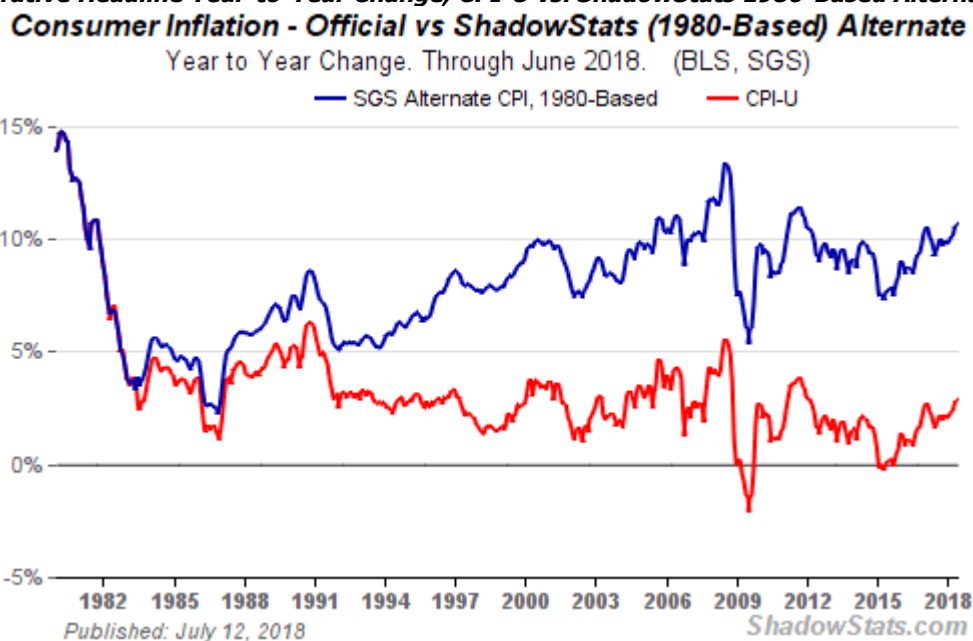
The U.S. central bank has been forced to, and continues to prop banking-system liquidity against an ongoing gale of renewed, economically-driven, banking-system solvency and liquidity issues. Those pressures were masked and then intensified by recent natural disasters, increasing political discord in Washington and mounting global political instabilities. Again, despite strong speculation and protestations to the contrary, the FOMC likely will end up renewing/expanding quantitative easing within the 2018 calendar year.

Compounding the high-risk of an increasing near-term run on the U.S. dollar remains what should be mounting recognition in global markets of the Fed's conundrum, again, particularly amidst mounting concerns as to U.S. fiscal stability. The Federal Reserve and other central banks still have no effective idea as to how to boost current economic activity, how to stabilize global banking-system solvency, or otherwise how to slog their way out of a self-generated quagmire. That circumstance only can be exacerbated by intensifying economic and political uncertainties (see the [Hyperinflation Watch - No. 1](#) or the latest *Hyperinflation Watch* update, [Special Commentary No. 888](#) and [Special Commentary No. 935](#)).

Graph 1: Comparative Headline Year-to-Year Change, CPI-U vs. ShadowStats 1990-Based Alternate



Graph 2: Comparative Headline Year-to-Year Change, CPI-U vs. ShadowStats 1980-Based Alternate



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)** was an experimental measure—now set to go active, formally, with pending 2017 Tax Reform (see the Opening Comments)—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 (BLS) reported July 12th that the headline, seasonally-adjusted June 2018 CPI-U inflation increased month-to-month by 0.1% [up by 0.13% at the second decimal point], having gained by 0.2% [up 0.21%] in May, 0.2% [0.22%] in April, declined in March by 0.1% (-0.1%) [0.06% (-0.06%)], having gained 0.2% [0.15%] in February, 0.5% [0.54%] in January, 0.2% [0.20%] in December 2017, 0.3% [0.34%] in November, 0.1% [0.08%] in October, 0.5% [0.46%] in September, 0.4% [0.40%] in August and 0.1% [0.11%] in July.

Unadjusted monthly June 2018 CPI-U rose by 0.16%, having gained 0.42% in May, 0.40% in April, 0.23% in March, 0.45% in February, 0.54% in January, having declined 0.06% (-0.06%) in December 2017, having been unchanged at 0.00% in November, having declined in October by 0.06% (-0.06%), gained by 0.53% in September and 0.30% in August and having declined in July by 0.07% (-0.07%).

Major CPI-U Groups. The relatively soft, June 2018 CPI-U monthly inflation gain of 0.16% reflected a month-to-month decline in Energy costs, along with upside movement in Food prices and “Core” inflation. By the numbers, the June 2018 CPI-U seasonally-adjusted monthly inflation gain of 0.13% [up by 0.16% on an unadjusted basis] encompassed a “Core” (ex-food and energy) inflation rate of 0.16% [up by 0.09% unadjusted]. Month-to-month June Food inflation was 0.18%, up by an unadjusted 0.05%. The Energy sector declined by an adjusted 0.29% (-0.29%), but gained 1.03% unadjusted. Related gasoline costs rose by an adjusted 0.54% in the month [up by 0.31% unadjusted].

Holding with FOMC expectations, unadjusted annual June 2018 “Core” CPI-U notched higher to 2.3% for the fourth consecutive month above 2.0%, versus 2.2% in May 2018 and 2.1% in April and March, where the March 2018 annual core inflation had broken to 2.1%, above the Fed’s 2.0% target, for the first time since February 2017. As of as of February 2018, the “Core” rate had held range-bound for eleven straight months (since April 2017) at 1.8% +/- 0.1%. It showed an unadjusted year-to-year inflation rate of 2.26% in June 2018, versus 2.24% in May 2018, 2.14% in April 2018 and 2.12% in March 2018, versus 1.85% in February 2018.

Year-to-Year CPI-U. Not seasonally adjusted, year-to-year inflation for the June 2018 CPI-U increased to 2.9% [2.87% at the second decimal point]. That followed annual gains of 2.8% [2.80%] in May 2018, 2.5% [2.46%] in April 2018, 2.4% [2.36%] in March 2018, 2.2% [2.21%] in February 2018, 2.1% and [2.07%] in January 2018. Annual inflation of 2.1% [2.11%] in December 2017 followed 2.2% [2.20%] in November 2017, 2.0% [2.04%] in October 2017, 2.2% [2.23%] in September 2017, 1.9% [1.94%] in August 2017 and 1.7% [1.73%] in July 2017.

Year-to-year, CPI-U inflation would increase or decrease in next month’s July 2018 reporting, dependent on the seasonally-adjusted, month-to-month change, versus the adjusted, headline monthly gain of 0.08% in the July 2017 CPI-U. The adjusted change is used here, since that is how consensus expectations are expressed. To approximate the annual unadjusted inflation rate for July 2018, the difference in July’s headline monthly change (or forecast of same), versus the year-ago monthly change, should be added to or subtracted directly from the unadjusted June 2018 annual inflation rate of 2.87%. Given an early guess of a seasonally-adjusted monthly change of 0.2% in the June 2018 CPI-U, that would leave the annual CPI-U inflation rate for June 2018 still at about 3.0% plus or minus.

Quarterly CPI-U. On a seasonally-adjusted annualized quarter-to-quarter basis, CPI-U rose by 1.66% in second-quarter 2018, having gained 3.51% in first-quarter 2018, 3.31% in fourth-quarter 2017, 2.13% in third-quarter 2017, 0.10% in second-quarter 2017 and 2.96% in first-quarter 2017.

On an unadjusted, year-to-year basis, headline annual inflation by quarter was up by 2.71% in second quarter 2018, versus 2.21% in first-quarter 2018, 2.12% in fourth-quarter 2017, 1.97% in third-quarter 2017, 1.90% in second-quarter 2017 and 2.54% in first-quarter 2017.

Annual Average CPI-U. The unadjusted annual average CPI-U inflation rate was 2.13% in 2017, versus 1.26% in 2016 and 0.12% in 2015.

CPI-W. The June 2018 seasonally-adjusted, headline CPI-W, which is a narrower series than the CPI-U and traditionally has had greater weighting for gasoline than the CPI-U, rose month-to-month by 0.14%, following monthly gains of 0.23% in May and 0.26% in April, a decline of 0.16% (-0.16%) in March,

gains of 0.11% in February, 0.62% in January, 0.19% in December 2017, 0.43% in November, 0.05% in October, 0.55% in September, 0.49% in August and 0.06% in July.

On an unadjusted basis, year-to-year CPI-W gained by 3.09% in June 2018, versus 3.00% in May 2018, 2.59% in April 2018, 2.44% in March 2018, 2.32% in February 2018, 2.14% in January 2018, 2.18% in December 2017, 2.32% in November 2017, 2.05% in October 2017, 2.31% in September 2017, 1.93% in August 2017 and 1.64% in July 2017.

Quarterly CPI-W. On an annualized quarter-to-quarter basis, seasonally-adjusted CPI-W rose by 1.57%, in second-quarter 2018, versus 3.70% in first-quarter 2018, 3.75% in fourth-quarter 2017, 2.26% in third-quarter 2017, having declined by 0.26% (-0.26%) in second-quarter 2017 and having gained by 3.04% in first-quarter 2017.

On an unadjusted year-to-year basis, annual inflation by quarter rose by 2.89% in second-quarter 2018, versus 2.30% in first-quarter 2018, 2.18% in fourth-quarter 2017, 1.96% in third-quarter 2017, 1.80% in second-quarter 2017 and 2.56% in first-quarter 2017.

Annual CPI-W. The unadjusted annual average CPI-W inflation rate was 2.13% in 2017, versus an average gain of 0.98% in 2016 and an average contraction of 0.41% (-0.41%) in 2015.

Chained-CPI-U. The headline C-CPI-U is not seasonally adjusted, and standardly is revised quarterly for the prior year, as last seen in April 2018 reporting, in which year-to-year inflation rates revised lower by 0.05% (-0.05%) for each month back through May 2017.

The unadjusted annual inflation rate for the C-CPI-U in June 2018 was 2.72%, versus 2.62% in May 2018, 2.31% in April 2018, 2.18% in March 2018 1.99% in February 2018, 1.82% in January 2018, 1.88% in December 2017, 1.97% in November 2017, 1.75% in October 2017, 2.03% in September 2017, 1.64% in August 2017 and 1.33% in July 2017.

Quarterly C-CPI-U, Year-to-Year. On an unadjusted, year-to-year basis, annual inflation by quarter was up by 2.55% in second-quarter 2018, versus 2.00% in first-quarter 2018, 1.87% in fourth-quarter 2017, 1.66% in third-quarter 2017, versus 1.50% in second-quarter 2017 and 2.30% in first-quarter 2017.

Annual Average C-CPI-U. The annual average C-CPI-U inflation rate was 1.83% in 2017, versus an annual gain of 0.93% in 2016 and contraction of 0.12% (-0.12%) in 2015.

See the *Opening Comments* of [Commentary No. 945](#) and [Commentary No. 920](#) as to the impact of the adoption of this measure and its costs to the tax-paying public in the recent overhaul of federal income taxes. Also see discussions in the earlier [Commentary No. 721](#) and in the opening notes in the *CPI Section* of [Commentary No. 699](#) as to the most-recent changes in the series. More-frequent revisions and earlier finalization of monthly detail broadly have been designed to groom the C-CPI-U series as the new Cost of Living Adjustment (COLA) index of choice for the increasingly 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 (see the 2017 CPI-W estimate discussion in [Commentary No. 841](#)) 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.

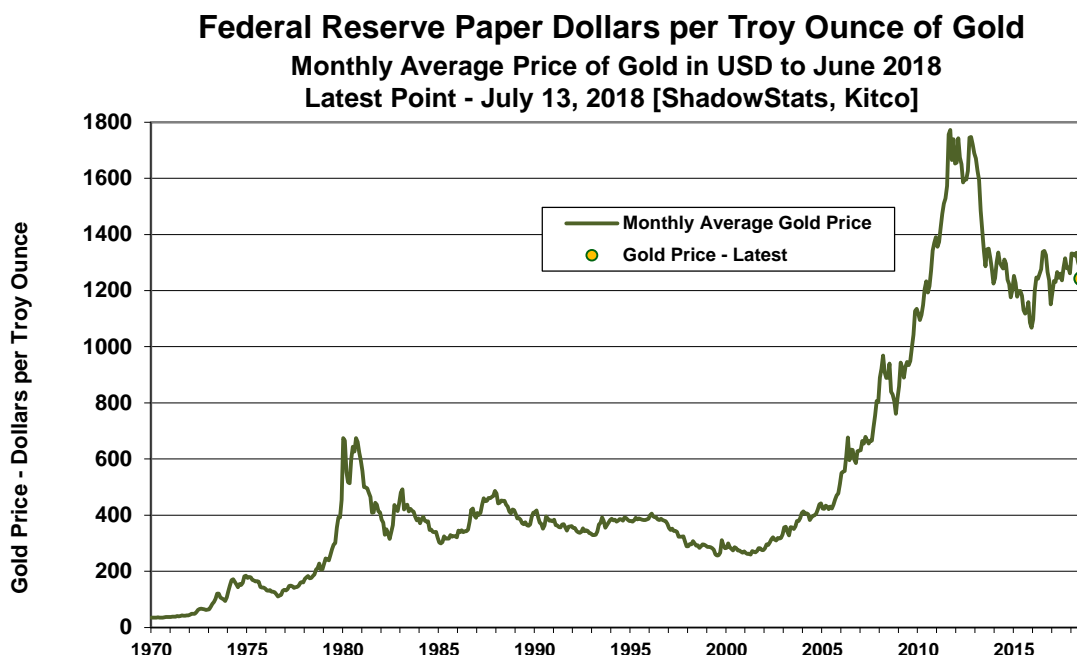
Alternate Consumer Inflation Measures. The ShadowStats-Alternate Consumer Inflation Measures are constructed on top of the unadjusted CPI-U series. Adjusted to 1990 methodologies—the ShadowStats-Alternate Consumer Inflation Measure (1990-Base)—year-to-year annual inflation was roughly 6.4% in June 2018 versus 6.4% in May 2018, 6.0% in April 2018, 5.9% in March 2018, 5.8% in February 2018, 5.6% in January 2018, 5.7% in December 2017, 5.8% in November 2017, 5.6% in October 2017, 5.8% in September 2017, 5.5% in August 2017, 5.3% in July 2017, 5.2% in June 2017, 5.5% in May 2017, 5.8% in April 2017, 6.0% in March 2017, 6.3% in February 2017 and 6.1% in January 2017.

The June 2018 ShadowStats-Alternate Consumer Inflation Measure (1980-Base), which reverses gimmicked changes to official CPI reporting methodologies back to 1980, was at about 10.7% (10.67% at the second decimal point, versus 10.6% (10.59%) in May 2018, 10.2% (10.23%) in April 2018, 10.1% (10.12%) in March 2018, 10.0% (9.96%) in February 2018, 9.8% (9.81%) in January 2018, 9.8% (9.85%) in December 2017, 9.9% (9.95%) in November 2017, 9.8% (9.78%) in October 2017, 10.0% (9.98%) in September 2017, 9.7% (9.67%) in August 2017, 9.4% (9.44%) in July 2017, 9.3% (9.34%) in June 2017, 9.6% (9.60%) in May 2017, 10.0% (9.95%) in April 2017, 10.1% (10.14%) in March 2017, 10.5% (10.53%) in February 2017 and 10.3% (10.27%) in January 2017. Historical monthly detail, and an inflation calculator will be found in the [CPI](#) section of the Alternate Data tab of the ShadowStats home page: www.ShadowStats.com.

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

Gold and Silver Historic High Prices Adjusted for June 2018 CPI-U/ShadowStats Inflation

CPI-U: GOLD at \$2,753 per Troy Ounce, SILVER at \$160 per Troy Ounce

ShadowStats: GOLD at \$15,882 per Troy Ounce, SILVER at \$924 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 \$2,753 per troy ounce, based on June 2018 CPI-U-adjusted dollars, and \$15,882 per troy ounce, based on June 2018 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 June 2018 CPI-U inflation, the 1980 silver-price peak would be \$160 per troy ounce and would be \$924 per troy ounce in terms of the June 2018 ShadowStats-Alternate-CPI (1980-Base) adjusted dollars (again, all series not seasonally adjusted).

Accompanying *Graph 3* shows the regular gold plot published with monthly CPI detail, with further detail and graphs found in the [Hyperinflation Watch - No. 1](#). As economic expectations increasingly take some hit in the week and month ahead, the dollar should lose some ground against both gold and the stronger currencies such as the Swiss Franc (CHF). Recent, relative short-term U.S. dollar strength should prove fleeting (again see [Hyperinflation Watch - No. 1](#) or its most recent update), in what fairly

quickly could become a highly inflationary circumstance for those living in a U.S. dollar-denominated world.

Shown in *Table 1* on page 47 of [No. 859 Special Commentary](#), and in *Table INFLATION-1* on page 46 of [Special Commentary No. 935](#), 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. The precious metals also (particularly gold in the last year) 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 Average Weekly Earnings—June 2018—Unchanged at 0.0% Month-to-Month and Year-to-Year for Production and Supervisory Employees, First-Quarter 2018 Contractions Remain in Place.

Estimates of June 2018 real average weekly earnings were published along with the headline CPI-W and CPI-U on July 12th.

Production and Nonsupervisory Employees Detail (Plotted in *Graph 4*). In the production and nonsupervisory employees category (deflated by the CPI-W)—the only series for which there is a meaningful history, back to 1964, the regularly-volatile, real average weekly earnings in June 2018 were unchanged at 0.0% month-to-month and year-to-year, having been unchanged month-to-month at 0.0%, but up year-to-year by 0.4% in May 2018.

At the second decimal point, June 2018 real earnings gained 0.04%, versus 0.03% in May, 0.31% in April, 0.18% in March, 0.71% in February and declined by 1.08% (-1.08%) in January.

Year-to-year growth in June 2018 was 0.03%, versus a downwardly revised 0.43% in May 2018, and unrevised annual gains of 0.39% in April 2018, 0.46% in March 2018, 0.68% in February 2018 and 0.20% in January 2018.

Against an unrevised first-quarter 2018 annualized quarterly contraction of 1.22% (-1.22%) and 0.45% year-to-year change, second-quarter 2018 showed an annualized quarterly gain of 2.81%, with annual growth slowing to 0.28%.

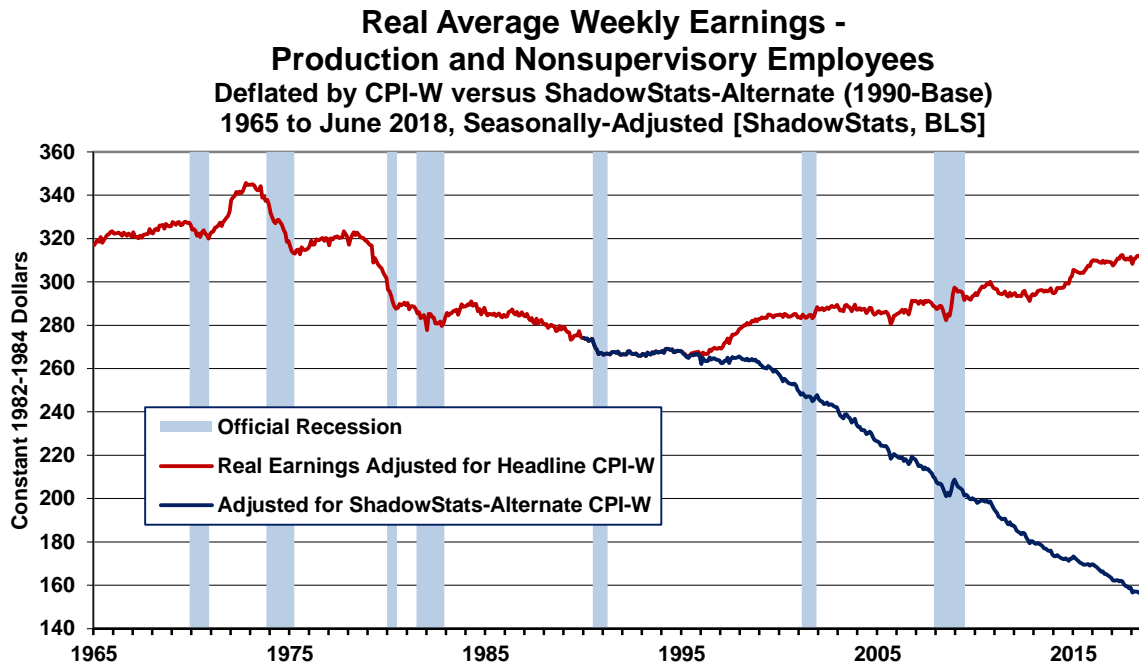
The first-quarter 2018 contraction remained the third-consecutive annualized quarterly contraction in real average weekly earnings, the fifth such quarterly decline in the last six quarters.

Fourth-quarter 2017 earnings showed an annualized contraction of 0.39% (-0.39%), versus a minimal decline of 0.03% (-0.03%) in third-quarter 2017, a gain of 3.48% in second-quarter 2017, and contractions of 0.84% (-0.84%) in first-quarter 2017 and 0.18% (-0.18%) in fourth-quarter 2016.

All Employees Detail. In the broader “All Employees” category (deflated by the CPI-U), June 2018 real average weekly earnings gained 0.06% in the month, having gained 0.05% in May 2018, having been flat at 0.00% in April and having gained 0.29% in March. Annual growth slowed to 0.24% in June 2018, versus 0.32% in May 2018, 0.50% in April 2018 and 0.87% in March 2018.

Second-quarter 2018 real earnings gained at an annualized pace of 1.44%, where first-quarter 2018 real earnings contracted at an annualized pace of 0.44% (-0.44%), at an annualized decline of 0.03% (-0.03%) in fourth-quarter 2017 and against an annualized gain of 3.48% in third-quarter 2017.

Graph 4: Real Average Weekly Earnings, Production and Nonsupervisory Employees, 1965-to-Date
(Same as Graph OC-1 in the Opening Comments)



Intensifying Consumer Liquidity Stress. Discussed in today's *Opening Comments* and [Consumer Liquidity Watch - No. 2](#) or its latest update, in conjunction with flat Real Median Household Income, continued slowing/declining growth in real Consumer Credit Outstanding and faltering Consumer Optimism, the government's headline real earnings data indicated intensifying income and liquidity issues for the consumer.

Graph 4 (an updated Graph CLW-8 in the [Consumer Liquidity Watch - No. 2](#)) of the Production and Nonsupervisory Employee series shows 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 headline 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.

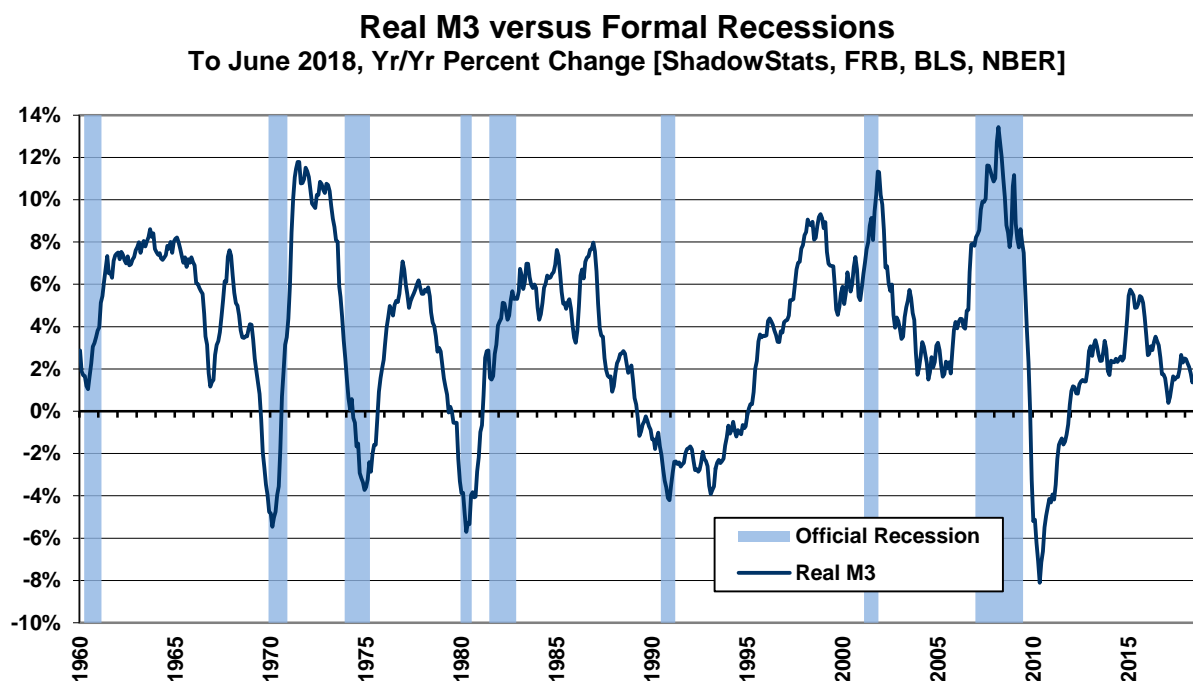
A Leading Indicator to Broad Economic Activity, Inflation-Adjusted Money Supply M3—June 2018—Annual Change Held at a Twelve-Month Low. The signal for a double-dip, multiple-dip or simply protracted, ongoing recession, based on annual contraction in the real broad money supply (M3), had been re-triggered/intensified in February 2017. Yet, that signal then softened or flattened out with a contrary bounce from May 2017 into December 2017, turning down anew after the Federal Reserve's Federal Open Market Committee's (FOMC) began more-aggressive tightening in December 2017. Discussed in [Hyperinflation Watch - No. 1](#), the previous recession signal of December 2009 remained in place, despite

real annual M3 growth having rallied into positive territory post-2010. *Graph 5* (also *Graph OC-2* in the *Opening Comments*) is an updated version of *HW-4* in [Hyperinflation Watch - No. 1](#).

[Note: If realistic, not headline, inflation numbers were used here, there would be no question of an ongoing and renewed deepening of the economic collapse into 2009, as discussed in [Commentary No. 957](#) and [Public Commentary on Inflation Measurement](#).]

In the context of continued weakening annual growth in M3 (policy action of the Federal Reserve Board's Federal Open Market Committee [FOMC]), and continued pick-up in annual CPI inflation, driven by unstable, surging political conditions in the oil markets (not a direct function of a "strong" U.S. economy), a formal recession signal from low-level or negative annual real growth has become increasingly likely in the near term. Shown in *Graph 5*—based on June 2018 CPI-U reporting and the latest ShadowStats-Ongoing M3 Estimate (see the discussion on slowing annual money supply growth in [Hyperinflation Watch - No. 1](#) or its latest update)—of annual inflation-adjusted growth in June 2018 M3, which increased to 1.63%, from and upwardly revised 1.36% [previously 1.26%] in May 2018. That was against a downwardly-revised 1.79% [previously 1.81%] in April 2018, and upwardly revised real annual growth rates of 2.09% [previously 2.01%] in March 2018, 2.26% [previously 2.24% in February 2018], and varied minimal revisions back in time with 2.47% [previously 2.46%] in January 2018, 2.50% [previously 2.49%] in December 2017 and 2.29% [previously 2.30%] in November 2017. Those patterns reflected successive, benchmark revisions to the Federal Reserve's money measures and, again, versus upside movement in annual CPI-U inflation. Those levels of activity were against a near-term peak growth of 2.66% [previously 2.64%] in October 2017, and against the unrevised February 2015 cycle-high peak growth of 5.75%.

Graph 5: Real M3 Annual Growth versus Formal Recessions, Deflated by the CPI-U
(Same as Graph OC-2 in the Opening Comments)



The current low level of real annual M3 growth in May 2018 reflected a 10-month low in annual nominal M3 growth (before inflation adjustment) and net and ever-increasing (now 75-month) high in respective annual growth in the CPI-U.

What recently had been higher, albeit tepid, real annual growth likely was a temporary reversal in the pattern of plunging annual growth, which had held at levels last seen in plunging growth into the 2009 economic collapse, a level never seen outside an economy falling into, or already in a recession.

The signal for a downturn or an intensified downturn is generated when annual growth in real M3 first slows sharply, approaches zero and 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 previous “new” downturn signal was generated in December 2009, even though there had been no upturn since the economy purportedly hit bottom in mid-2009. The ongoing issue here confounding the regular signal is that the U.S. economy never has recovered fully from its collapse into 2009 (see [Commentary No. 877](#), [Commentary No. 902-B](#) and [Commentary No. 957](#)). The initial economic downturn never evolved into a meaningful or sustainable recovery. The current level and pattern of real annual M3 growth generally has been followed by annual contraction and recession signal.

Again, when formal real M3 growth breaks above zero, there is no signal; the signal is generated only when annual growth moves to zero and into negative territory, from which it has backed off at present. 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, separate from short-lived activity generated by the destruction and resulting recovery from particularly-severe hurricane and California wildfire seasons in late-2017. Actual post-2009 economic activity has remained at relatively low levels—in protracted stagnation—with no actual recovery (see the *ECONOMY* section of [Special Commentary No. 935](#) and, again, [Commentary No. 952](#)).

Despite the purported, ongoing growth seen in headline GDP activity, a renewed downturn in official data appears to be underway, which should be confirmed partially in headline data of the week ahead (see the *Week, Month and Year Ahead* section. What continues to unfold likely will gain official recognition as a “new” recession, in the year ahead, and in the context of the pending July 27th comprehensive benchmark revisions to the GDP. Underlying reality remains that the collapse into 2009 was followed by a plateau of low-level economic activity—no meaningful upturn, no full recovery from, or end to, the official 2007 recession, no new economic expansion—where the unfolding “new” downturn remains nothing more than a continuation and re-intensification of a downturn that began unofficially in 2006.

[Coverage of the Producer Price Index follows on the next page.]

June 2018 Producer Price Index (PPI)

PPI Annual Inflation Hit a 79-Month High of 3.4%; Boosted Again by Unstable Oil Prices, Not by Underlying Economic Activity or Strength. June 2018 Final Demand Producer Price Index (FD-PPI) inflation rose month-to-month by a seasonally-adjusted 0.26%, versus 0.52% in May and 0.09% in April.

June 2018 year-to-year PPI inflation rose by a not-seasonally-adjusted 3.37%, up from 3.11% in May 2018 and 2.57% in April 2018. The headline inflation continued to be dominated by high and rising oil prices, driven by supply and political distortions, not by strong economic demand. That June 2018 annual PPI inflation rate was the highest since 3.70% in November 2011.

Reviewed in today's *Opening Comments*, rising consumer inflation driven by commodity price distortions, instead of by strong economic activity, has impaired consumer liquidity. In theory, that circumstance is led by the PPI. Also in theory, the PPI would tend to indicate pricing and liquidity issues in the commercial sector. In the circumstance where headline inflation is outpacing growth in real disposable income (or real sales revenues), real purchasing power is reduced and broad economic activity tends to follow in a tumble.

Aggregate PPI and by Sector. The increase in annual PPI inflation to 3.37% in the June 2018 was dominated by Energy in the Goods Sector, by Trade in the Services Sector and as reflected in the Construction Sector. Ignoring other issues, heavily biased by nonsense reporting in the Services Sector, the monthly aggregate PPI increase of 0.26% was overstated.

Services Sector. In the dominant (most heavily weighted) Services Sector, unadjusted annual inflation growth of 2.82% in June 2018 rose from 2.38% in May 2018, still off its recent near-term peak of 2.93% in March 2018. Month-to-month services inflation rose by 0.43%, versus 0.26% in May.

According to the BLS, "Over 40 percent of the [monthly] advance in the index for final demand services is attributable to a 21.8-percent jump in the index for fuels and lubricants retailing [in the Trade Sector]." Such is a prime example of the nonsense circumstance discussed in the *Inflation That Is More Theoretical than Real World* section. On a monthly basis in June, while unadjusted annual inflation in the Energy Sector rose from 16.55% in May 2018, to 17.23% in June 2018, on a seasonally-adjusted basis, monthly inflation eased from 4.59% in May to 0.81% in June. That was enough of a slowing in the hard, monthly Energy Sector inflation rate to "boost" relative margins at gasoline stations, which spiked the monthly inflation rate in the Services Sector.

Goods Sector. Unadjusted June 2018 annual inflation growth of 4.32% in the Goods Sector actually pulled back from a seven-year high of 4.43% in May 2018, which had followed annual inflation of 2.88% in April 2018. While that pattern of rising annual inflation continued in the month for the Energy and

“Core” Sectors, Food Sector inflation tumbled year-to-year to a contraction of 1.02% (-1.02%) in June 2018 from an annual gain of 0.51% in May 2018. On a monthly basis, PPI inflation in the Goods Sector slowed in June to 0.09% (again reflecting collapsing food prices), having gained 0.96% in May.

Core Goods. Irrespective of inflation reporting out of the BLS, which runs well shy of common experience for consumers, as well as businesses (see the *Consumer Price Index* section), the Federal Reserve purports to ignore energy and food inflation in determining its headline policies, concentrating instead on “Core” inflation, net of those “problem” energy and food areas. That might make some sense if the public did not view food and energy as being in the broad, general category of “necessities of life.”

Annual “Core” inflation on the PPI-FD Goods side was at an unadjusted 2.56% in June 2018, up from 2.48% in May 2018, with monthly gains holding at a constant, seasonally adjusted 0.26% for each month from January 2018 through June 2018.

Construction Sector. In the Construction Sector, June 2018 annual inflation rose to 4.15%, from 4.06% in May 2018 and against 4.24% in April 2018. That April number was the highest annual inflation rate seen since the introduction of the Construction Sector series in 2009/2010. Month-to-month inflation moved higher to 0.17% in June, from “unchanged” in May and versus 1.09% in April. That pattern largely was an artefact of the quarterly update to estimated construction industry margins, published in the first month of each calendar quarter. Discussed later, the month-to-month numbers are not comparable, but the year-to-year numbers are.

Bulk of Headline PPI Reporting Is of Little Practical Use. [The background text here and in the next subsection is as published previously.] Beyond the broad issues with general inflation measurement (see [Public Commentary on Inflation Measurement](#)), indeed the bulk of the PPI is covered by the Services Sector, where inflation is determined largely by shifting profit margins. Discussed in the next subsection, profit-margin inflation estimates generally are handled in a manner counter-intuitive to the more-traditional measurement of inflation in goods and services, otherwise calculated as a measurement of change in prices. Accordingly, the headline detail here increasingly has a limited relationship to real-world activity.

The conceptual differences between goods inflation and services profit margins do not blend well and are not merged easily or meaningfully in the current version of the PPI. While the dual measures are more meaningfully viewed independently, rather than as the hybrid measure of the headline Producer Price Index Final Demand, the aggregate headline series here (ShadowStats separates the analyses of those sectors by sub-category) also is reviewed and covered within the headline reporting conventions of the Bureau of Labor Statistics (BLS).

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

The new, otherwise dominant Final Demand Services Sector largely reflects problematic and questionable surveying of intermediate or quasi-wholesale profit margins in the services area. When profit margins shrink in the Services Sector, one could argue that the resulting lowered estimation of inflation actually is a precursor to higher inflation, as firms subsequently would move to raise prices, in an effort to regain

more-normal margins. In like manner, in the circumstance of “increased” margins—due to the lower cost of petroleum-related products not being passed along immediately to customers—competitive pressures to lower margins tend to be reflected eventually in reduced retail prices (CPI). The oil-price versus margin gimmick works both way. In times of rapidly rising oil prices, it mutes the increase in Final Demand inflation, in times of rapidly declining oil prices; it tends to mute the decline in Final Demand inflation.

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

Headline Details of the June 2018 Final-Demand Producer Price Index and Its Major Sub-Sectors.

The Bureau of Labor Statistics (BLS) reported July 11th, that the seasonally-adjusted, month-to-month, headline Producer Price Index Final-Demand (PPI-FD) inflation for June 2018 rose by 0.26%, having gained 0.52% in May and 0.09% in April.

On a not-seasonally-adjusted basis—all annual growth rates are expressed unadjusted—year-to-year PPI-FD inflation in June 2018 jumped to a 79-month high of 3.37% (highest since 3.70% in November 2011), versus 3.11% in May 2018 and 2.57% in April 2018. The unadjusted April annual inflation was the weakest since September 2017.

Again, in summary, for the three major subcategories of the June 2018 PPI-FD, which showed an adjusted monthly gain of 0.26% and unadjusted 3.37% annual inflation, headline monthly Goods inflation was an adjusted gain of 0.09% month-to-month, up by an unadjusted 4.32% year-to-year, Services “inflation” (profit margins) rose month-to-month by 0.43%, up by 2.82% year-to-year and Construction inflation was up an inconsistent 0.17% in the month, up by 4.15% year-to-year.

Final Demand Goods (weighted at 33.01% of the Aggregate Index). Running somewhat in parallel with the old Finished Goods PPI series, headline month-to-month Final Demand Goods inflation in June 2018 rose by 0.09%, having gained 0.96% May and having been “unchanged” in April at 0.00%. There was negative impact on the aggregate goods monthly reading from underlying seasonal-factor adjustments (tied largely to food and energy). Not-seasonally-adjusted, June inflation was up by 0.26% month-to-month. Unadjusted, year-to-year goods inflation in June 2018 showed an annual gain of 4.32%, following 4.43% in May 2018 and 2.88% in April 2018.

Seasonally-adjusted monthly changes by major components of June 2018 Final Demand Goods:

- “Foods” inflation (weighted at 5.72% of the total index) in June 2018 declined month-to-month by 1.11% (-1.11%), having gained 0.09% in May and having declined by 1.10% (-1.10%) in April. Seasonal adjustments were negative for the June change, which was an unadjusted monthly decline of 0.59% (-0.59%). Unadjusted and year-to-year, annual June 2018 foods inflation declined by 1.02% (-1.02%), having gained 0.51% in May 2018 and having declined by 0.34% (-0.34%) in April 2018.
- “Energy” inflation (weighted at 5.58% of the total index) rose month-to-month by 0.81%, having gained 4.59% in May and 0.09% in April. Seasonal adjustments were negative, once more, in

June, with unadjusted energy showing a monthly gain of 1.41%. Unadjusted and year-to-year, June 2018 energy prices gained 17.23%, versus 16.55% in May 2018 and 9.02% in April 2018.

- “Less foods and energy” (“Core” goods) monthly inflation (weighted at 21.71% of the total index) gained month-to-month by 0.26% in June 2018, having also gained 0.26% in May and April. Seasonal adjustments were positive for monthly “Core” inflation, with the unadjusted monthly June inflation up by 0.17%. Unadjusted and year-to-year, June 2018 “Core” inflation rose by 2.56%, versus 2.48% in May 2018 and 2.12% in April 2018.

Final Demand Services (weighted at 65.35% of the Aggregate Index). Headline Final Demand Services inflation rose by 0.43% in June 2018, having gained 0.26% in May and 0.09% in April. The overall seasonal-adjustment impact on headline services inflation was negative, with an unadjusted monthly gain of 0.52% in June. Year-to-year, unadjusted June 2018 services inflation was 2.82%, versus 2.38% in May 2018 and 2.39% in April 2018.

The headline monthly changes by major component for June 2018 Final Demand Services inflation:

- “Services less trade, transportation and warehousing” inflation, or the “Other” category (weighted at 40.53% of the total index) rose by 0.26% in June 2018, having been “unchanged” month-to-month at 0.00% in May 2018, and having declined by 0.09% (-0.09%) in April. Seasonal-adjustment impact on the June detail was negative, where the unadjusted monthly reading was 0.35%. Unadjusted and year-to-year, June 2018 “other” services inflation was up by 2.30%, versus 2.31% in May 2018 and 2.40% in April 2018
- “Transportation and warehousing” inflation (weighted at 4.47% of the total index) rose month-to-month by 0.49% in June 2018, versus gains of 0.75% in May and 0.58% in April. Seasonal adjustments were negative for the June reading, versus an unadjusted monthly gain of 1.57%. Unadjusted and year-to-year, June 2018 transportation inflation rose by 5.68%, versus 5.04% in May 2018 and 4.67% in April 2018.
- “Trade” inflation (weighted at 20.35% of the total index) gained month-to-month by 0.68% in June 2018, versus 0.86% in May 2018 and 0.17% in April. Seasonal adjustments had a positive impact, where the unadjusted monthly change was up by 0.51%. Unadjusted and year-to-year, June 2018 trade inflation rose to 3.06%, versus 1.91% in May 2018 and 1.92% in April 2018.

Final Demand Construction (weighted at 1.64% of the Aggregate Index). Although a fully self-contained subsection of the Final Demand PPI, Final Demand Construction inflation receives no formal headline coverage. Month-to-month construction inflation increased by 0.17% in June 2018, having been “unchanged” at 0.00% in May and having jumped by 1.09% in April, versus a revised gain of 0.08% [previously 0.17%] in March and a revised 0.08% [previously unchanged at 0.00%] in February. These monthly changes reflect a regular, nonsense monthly distortion in the first month of each quarter, when the BLS introduces new quarterly profit-margin estimates.

The impact of seasonal factors on the June 2018 reading was neutral, as usual, where the unadjusted monthly change also was a gain of 0.17%. The issues here are a combination of monthly headline cost changes along with a quarterly estimate of contractor profit-margin changes that have little connection to real-world activity, as addressed in [Commentary No. 829](#).

On an unadjusted basis, year-to-year construction inflation rose to 4.15% in June 2018, versus 4.06% in May 2018 and 4.24% in April 2018 and 3.57% in March, February and January 2018. Unlike the month-to-month data, the annual changes are reasonably comparable. Annual change here recently has moved closer to the estimates of private surveying and other government estimates (GDP deflators), which usually show higher construction-related inflation than does the PPI. Annual inflation in those measures generally appears to be on the rise. Discussed in [Commentary No. 829](#), ShadowStats constructed a Composite Construction Deflator (CCD) used by ShadowStats in deflating the Census Bureau's monthly estimates of Construction Spending Put in Place in the United States (see [Commentary No. 958](#)).

PPI-Inflation Impact on Pending Reporting of June 2018 New Orders for Durable Goods. As to the pending relative reductions in inflation-adjusted real growth, versus the nominal reporting of June 2018 New Orders for Durable Goods, inflation for manufactured durable goods (reported only on a not-seasonally-adjusted basis) increased month-to-month by a softer 0.35% in June 2018, versus 0.52% in May, 0.41% in April, a revised 0.29% [previously 0.41%] in March, a revised 0.35% [previously 0.23%] in February and an unrevised 0.41% in January.

Year-to-year annual inflation, however, jumped to 2.96% in June 2018 in highest level since 3.29% in August 2011. That was against 2.66% in May 2018, 2.13% in April 2018, 1.96% in March 2018, a revised 1.84% (previously 1.72%) in February 2018 and 1.79% in January 2018. June 2018 New Orders for Durable Goods (both nominal and real), will be reported and calculable on July 26th, with coverage in *Commentary No. 962*, likely on July 26th.

[The Week, Month and Year Ahead Section follows on the next page.]

WEEK, MONTH AND YEAR AHEAD

U.S. Dollar and Financial-Market Turmoil Remain at Intensified High Risk, Amidst Mounting Fiscal Concerns, Consumer Liquidity Issues and Non-Expanding, Real-World Economic Activity. In the context of weakening consumer-liquidity trends and continuing, conflicted signals in labor-market detail (see to today's *Opening Comments* and [Commentary No. 959-B](#), [Commentary No. 957](#) and [Consumer Liquidity Watch - No. 2](#)), the headline economic outlook continues to dim, rapidly. The U.S. consumer remains the primary and fundamental driving force behind domestic business activity, and deteriorating liquidity conditions should be followed by negative, headline monthly surprises in regular economic reporting in the month or two ahead. Already in play are likely net negative revisions to the Gross Domestic Product (GDP) in its comprehensive annual benchmarking on July 27th (to be reviewed next week, also see [Commentary No. 954](#), [Commentary No. 956](#) and [Commentary No. 957](#)). The broad outlook on the economy has not changed. Weaker economic growth and renewed, faltering economic headlines should follow.

Pending update in the week ahead, [Hyperinflation Watch - No. 1](#) reviewed the broad outlooks for the U.S. economy, the U.S. dollar, gold, silver and the financial markets. Such expanded upon annual review covered in [Special Commentary No. 935](#) (see the *Executive Summary* there, with *Contents* and links to *Major Sections* and *Graphs* beginning there on page 6). The broad, faltering economic outlook also was reviewed in the *Opening Comments* and *Industrial Production Benchmark Revisions* sections of [Commentary No. 942-B](#). The fundamental outlook for U.S. dollar and related market circumstances broadly have not changed from the related vulnerabilities discussed in those earlier missives.

The dollar and financial markets remain at extraordinarily-high risk of intense, panicked declines, possible at any time. Holding physical gold and silver remain the ultimate hedges—stores of wealth—for preserving the purchasing power of one's U.S. dollar assets, during times of high inflation and currency debasement, and/or political- and financial-system upheaval. Please call (707) 763-5786, if you would like to discuss current circumstances, or otherwise.

Best wishes – John Williams

PENDING ECONOMIC RELEASES

Retail Sales—Nominal and Real (June 2018). The Census Bureau will release its “advance” estimate of June 2018 nominal (not-adjusted-for-inflation) Retail Sales on Monday, July 16th. Given the July 12th release of the June CPI-U, both nominal and real (adjusted-for-inflation) Retail Sales will be reviewed in *Commentary No. 961* planned for Thursday, July 19th. In the context of the annual Retail Sales benchmark revisions of May 25th (see [Commentary No. 952](#)), the first-quarter’s real quarterly contraction and tumbling year-to-year real growth survived. Given relatively strong headline numbers and revisions in the subsequent headline detail for the month of May 2018, watch out for a downside surprise with the June numbers, perhaps in the context of downside revisions to April and May activity, despite what appears to be a strong consensus expectations.

June 2018 Real Retail Sales monthly and annual growth rates will reflect the respective, headline nominal growth rates, before inflation adjustment, minus the respective June 2018 CPI-U seasonally-adjusted monthly and annual inflation rates of 0.13% and 2.80%

The liquidity-strapped U.S. consumer remains unable to sustain regular, broad growth in economic activity, including Retail Sales, real or nominal. Consumer liquidity issues have been intensified by the oil-price-driven rising inflation (see today’s *Opening Comments* and [Consumer Liquidity Watch - No. 2](#) or its soon-to-be-published update). Real personal consumption remains constrained by the lack of sustainable growth in real income and the lack of consumer ability and/or willingness to take on meaningful new debt to offset that lack of income growth.

Given intensifying liquidity pressures on the consumer, headline June Retail Sales is good bet to disappoint strongly positive, consensus expectations.

Industrial Production (June 2018). The Federal Reserve Board publishes its estimate of June 2018 Industrial Production on Tuesday, July 17th, with *ShadowStats* coverage in *Commentary No. 961* planned for Thursday, July 19th. *Headline June production activity should receive a meaningful, one-time boost, reflecting a reversal of May’s one-time hit to manufacturing from a supply disruption of parts needed for truck assemblies. That should help generate an overall headline gain for aggregate June Industrial Production and Manufacturing. Net of the one-time spike, the dominant Manufacturing Sector should remain weak, disappointing likely positive expectations.*

Oil production in the Mining Sector should continue as the major, regular positive contributing element to the full production series. Irregularly volatile Utility usage also could gain, again, tied to weather distortions.

The June 2018 detail remains in the context of the generally-downside annual series benchmark revisions of March 23rd, as detailed in [Commentary No. 942-B](#), and downside revisions, of benchmarking magnitudes, to the production series detailed in [No. 950](#). Downside benchmark revisions to New Orders for Durable Goods and downside reporting in May 2018 detail (see [Commentary No. 950](#) and [Commentary No. 951](#)) signaled continuing weakness in the regular orders-production-shipment-sales cycle.

New Residential Construction—Building Permits and Housing Starts (June 2018). The Census Bureau and the Department of Housing and Urban Development will release their June 2018 estimate of New Residential Construction, including Housing Starts and Building Permits, on Wednesday, July 18th, to be covered by ShadowStats in *Commentary No. 961* planned for Thursday, July 19th.

The May 16th benchmark revisions to the Housing Starts series were negligible and showed little improvement in terms of the usual lack of statistical significance in the initial headline reporting (monthly and annual changes rarely come close to exceeding 95% confidence intervals, see [Commentary No. 950](#)). The reporting here usually is unstable and irregularly volatile. Results could come in anywhere, irrespective of negative consensus expectations, which currently reflect the unstable series coming in higher than expected in May (see [Commentary No. 956](#)). Smoothed over six months, the series should continue to be flat, in relatively low-level, non-recovering stagnation.

The liquidity bind besetting consumers continues to constrain consumer activity, including in residential real estate. Headline investment in residential real estate showed an unusual, outright quarterly contraction in first quarter 2018 GDP (see [Commentary No. 957](#) and [Consumer Liquidity Watch - No. 2](#) or its soon-to-be-published update). Without sustainable growth in real income, and without the ability or willingness to take on meaningful new debt in order to make up for an income shortfall (see today's *Opening Comments*), the U.S. consumer remains unable to sustain positive growth in domestic personal consumption, including residential real estate sales and related demand for residential construction. That circumstance—in the last twelve-plus years of economic collapse and stagnation—has continued to prevent a normal recovery in broad U.S. economic activity.

LINKS TO PRIOR COMMENTARIES, SPECIAL REPORTS AND OTHER WRITINGS

Most Recent Watches:

The *Consumer Liquidity Watch* of June 29th: [Consumer Liquidity Watch - No. 2](#).

The *Hyperinflation Watch* of July 5th: [Hyperinflation Watch - No. 1](#).

The latest Watches always are available on www.ShadowStats.com and by link from the current *Commentary*, with updates advised by e-mail.

Prior Writings Underlying the Regular and Special Commentaries. Underlying the recent [Special Commentary No. 935](#) (*Part One*) and the pending *Special Commentaries (Part Two)* on Inflation, and (*Part III*) on the Federal Reserve and U.S. banking system, are [Commentary No. 899](#) and [General Commentary No. 894](#), along with general background from regular *Commentaries* throughout 2017.

These missives also are built upon writings of prior years, including [No. 777 Year-End Special Commentary](#) (December 2015), [No. 742 Special Commentary: A World Increasingly Out of Balance](#) (August 2015) and [No. 692 Special Commentary: 2015 - A World Out of Balance](#) (February 2015). In turn, they updated the long-standing hyperinflation and economic outlooks published in [2014 Hyperinflation Report—The End Game Begins – First Installment Revised](#) (April 2014) and [2014 Hyperinflation Report—Great Economic Tumble – Second Installment](#) (April 2014).

The two *Hyperinflation* installments remain the primary background material for the hyperinflation circumstance. Other references on underlying economic reality are the [Public Commentary on Inflation Measurement](#) and the [Public Commentary on Unemployment Measurement](#).

Recent Regular Commentaries. *[Listed here are Commentaries of the last several months or so, plus recent Special Commentaries and a sampling of others covering a variety of non-monthly issues, including annual benchmark revisions, dating back to the beginning of 2017. Please Note: Complete ShadowStats archives back to 2004 are found at www.ShadowStats.com (left-hand column of home page).]*

These regular *Commentaries* usually are published at least weekly, with *Consumer Liquidity* and *Hyperinflation Watches* updated about every two weeks, updating general economic, consumer-liquidity and financial-market circumstances as they develop.

[Commentary No. 959-B](#) (July 11th) provided extended detail on June 2018 Employment and Unemployment, the May 2018 Trade Deficit and updated economic outlook, along expanded discussion on issues affecting the credibility of the headline employment and unemployment data.

[Commentary No. 959-A](#) (July 6th) provided flash headlines and summary details of the June 2018 Employment and Unemployment and the May 2018 Trade Deficit, expanded upon in *Commentary No. 959-B* and headline coverage of June 2018 Conference Board Help Wanted OnLine[®] Advertising.

[Commentary No. 958](#) (July 3rd) covered May 2018 Construction Spending and the accompanying annual benchmarking to that series.

[Commentary No. 957](#) (July 1st) covered May 2018 New Orders for Durable Goods and the third estimate of First-Quarter 2018 Gross Domestic Product (GDP) and the coincident second estimates of Gross National Product (GNP) and Gross Domestic Income (GDI).

[Commentary No. 956](#) (June 27th) reviewed May 2018 Retail Sales, Industrial Production, New Residential Construction (Housing Starts and Building Permits), New- and Existing-Home Sales, along with detail on the May 2018 Cass Freight Index[™] and some potential twists to the pending July 27th Comprehensive Benchmark Revision to the GDP.

[Commentary No. 955](#) (June 18th) analyzed May 2018 inflation as reported with the May 2018 Consumer and Producer Price Indices (CPI and PPI), Real Average Weekly Earnings, along with the latest *Hyperinflation Watch* covering FOMC policy, the U.S. dollar and financial markets. Summary headline details also were provided for May Retail Sales, Industrial Production and the Cass Freight Index[™].

[Commentary No. 954](#) (June 8th) reviewed the comprehensive annual benchmark revisions to the Trade Deficit, in the context of recent benchmark revisions to other major economic series and implications for the pending GDP benchmark revisions. Such also covered the headline reporting of the April 2018 headline Trade Deficit detail and an updated Consumer Liquidity Watch.

[Commentary No. 953-B](#) (June 5th) analyzed the discrepancies between the record-low headline unemployment rate and near-record-high readings of labor-market stress, in the context of extended coverage the May 2018 Employment and Unemployment and April 2018 Construction Spending, previously headlined in *No. 953-A*.

[Commentary No. 953-A](#) (June 1st) provided flash headlines and summary details of the May 2018 Employment and Unemployment and April 2018 Construction Spending, expanded upon in the

supplemental coverage of *Commentary No. 953-B*. Current monetary conditions were reviewed, along with the initial estimate of annual growth in the May 2018 ShadowStats Ongoing Estimate of Money Supply M3.

[*Commentary No. 952*](#) (May 30th) reviewed the second estimate of First-Quarter 2018 GDP, initial estimates of first-quarter GNP and GDI, extended detail on the annual benchmarking of the Retail Sales series, and headline coverage of the May 2018 Conference Board Help Wanted OnLine[®] Advertising.

[*Commentary No. 951*](#) (May 25th) reviewed April 2018 New Orders of Durable Goods, in the context of the annual revisions (see prior *No. 950*), New- and Existing-Home Sales and brief coverage of the annual benchmarking of the Retail Sales series.

[*Commentary No. 950*](#) (May 20th) reviewed April Retail Sales, Industrial Production, New Residential Construction (Housing Starts, Building Permits and annual revisions), the Cass Freight Index[™] and annual benchmark revisions to Manufacturers' Shipments, including New Orders for Durable Goods.

[*Commentary No. 949*](#) (May 11th) reviewed inflation as reported with the April 2018 Consumer and Producer Price Indices (CPI and PPI), Real Average Weekly Earnings, along with the latest *Hyperinflation Watch* on the U.S. dollar and financial markets.

[*Commentary No. 948*](#) (May 9th) explored unusual circumstances with April 2018 Employment and Unemployment numbers, along with the April Conference Board Help Wanted OnLine[®] Advertising, April Monetary Conditions, the March Trade Deficit and Construction Spending, along with the reintroduction of Sentier Research's monthly Real Median Household Income to March 2018.

[*Commentary No. 947*](#) (April 27th) detailed the first estimate of First-Quarter 2018 GDP and the related Velocity of Money, March New Orders for Durable Goods, New- and Existing-Home Sales and the "advance" estimate of the March 2018 merchandise goods deficit.

[*Commentary No. 946*](#) (April 22nd) covered March 2018 Retail Sales, Industrial Production, New Residential Construction (Housing Starts and Building Permits), the Cass Freight Index[™] and a review of the current state of the GDP reporting and an outlook for first-quarter 2018 activity.

[*Commentary No. 945*](#) (April 11th) reviewed the March 2018 Consumer and Producer Prices Indices (CPI and PPI), Real Average Weekly Earnings, along with the latest *Hyperinflation Watch* on the U.S. dollar and financial markets.

[*Commentary No. 944*](#) (April 8th) covered March 2018 Employment and Unemployment, the March Conference Board Help Wanted OnLine[®] Advertising, March Monetary Conditions and the full February Trade Deficit and Construction Spending.

[*Commentary No. 943*](#) (March 29th) covered the third-estimate of, second-revision to Fourth-Quarter 2017 GDP and the only estimates to be made in current reporting of the GDI and GDP, as well as the "advance" estimate of the February merchandise trade deficit.

[*Commentary No. 942-B*](#) (March 27th) reviewed the Industrial Production annual benchmark revisions, general reporting-quality issues, February 2018 New Orders for Durable Good, New- and Existing-Home Sales and the Cass Freight Index[™].

[*Commentary No. 942-A*](#) (March 23rd) provided a very brief summary of the much more extensive details covered in *Commentary 942-B*.

[Commentary No. 941](#) (March 19th) covered February Industrial Production and New Construction Spending (Housing Starts and Building Permits), along with a general discussion in the *Opening Comments* on economic conditions and a preview of the Industrial Production benchmark revisions.

[Commentary No. 940](#) (March 15th) covered February 2018 Retail Sales, CPI, PPI and related Real Average Weekly Earnings, real Annual Growth in M3 and updated financial market prospects.

[Commentary No. 939](#) (March 9th) covered the February 2018 Employment and Unemployment details, the full reporting of the January 2018 Trade Deficit, February Conference Board Help Wanted OnLine[®] Advertising and February Monetary Conditions.

[Commentary No. 938](#) (March 1st) reviewed January 2018 Construction Spending and the second estimate of Fourth-Quarter 2017 GDP.

[Commentary No. 937](#) (February 27th) covered January 2018, New Orders for Durable, New- and Existing-Home Sales, the “advance” estimate of the January 2018 Merchandise Trade Deficit and the Cass Freight Index[™].

[Commentary No. 936](#) (February 19th) covered the January 2018 CPI and PPI, Retail Sales, Industrial Production and New Residential Construction (Housing Starts and Building Permits).

[Special Commentary No. 935](#) (February 12th) was the first part of a three part-series reviewing economic and financial conditions of 2017 and the year-ahead, inflation and the U.S. government’s balance sheet and conditions in the U.S. banking system and Federal Reserve options.

[Commentary No. 934-B](#) (February 6, 2018) provided extended coverage on the January 2018 Employment and Unemployment details, the 2017 benchmark revisions to Payroll Employment and the January annual recasting of population, along with coverage of the December 2017 Trade Deficit.

[Commentary No. 934-A](#) (February 2, 2018) provided initial detail on the January 2018 Employment and Unemployment details and the 2017 benchmark revisions to Payroll Employment, along with coverage of January Conference Board Help Wanted OnLine[®] Advertising, January Monetary Conditions and December 2017 Construction Spending.

[Commentary No. 933](#) (January 26, 2018) covered December New Orders for Durable Goods, the Cass Freight Index[™] and the first estimate of Fourth-Quarter 2017 GDP.

[Commentary No. 932](#) (January 18, 2018) covered December Industrial Production and New Residential Construction (Housing Starts and Building Permits).

[Commentary No. 931](#) (January 15, 2018) reviewed December 2017 Retail Sales and the CPI and PPI, along with an update on the U.S. dollar, the financial markets and gold graphs.

[Commentary No. 930-B](#) (January 8th) expanded upon the December 2017 Employment and Unemployment numbers and Household Survey benchmarking, Conference Board Help Wanted OnLine[®] Advertising, December Monetary Conditions and the November 2017 Trade Deficit and Construction Spending, otherwise headlined in *No. 930-A*.

[Advance Commentary No. 930-A](#) (January 5, 2018) provided a brief summary and/or comments (all expanded in *Commentary No. 930-B*) on December 2017 Employment and Unemployment numbers, Household Survey benchmarking, Conference Board Help Wanted OnLine[®] Advertising, December Monetary Conditions and the November 2017 Trade Deficit and Construction Spending.

[General Commentary No. 929](#) (December 28, 2017) reviewed current economic and market conditions at year-end 2017.

[Commentary No. 926](#) (December 15, 2017) reviewed the headline November 2017 numbers for Retail Sales (both real and nominal), and Industrial Production, along a discussion on the dampening economic impact of business and consumer “uncertainty.”

[Commentary No. 909](#) (September 14, 2017) assessed the annual release of 2016 Real Median Household Income, along with a review of August Consumer Price Index (CPI) and the Producer Price Index (PPI) and an updated *Alert* on the financial markets.

[Special Commentary No. 904](#) (August 14, 2017) issued an “Alert” on the financial markets (including U.S. equities, the U.S. dollar gold and silver, as well as FOMC policy), in the context of historical activity and unfolding circumstances of deteriorating economic and political conditions. Separately, headline details were reviewed for the July Consumer Price Index (CPI) and the Producer Price Index (PPI).

[Commentary No. 902-B](#) (July 31, 2017) reviewed the 2017 annual benchmark revisions of GDP and related series, along with the “advance” estimate of second-quarter 2017 GDP.

[Commentary No. 900](#) (July 19, 2017) reviewed June 2017 New Residential Investment (Housing Starts and Building Permits), and previewed the upcoming annual GDP benchmark revisions and the coincident “advance” estimate of second-quarter 2017 GDP.

[Commentary No. 897](#) (July 6, 2017) reviewed the headline May 2017 Construction Spending and the annual revisions to same, along the May Trade Deficit, and June The Conference Board Help Wanted OnLine[®] Advertising and the May Cass Freight Index[™].

[General Commentary No. 894](#) (June 23, 2017) reviewed unfolding economic, financial and political circumstances in the context of market expectations shifting towards an “unexpected” headline downturn in broad economic activity, along with headline details on May 2017 Real Median Household Income (Sentier Research) and New- and Existing-Home Sales.

[Commentary No. 890](#) (June 5, 2017) covered the negative-downside annual benchmark revisions to the trade deficit, the May 2017 estimates of labor conditions, ShadowStats Ongoing Money Supply M3, The Conference Board Help Wanted OnLine[®] Advertising and April 2017 estimates of the Cass Freight Index[™], and the monthly trade deficit and construction spending.

[Special Commentary No. 888](#) (May 22, 2017) discussed evolving political circumstances that could impact the markets and the economy, reviewed the annual benchmark revisions to Manufacturers’ Shipments and New Orders for Durable Goods and updated Consumer Liquidity Conditions.

[Commentary No. 887](#) (May 18, 2017) reported on the April 2017 detail for Industrial Production and Residential Construction (Housing Starts), with some particular attention to historic, protracted periods of economic non-expansion, of which the current non-recovery is the most severe.

[Special Commentary No. 885](#), entitled *Numbers Games that Statistical Bureaus, Central Banks and Politicians Play*, (May 8, 2017) reviewed the unusual nature of the headline reporting of the April 2017 employment and unemployment details.

[Commentary No. 882](#) (April 27, 2017) summarized the annual benchmark revisions to Retail Sales and reviewed the March 2017 releases of New Orders for Durable Goods and New- and Existing-Home Sales.

[*Commentary No. 877*](#) (April 2, 2017) outlined the nature of the downside annual benchmark revisions to industrial production, along with implications for pending annual revisions to Retail Sales, Durable Goods Orders and the GDP.

[*Commentary No. 876*](#) (March 30, 2017) current headline economic activity in the context of formal definitions of the business cycle (no other major series come close to the booming GDP, which is covered in its third revision to fourth-quarter activity). Also the February 2017 SentierResearch reading on real median household income was highlighted.

[*Commentary No. 875*](#) (March 24, 2017) assessed and clarified formal definitions of the U.S. business cycle, which were expanded upon significantly, subsequently, in *No. 876*. It also provided the standard review of the headline February 2017 New Orders for Durable Goods, New- and Existing-Home Sales and the Cass Freight Index™.

[*General Commentary No. 867*](#) (February 24, 2017) assessed mixed signals for a second bottoming of the economic collapse into 2009, which otherwise never recovered its level of pre-recession activity. Such was in the context of contracting and faltering industrial production that now rivals the economic collapse in the Great Depression as to duration. Also covered were the prior January 2017 New- and Existing Home Sales.

[*Commentary No. 864*](#) (February 8, 2017) analyzed January 2017 Employment and Unemployment detail, including benchmark and population revisions, and estimates of December Construction Spending, Household Income, along with the prior update to Consumer Liquidity.

[*Commentary No. 861*](#) (January 13, 2017) covered the December 2016 nominal Retail Sales, the PPI, with a brief look at some summary GAAP reporting on the U.S. government's fiscal 2016 operations.

[*No. 859 Special Commentary*](#) (January 8, 2017) reviewed and previewed economic, financial and systemic developments of the year passed and the post-election year ahead.
