

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

COMMENTARY NUMBER 982

**Stock Market, December 2018 Employment and Unemployment, Monetary Conditions**

**January 7, 2019**

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**One Cannot Fool Main Street, U.S.A., With Media Hype;  
Average Person Has a Stable, Solid Opinion as to How He or She Is Doing**

**Federal Reserve Has Not Eased Its Tightening Policies, and the  
Economy Continues to Turn to the Downside, Sinking Anew**

**Benchmarked Headline December 2018 U.3 Unemployment Jumped by 0.2%,  
Now Rising Since September 2018, with the Benchmark  
Broader U.6 and ShadowStats Unemployment Measures Uptrending**

**Intense Labor-Market Stress in December Remained Consistent with  
Headline Unemployment Near a Record High, Not off a Record Low**

**An Effective Reporting Fraud by the Bureau of Labor Statistics,  
December Payrolls Jumped 312,000, Up by 370,000 Net of November Revisions,  
Boosted by Inconsistently Published Seasonal-Adjustment Revisions**

**FOMC-Driven Consumer Slowdown Signaled Onset of a New Recession, as the  
December 2018 Nominal Monetary Base Dropped to a Sixty-Six Month Low**

**Effects of Ongoing Federal Reserve Tightening Increasingly Have Pummeled  
Real Retail Sales, Production and Construction Activity**

**Government Shutdown Has Squelched Negative Economic News from  
Trade Deficits, Retail and Auto Sales, Construction and Real Estate Activity and  
Likely, Also, as to a Weakening Fourth-Quarter 2018 GDP**

**Stock-Market Sell-Off Is Far from Finished**

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**PLEASE NOTE:** Developments in the increasingly unstable financial markets are updated here in *Commentary No. 982*, with the pending *2018 Review and 2019 Preview* moved to a re-designated *Special Commentary No. 983* (previously 982), currently targeted for Monday, January 14th. Noted in the *Pending Releases of the Week, Month and Year Ahead* section, most government economic reporting has been suspended/delayed by the partial government shutdown, yet reporting of December 2018 CPI detail appears set for release, as scheduled, on Friday, January 11th, with headline details posted to the *Daily Update* section on the *ShadowStats* home page, and a full review in a subsequent *Commentary*.

***Hyperinflation and Consumer-Liquidity Watches.*** *Special Editions* for both *Watches* are available: [Hyperinflation Watch No. 4](#) (HW-4) of December 11th, and [Consumer Liquidity Watch No. 5](#) (CLW-5) of November 21st. Both *Watches* will be updated in mid-January, subsequent to *No. 983*, reflecting at least new private and Federal Reserve reporting, which are not affected by the partial government shutdown. Elements of HW-4 are updated in today's *Monetary Circumstance* section of the *Reporting Detail*.

***Daily Update Coverage.*** Summary *ShadowStats* insights and highlights of just-released economic data are posted in real time in the *Daily Update* section of the [www.ShadowStats.com](http://www.ShadowStats.com) home page, usually within two hours of the issuing agency's data release. The tentative *ShadowStats* Publication Schedule, Schedule Revisions and Notes to Subscribers, also are updated regularly in that *Daily Update* column.

Your comments and suggestions always are invited.

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**Today's (January 7th) *Opening Comments*** reviews extraordinary actions taken within the U.S. Treasury, Bureau of Labor Statistics and Wall Street press offices and among some major players in the popular U.S. media to stabilize and prop the domestic stock market, and to shift public sentiment towards a more-optimistic economic outlook.

The ***Reporting Detail*** reviews December 2018 Payroll Employment and the Household Survey of Employed and Unemployed and related annual benchmark revisions to the latter series, along with December 2018 Monetary Conditions.

The ***Week, Month and Year Ahead*** provides background on recent *Commentaries* and reviews pending and government-shutdown delayed economic releases.

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*Commentary No. 982* contents and features are indexed and linked on following page.

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## **OPENING COMMENTS**

### **Rigged Markets and Numbers**

#### **FOMC and Plunge-Protection Team versus Real World Circumstances**

#### **Happy Headline December Jobs Growth Was Just a Gimmick**

#### **Economy Falters as Headline Unemployment Rises Anew**

#### **Although Jawboning to Boost Stock Prices, FOMC Policy Has Not Been Altered**

#### **Monetary Base Plunged to a 5-½ Year Low in December 2018**

#### **Tightening Consumer Liquidity Already Has Triggered a New Recession**

**“Top Trump official calls bankers, will convene ‘Plunge Protection Team,’”** ran the [Reuters](#) headline on December 23rd. As had been announced late-day December 21st, the Friday before Christmas, U.S. Treasury Steven Mnuchin called the “Plunge Protection Team” (PPT) banks on Sunday, December 23rd. The Treasury Secretary received criticism on December 24th, as the stock market plummeted, with the Dow Jones Industrial Average closing down by 653 points. The unanswered question in the popularly followed headlines had been why was the Treasury Secretary checking on the liquidity of the major banks? Was there a problem in the banking system?

The Treasury Secretary’s actions were part of the process of calling a meeting of the PPT (formally known as the President’s Working Group on the Financial Markets), and the results of that meeting most assuredly were the proximal trigger of the 1,084-point rally in the Dow Jones Industrial Average on December 26th, and likely much of subsequent stabilizing stock-market rallies, to date. The banks that Secretary Mnuchin called were among those who would intervene in the stock market in order to prop or to rally stock prices on behalf of the PPT.

Following the 1987 Stock Market Crash, the PPT was created in order to stabilize disorderly financial markets. Chaired by the Treasury Secretary, the “Working Group” also includes the Chairman of the Board of Governors of the Federal Reserve System and his counterparts on the Securities and Exchange and the Commodity Futures Trading Commissions.

***Coordinated Fed Comments and Rigged Happy Headlines.*** Working-Group member Fed Chairman Jerome Powell’s carefully prepared and orchestrated comments of Friday, January 4th, were combined and coordinated with heavily rigged, “positive” payroll employment numbers and related heavily orchestrated Wall Street and national press hype, plus the support of the PPT banks, as needed, in an effort to shift public sentiment to the upside. The result was a 745-point boost in the DJIA, for the day. This was despite Chairman Powell’s comments having added nothing new, of substance, to his prior statements. This also was despite the more-stable headline December Labor Details turning sharply negative. The chances of those headline “happy” factors coming together randomly, rather than by design, were nil.

Orchestrated support in the popular press followed. Such traditionally positive reaction has been supported over time by heavy advertising dollars spent by Wall Street, and by the positive spin provided by Wall Street press agents and economists, who tend to have a market-friendly bias. Consider these Saturday, January 5th comments from the *New York Times* front-page coverage of the December labor details in *Fed’s Approach And Jobs Data Excite Wall St* (by Natalie Kitroff):

“It’s an unequivocally phenomenal report all the way around,” said Ellen Zentner, chief United States economist at Morgan Stanley. “Anyone that finds something negative in this report is simply cherry picking.”

Economists offered raves that could appear on a movie poster or a book jacket – “Extraordinary!” “Blowout,” “Wow!” The figures, they said, offer a resounding response to the question of whether a recession is imminent: “Never mind!” said David Berson, chief economist at Nationwide. “The fears of the economy tipping into a recession now have clearly been overstated.”

My assessment of the December 2018 jobs report varies from what appears to be a happy, positive consensus among a number of prominent economists. It is reviewed in the later discussion in the *Reporting Detail* and *Supplemental Labor-Detail*, as well as in the context of comments published here before, for example, from [Commentary No. 308](#) of July 9, 2010:

***Wall Street Shills.*** Further complicating the outlook is a more traditional issue: pronouncements by some economists on Wall Street and financial reporters in the popular media, who act as shills for the needs of Wall Street and political Washington. While there are a number of fine and honest economists and financial reporters in their respective fields, there also are those—often very heavily publicized—who spew Pollyannaish nonsense aimed at affecting public sentiment and/or the financial markets during troubled economic times.

Let me recount two personal experiences. Back in late-1989, I contended that the U.S. economy was in or headed into a deep recession.[\*] CNBC had me in to discuss my views along with a senior economist for a large New York bank [providing a counterpoint], who was looking for continued economic growth. Before the show, the bank economist and I shared our views in the Green Room. I outlined my case for a major recession, and, to my shock, his response was, “I think that pretty much is the consensus.”

We got on the air, I gave my recession pitch, and he proclaimed a booming economy for the year ahead. He was a good economist and knew what was happening, but he had to put out the story mandated by his employer, or he would not have had a job.

More recently, following an interview on a major cable news network (not CNBC), I was advised off-air by the producer that they were operating under a corporate mandate to give the economic news a positive spin, irrespective of how bad it was.

[\*The 1990 recession formally was timed from July 1990. My forecast was based particularly on negative real year-to-year change in Money Supply M3, a factor reflected in the current circumstance, as discussed in [Hyperinflation Watch No. 4](#) and the related *Graph HW-6* there.]

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**[Reporting Detail Begins on the Next Page.]**



## REPORTING DETAIL

### EMPLOYMENT AND UNEMPLOYMENT (December 2018)

#### **U.3, Broader U.6 and ShadowStats Unemployment All Are Uptrending**

#### **Employment-Market Stresses Signal Higher, Not Lower, Unemployment**

#### **Headline December Payroll Boost Reflected Distorted Seasonal Adjustments**

**Benchmarked Unemployment Rates Hit Six-Month Highs in December, While “Booming” December Payrolls Were Not Quite as Advertised.** Unadjusted October and November payroll numbers revised negligibly higher, while the seasonally adjusted data revised sharply higher and surged further in December. The not credible headline December jobs gain of 312,000 was a nonsensical 370,000, net of prior-period revisions.

The booming jobs and upside revisions in October to December payrolls appear to have resulted from revised seasonal adjustments that had the effect of shifting jobs into the present, borrowing employment from previous reporting. In an effective reporting fraud, although the practice is acknowledged openly by the Bureau of Labor Statistics (BLS), the earlier revisions do not get reported until next month’s annual benchmark revisions to the Payroll Survey and could be masked otherwise, then. The gimmicked payrolls could have been aimed at distracting the markets from an unexpected 0.2% jump in the December 2018 unemployment rate. The gimmicked payroll numbers are reviewed later, with full discussion of the issues in the *Supplemental Labor-Detail Background – Section I* on page 24.

The December 2018 U.3 Unemployment rate rose unexpectedly to a six-month high of 3.9%, (3.86%) from its series low of 3.7% (3.70%) in November, in the context of annual benchmark revisions to the Household Survey (unemployment, employment, etc.). Despite a monthly decline in marginally attached workers (including discouraged workers) and those working part-time for economic reasons, because they



could not find full-time employment, the benchmarked broader U.6 unemployment rate held at a six-month high of 7.59%, up from a revised 7.58% (previously 7.57%) in November.

The ShadowStats Alternate Unemployment rate, which counts the long-term displaced and discouraged workers not accounted for by the government (discouraged workers disappear from the rolls after one year), held at a six-month high of 21.4% in December, unchanged from an upwardly revised 21.4% [previously 21.3%] in November.

At the same time, Employment Stress measures, such the Employment-Population Ratio and the Labor Force Participation Rate, were little changed, holding at levels still seen most commonly with the narrow U.3 unemployment rate at a record high, not at or just off a record low.

***Underlying Reality.*** Given standard reporting accuracy, underlying reality would suggest that the headline gain of 312, 000 monthly payroll jobs in December likely was closer to 100,000 plus-or-minus, given upside biases added into the series (see *Supplemental Labor Detail-Section II*, covering Birth-Death Modeling, beginning on page 28). In the context of the *ShadowStats-Alternate Unemployment Rate Measure* discussion (in the *Supplemental Labor Detail-Section III*, page 30), headline December 2018 unemployment rising to 3.9% for the U.3 rate, likely was much closer to 21.4%, accounting for all discouraged and displaced workers as defined prior to the 1994 overhaul to the series. Such would be as viewed from the perspective of common experience. Extended assessment of labor-reporting distortions, again, is found separately in [No. 885](#) and in the *Supplemental Labor Detail-Section III*, accounting for displaced workers, which begins on page 30.

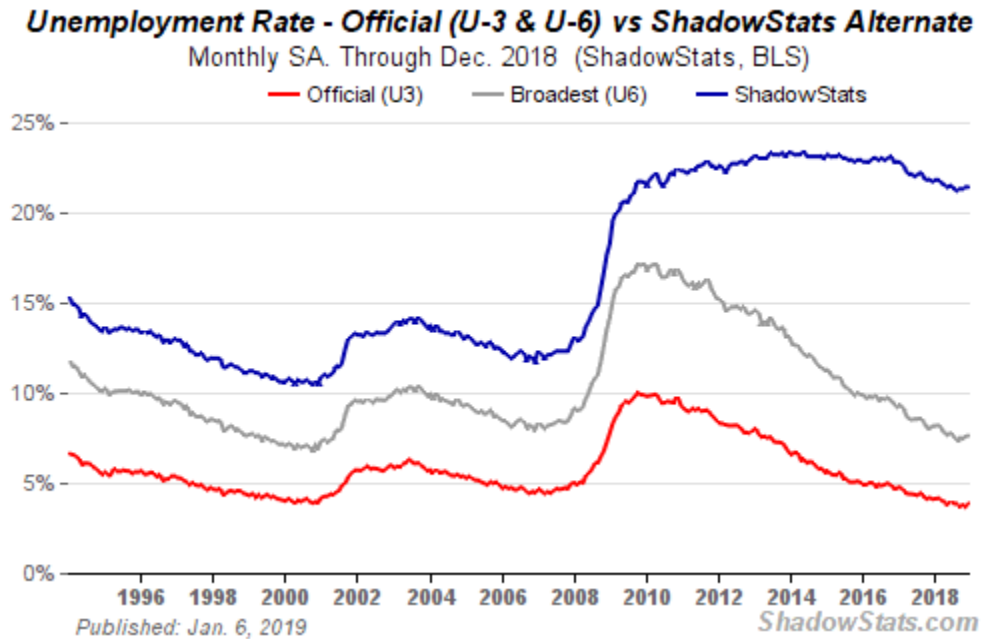
**Household Survey: Counting All Discouraged and Displaced Workers on Top of U.3 Jumping to 3.9%, and U.6 Holding at 7.6%, the December 2018 ShadowStats Unemployment Held at 21.4%.**

The month-to-month changes in the various benchmarked, seasonally-adjusted December 2018 unemployment rates tended to be uptrending with the seasonally adjusted U.3, U.6 and ShadowStats measures each at a six-month-high (see *Graph 1*), respectively of 3.9% (3.86%), 7.6% (7.59%) and 21.4%. ShadowStats only publishes its estimated number at the first decimal point.

***The “Low” U.3 Unemployment in November Reflected Shifts of “Unemployed” to the Broader U.6 and ShadowStats Measures.*** The various adjusted unemployment rates shifted in November, but with increasing marginally attached workers, and those working part-time for economic reasons relieving U.3 of a statistical burden. The drop in the headline U.3 at the second decimal point reflected deteriorating labor conditions, with the broader unemployment conditions in U.6 relieving the U.3 number of some negative pressures. In December, U.3 jumped higher in some catch up, while both U.6 and the ShadowStats numbers retained their near-term peaks of the month before.

That said, only one of the unemployment rates plotted in *Graph 1* comes close to explaining the current employment circumstance versus continuing high levels of stress in the labor market, and that remains the ShadowStats-Alternate Unemployment measure, which goes beyond U.3 to pick up the previously defined (pre-1994 series) long-term discouraged and displaced workers, who otherwise drop off the current unemployment rolls after completing one full year of being “discouraged.”

**Graph 1: Comparative Unemployment Rates U.3, U.6 and ShadowStats**



In the context of the annual benchmarking, December 2018 U.3 rose to a six-month high, off its 3.69% near-historic low in September. December U.6 held at 7.59% off its near-term low of 7.36% in August

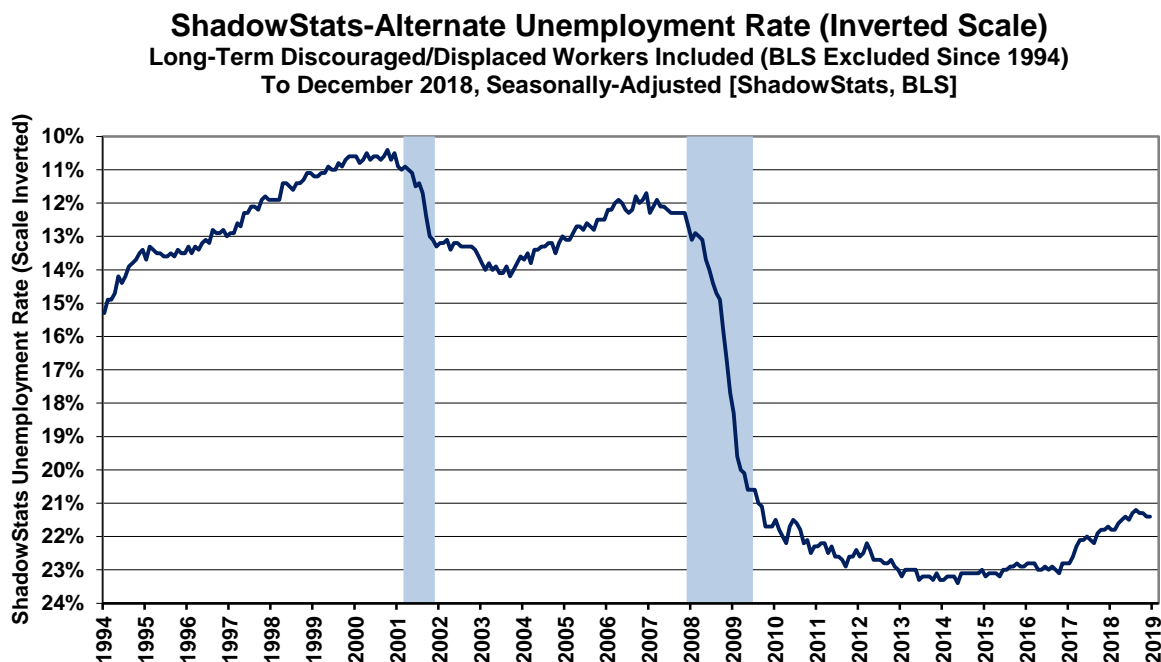
Reconciling low unemployment with coincident high levels of labor-market stress is reviewed in *Supplemental Labor Detail-Section IV*, beginning on page 34. Meaningful discrepancies between the record-low unemployment rate and extremes of near-record-high readings of labor-market stress broadly are tied to population distortions in the headline detail, which were removed from consideration in the 1994 overhaul of Household Survey series and redefinitions of headline unemployment reporting.

Those stress measures reflect the impact of long-term discouraged and displaced workers, no longer counted in the headline government numbers, but they still are included in the ShadowStats unemployment estimate. While the current headline U.3 unemployment generally would qualify as “full employment,” such remains unconfirmed by historically-low Employment-to-Population and Labor-Force-to-Employment (Participation) Ratios. Although both moved a little higher in December, they still held at levels more consistent with a headline unemployment rate of about 10.3% instead of the recent low of 3.7% (now 3.9%).

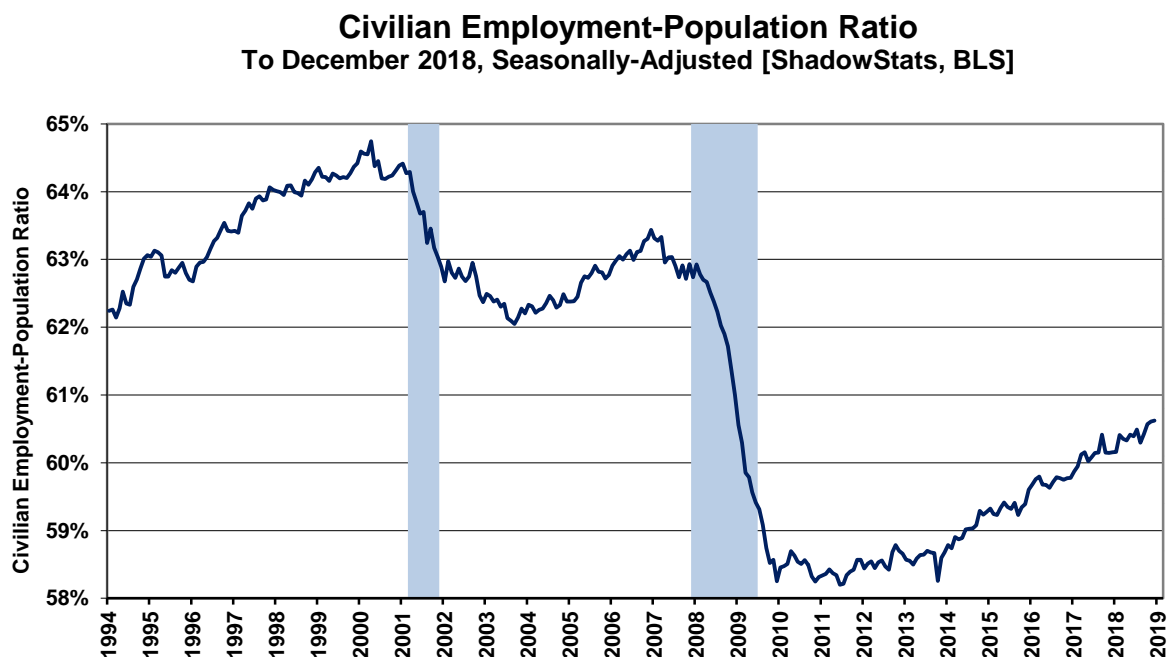
The difference is the unusually large number of discouraged and displaced workers in this business/employment cycle, not counted in the headline U.3, as well as a goodly number not included in U.6 (see definitions and detail in *Supplemental Labor Detail-Section IV* page 34, and [Commentary No. 953-B](#)).

**[Graphs 2 and 3 follow on the next page.]**

**Graph 2: Inverted-Scale — ShadowStats Alternate Unemployment Measure**  
(Same as Graph SLD-6 in the Supplemental Labor Detail)



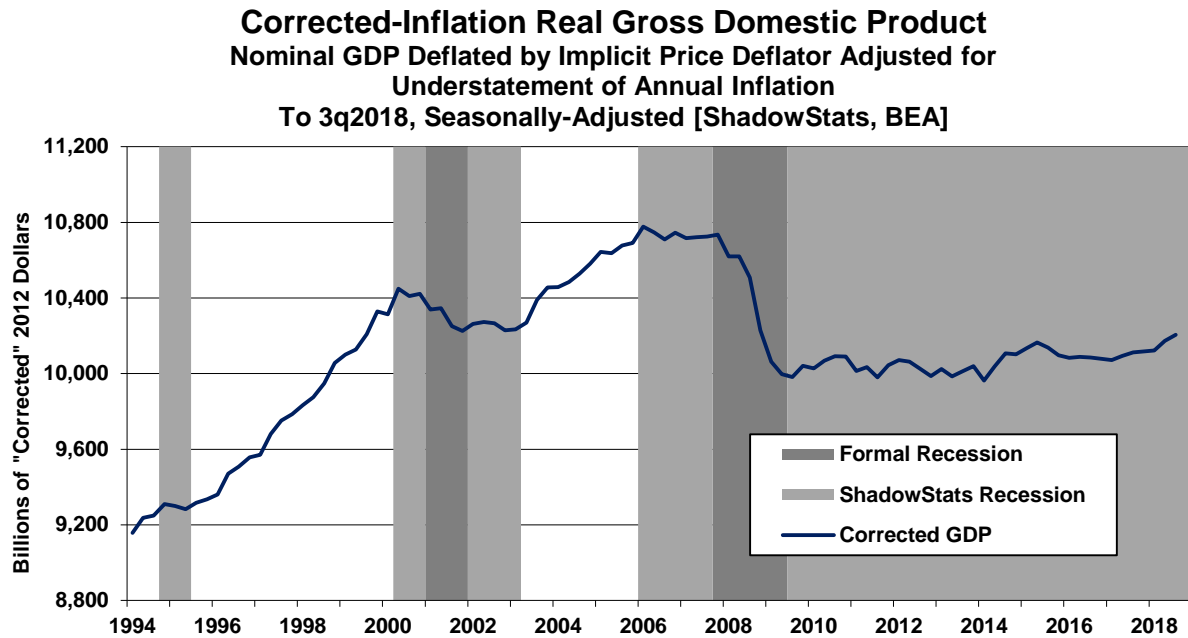
**Graph 3: Civilian Employment-to-Population Ratio**  
(Same as Graph SLD-3 in the Supplemental Labor Detail)



The inverted scale of the ShadowStats Alternate Unemployment Rate (*Graph 2*) is a surrogate for the magnitude of discouraged and displaced workers, who also are reflected in the *Graphs 3* and *SLD-3* of the

*Civilian Employment-to-Population Ratio and Graph SLD-4 of the Labor-Force Participation Rate, all in the Supplemental Labor Detail.*

**Graph 4: ShadowStats-Corrected Real GDP through 3q2018, "Final" Estimate**



**Other Major Indicators Do Not Show an Expanding—Let Alone Recovered—Economy.** Regularly plotted here are various graphs that mirror the patterns of *Graphs 2 and 3*, and *Graph SLD-4*, 1994-to-date where available. These graphs do not confirm the purported headline recoveries in either the headline GDP or headline employment and unemployment. That detail was examined in *Section II* of [Special Commentary No. 968-Extended](#), with plots of related economic series also updated in the *Opening Comments* of [Commentary No. 976](#), reviewing underlying economic reality. Those plots, however, covered 2000 to date, while the graphs here cover 1994-to-date, paralleling the history of the current Household Survey detail.

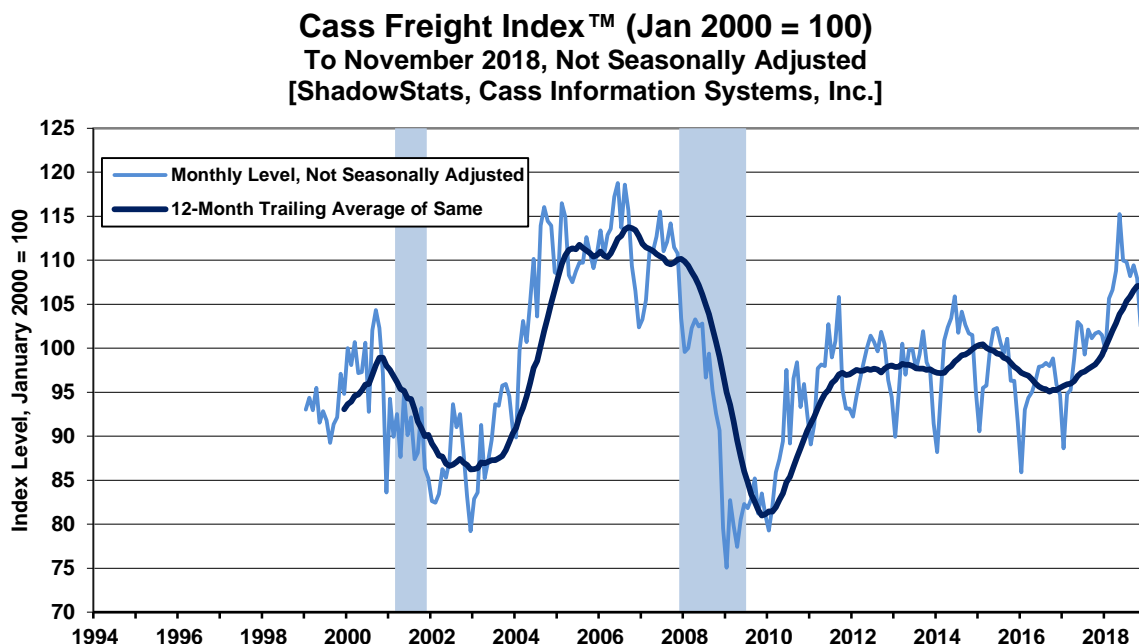
Consider *Graph 4*, which shows the ShadowStats version of that GDP, also plotted from 1994, but now through the December 21st “final” third-estimate of third-quarter 2018 GDP, where the plot has been corrected for the understatement of inflation used in deflating the headline GDP (estimated at about two-percentage points per year).

Other graphs range from the November 2018 Cass Freight Index (*Graph 5*) to October 2018 U.S. Petroleum Consumption (*Graph 6*), the November 2018 Consumer Goods Sector of U.S. Industrial Production (*Graph 7*), along with October Real Construction Spending (*Graph 8*) and November Housing Starts October (*Graph 9*). Where these series generally had been uptrending, they all show patterns of non-expansion. Economic “expansion” traditionally is defined as growth beyond the prior (pre-recession) peak in activity, with the latest details broadly turning lower. *Graphs 5, 7 and 9* were discussed in [Commentary No. 981](#).

These economic plots, as well as plots of the labor-market stress measures of the Employment-Population Ratio and Participation-Rate (see *Graphs SLD-3* and *SLD-4*) tend to support the pattern of unemployment change seen in the ShadowStats Alternate Unemployment Measure, as discussed in the *Supplemental*

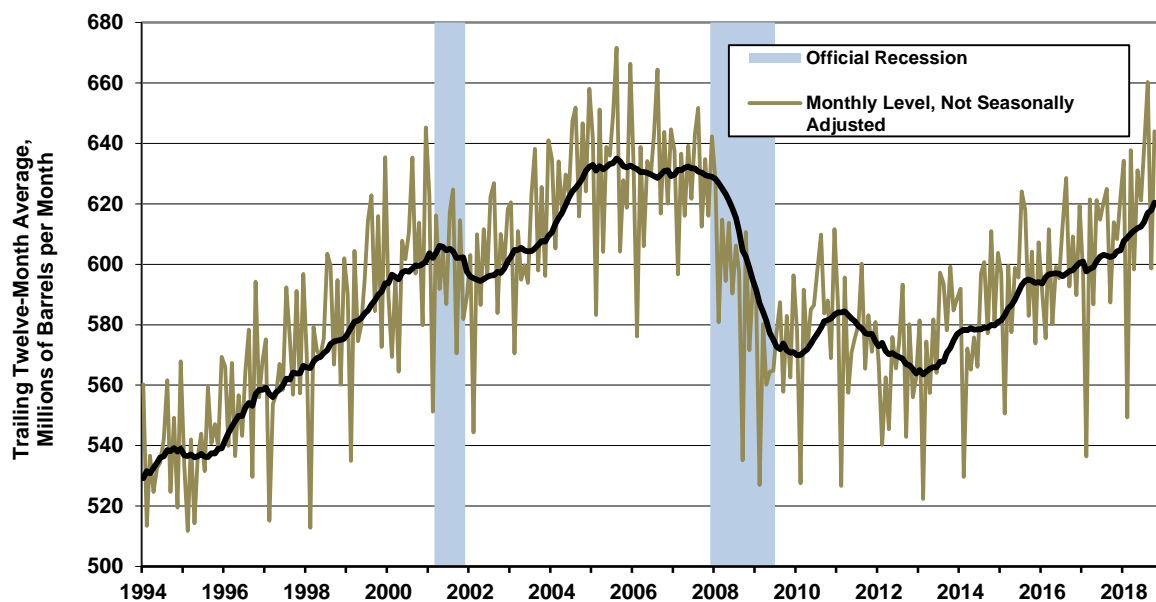
*Labor Detail (Section IV)* beginning on page 32 They also tend to support the ShadowStats Alternate GDP estimate (see *Section II* of [Special Commentary No. 968-Extended](#) and [Commentary No. 981](#)).

**Graph 5: Cass Freight Index for North America (1994 to November 2018), Indexed to January 2000 = 100**  
(See [Commentary No. 981](#))

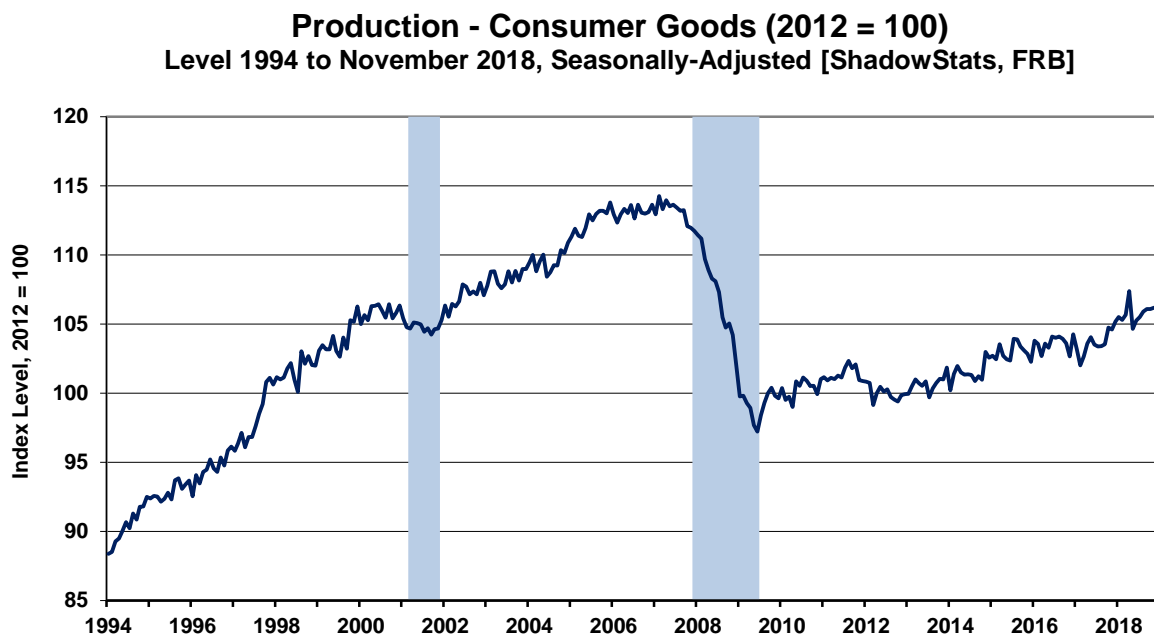


**Graph 6: U.S. Petroleum Consumption (1994 to October 2018)**

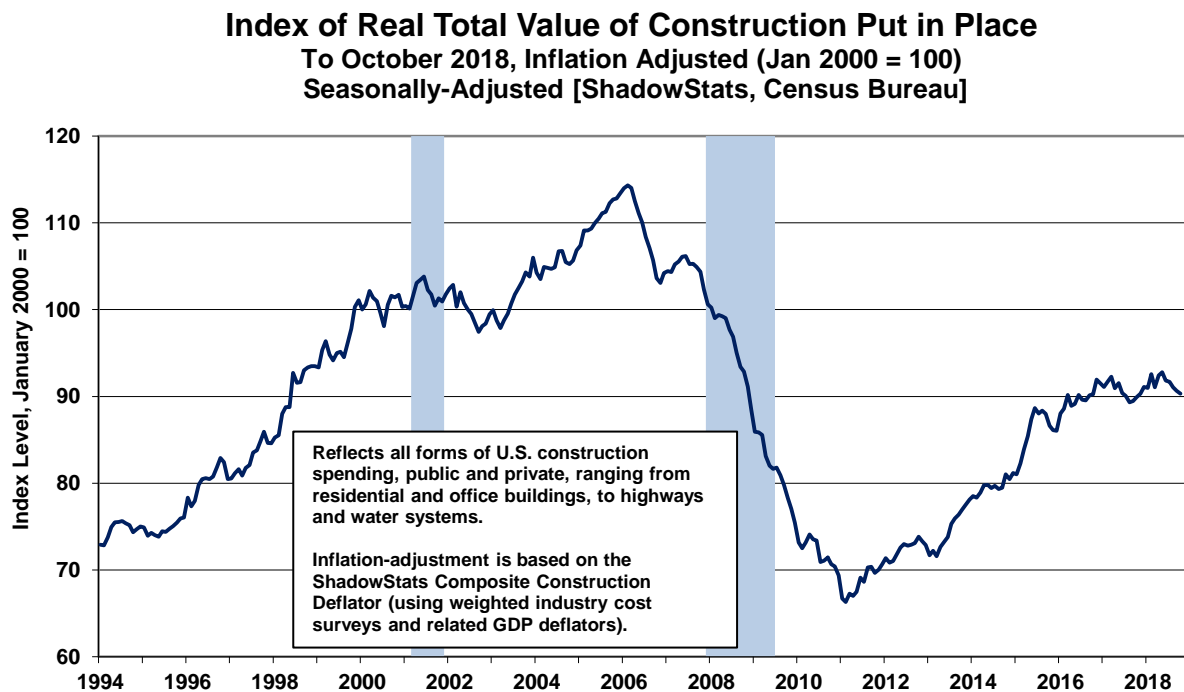
**U.S. Product Supplied of Crude Oil and Petroleum Product**  
Millions of Barrels per Month, Trailing Twelve-Month Average  
To October 2018, Not Seasonally Adjusted [ShadowStats, EIA]

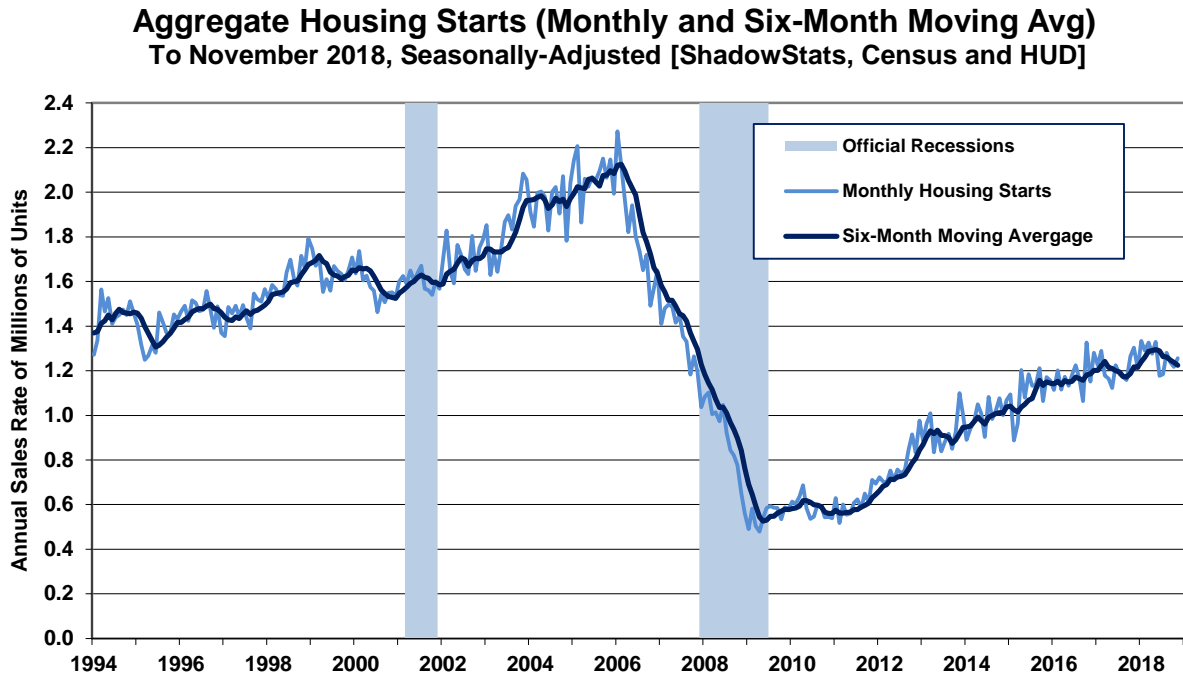


**Graph 7: Consumer Goods in Industrial Production (1994 to November 2018)**  
(See [Commentary No. 981](#))



**Graph 8: Real Construction Spending (1994 to October 2018)**  
(See [Commentary No. 978 – Part II](#))



**Graph 9: Housing Starts, Annual Rate by Month (1994 to November 2018)**

**Headline Unemployment Rates.** The headline December 2018 U.3 unemployment rate of 3.9% [3.86% at the second decimal point] was the highest U.3 unemployment since a revised 4.03% in June 2018. The headline December 2018 seasonally-adjusted unemployment rate and accompanying data were in the context of annual benchmarking and the once-per-year headline consistency in the seasonally adjusted monthly historical unemployment data (see the discussion in *Section I - Headline Distortions from Shifting Concurrent Seasonal-Adjustment Factors in SLD*, beginning on page 24). A full set of benchmark-revised U.3, U.6 and ShadowStats seasonally adjusted unemployment rates is found on the Alternate Data tab of the [www.ShadowStats.com](http://www.ShadowStats.com) homepage. The not seasonally adjusted data were unrevised.

That headline 3.86% U.3 followed an unrevised 3.7% (3.70%, previously 3.67% at the second decimal point) in November 2018. The prior 3.67% November 2018 estimate had set a new record low for the current series, at the second decimal point, since the series was redefined in 1994. The distinction of the lowest, seasonally adjusted unemployment rate in the current series now has shifted to 3.69% [previously 3.68%] in September 2018.

November's 3.70% U.3 eased from October's revised 3.8% (3.76%) [previously 3.7% (3.74%)], versus September's 3.7% (3.69%) [previously 3.7% (3.68%)] and against 3.8% (3.83%) [previously 3.9% (3.85%)] in August. Such followed a revised readings of 3.8% (3.85%) [previously 3.9% (3.87%)] in July, 4.0% (4.03%) [previously 4.0% (4.05%)] in June, 3.8% (3.79%) [previously 3.8% (3.75%)] in May, 3.9% (3.92%) [previously 3.9% (3.93%)] in April, 4.0% (4.03%) [previously 4.1% (4.07%)] in March, 4.1% (4.13%) [previously 4.1% (4.14%)] in February, and 4.1% (4.12%) [previously 4.1% (4.15%)] in January.



The month-to-month increase of 0.16% in the headline U.3 unemployment rate was not statistically-significant (+/- 0.23% at the 95% confidence interval). Where this is the once-per-year December benchmarking, the adjusted month-to-month unemployment rate levels and changes are comparable. Beginning next month, however, the monthly headline numbers shift back to being reported on an inconsistent, non-comparable basis (see the *Supplemental Labor-Detail Background – Section I*, beginning on page 24).

On an unadjusted basis, unemployment rates are not revised and, in theory, are consistent in post-1994 methodology. The unadjusted unemployment rate U.3 rose to 3.71% in December 2018, versus 3.47% in November, 3.55% in October, 3.56% in September, 3.93% in August, 4.11% in July, 4.17% in June, 3.56% in May, 3.68% in April, 4.13% in March, 4.39% in February and 4.49% in January.

***December’s 3.9% (3.86%) Was the Highest Headline Unemployment in Six Months.*** Discussed in [Commentary No. 953-A](#) and [Commentary No. 953-B](#), which reviewed the May 2018 then-historic-low U.3 rate, the 3.75% (revised to 3.79%) unemployment rate, and ignoring the headline beginning date in 1994 for the current unemployment series, such otherwise was the lowest headline unemployment rate since 3.5% in December 1969, during the Nixon Administration. That explains the recent “49-Year Low Unemployment” headlines in the popular press, which remains in play for any headline unemployment rate at the first decimal point of 3.7%, as seen in November 2018 detail. The headline 3.9% December U.3, however, no longer falls in that category.

***Broader Unemployment Measures Began to Spike in September.*** Unemployment rate U.6 is the broadest unemployment rate currently published by the BLS. It was introduced along with the 1994 series redefinitions, in which “discouraged workers” disappeared from the unemployment rolls after one year, irrespective of whether or not they still were “discouraged.” U.6 includes accounting for those marginally attached to the labor force (including short-term discouraged workers) and those who are employed part-time for economic reasons (*i.e.*, they cannot find a full-time job).

On top of the increase in the seasonally-adjusted December 2018 U.3 unemployment rate, the unadjusted monthly total count of marginally-attached workers (including discouraged workers, and the adjusted number of people working part-time for economic reasons declined, having jumped in November. Nonetheless, the adjusted December 2018 U.6 unemployment rate notched higher to 7.59%, versus a revised 7.58% [previously 7.57%], versus 7.45% [7.40%] in October, 7.47% [7.45%] in September, 7.36% [7.39%] in August, 7.53% [7.54%] in July, 7.77% [7.79%] in June, 7.66% [7.65% (rounded to 7.6%)] in May. May 2018 was down from a revised 7.76% [7.79%] in April, 7.91% [8.00%] in March, 8.20% [8.24%] in February and 8.16% [8.19%] in January.

The unadjusted U.6 unemployment rate was 7.51% in December 2018, versus an unrevised 7.23% in November 2018, versus 7.01% in October 2018, 7.12% in September, 7.43% in August, 7.43% in July, 8.07% in June, 7.31% in May, 7.40% in April, 8.10% in March, 8.60% in February and 8.85% in January.

Monthly counts in December 2018 showed a reduced level of 1.556 million marginally attached workers (never seasonally adjusted), which included 375,000 discouraged workers. In turn, November 2018 showed an increased level of 1.678 million marginally attached workers, which included 453,000 discouraged workers. October counts had shown a reduced level of 1.491 million marginally attached workers, which included an unusually sharp monthly jump of 32.1% in the count of discouraged workers

to 506,000. That was against a September level of 1.577 million marginally attached workers, of which 383,000 were discouraged workers.

That latest, official “discouraged” number, again, reflected the flow of the headline unemployed—giving up looking for work—leaving the headline U.3 unemployment category and being rolled into the U.6 measure as short-term “marginally-attached discouraged workers,” net of the further increase in the number of those moving from short-term discouraged-worker status into the netherworld of long-term discouraged-worker status. Those numbers are net of those who re-enter the labor force.

It is the displaced worker—the long-term discouraged-worker category—that defines the ShadowStats-Alternate Unemployment Measure. There is a continuing rollover from the short-term to the long-term category, with the ShadowStats measure encompassing U.6 and the short-term discouraged workers, plus the long-term discouraged workers. In 1994, “discouraged workers”—those who had given up looking for a job because there were no jobs to be had—were redefined so as to be counted only if they had been “discouraged” for less than a year. This time-qualification defined away a large number of long-term discouraged and displaced workers who otherwise would be building up as a meaningful portion of the U.S. labor population, in the event of a particularly severe or structural economic downturn, as was seen later in the post-2007 economic collapse. The remaining redefined short-term discouraged and redefined marginally-attached workers were included in U.6.

***ShadowStats Alternate Unemployment Estimate.*** Adding back into the total unemployed and labor force the ShadowStats estimate of effectively displaced long-term discouraged workers—a broad measure of unemployment more in line with common experience—the ShadowStats-Alternate Unemployment rate, on top of U.6, the December 2018 estimate held at 21.4%, versus an upwardly revised 21.4% [previously 21.3%] in November, shifted higher in rounding. That followed 21.3% [21.2%] in October, versus unrevised estimates of 21.3% in September, 21.2% in August, 21.3% in July, 21.5% in June, 21.4% in May, 21.5% in April, a revised 21.7% [21.6%] in March and an unrevised 21.8% in February and January. The ShadowStats estimate generally shows the toll of long-term unemployed leaving the headline labor force—effectively becoming long-term discouraged/displaced workers—discussed in the *Supplemental Labor-Detail Background – Sections III and IV* beginning on pages 30 and 32.

**December Payroll Jobs Gain of 312,000 was 370,000 Net of Revisions, Thanks to the Usual Seasonal-Adjustment Gimmicks; Annual Growth Spiked to 1.79% from 1.65%.** Discussed in the *Opening Comments* the stock market went euphoric on Friday, January 4th, with the a much-stronger-than-expected headline monthly gain reported for December payrolls, despite a sharp back-up increase in the headline unemployment rate. Yet the headline payroll gains clearly were overstated, where much of the upside revision was in the context of the jobs that already had been counted in earlier months, pre-October 2018, but those earlier jobs also remained in place in the still-posted, official headline detail. Where the jobs count can be borrowed from earlier months with shifting seasonals, the headline monthly release only reports revisions for the prior two months, back only to October 2018, at present.

Consider, again, that much of what was reported in the surging December payrolls was an effective reporting fraud, a canard, no more than massive prior-period revisions “recalculation of seasonal factors” that shifted growth from past months into the October 2018 to December 2018 timeframe, from previously reported numbers. The current headline detail was reported without showing the headline downside revisions to the earlier months, from which the growth was borrowed.

October and November 2018 unadjusted Payroll data revised minimally, with the unadjusted month-to-month payroll change revising higher by 3,000 jobs and 9,000 jobs, respectively. The seasonally adjusted revisions there should have been minimal as well, but their increase widened with revised, stronger seasonal adjustments, respectively to an added monthly gain of 21,000 and 37,000 seasonally adjusted jobs to October and November. On top of that, the adjusted December data added 312,000 jobs, a total new gain of 370,000 that came in with new unadjusted data and new seasonal adjustment revisions tied to the December 2018 payroll reporting. The December 2018 seasonals appeared somewhat stronger than would have been suggested by the regular seven-year cycle. Of interest will be next month's annual benchmarking of that series, which should provide some clarity as to what the headline detail really was, against the seasonal-adjustment gimmicks.

***Non-Comparable and Inconsistent Seasonally-Adjusted Monthly Changes.*** What happened with the payrolls was tied to the BLS's regular, inconsistent shifting of seasonally adjusted jobs between months in the Payroll Survey. Each month the raw data are seasonally adjusted, anew, back for five years. The problem and the various reporting distortions and gimmicks are detailed and reviewed in the *Supplemental Labor-Detail Background -Section I (SLD-I)*, along the BLS's description of its methodology, beginning on page 24.

Briefly, the monthly revisions to the last five years of headline seasonally adjusted data are posted only for the two months prior to the current headline detail. In the present circumstance, jobs clearly were re-seasonally-adjusted from months before October 2018, into the current period, giving the appearance of new, surging jobs growth that had been counted previously. The adjusted December 2018 Payroll Employment jobs detail standardly was stated on a consistent basis only with the November 2018 and October 2018, but not with the now-obsolete prior periods, again, from which some of the latest headline jobs growth had been shifted, borrowed or subtracted.

Discussed separately in *SLD-I*, the quality of month-to-month changes in the Household Survey generally is worse, where the published, headline seasonally-adjusted numbers are revised each month for the current month, but are not comparable with any other month, including the prior month, with one exception. In each December, the data are benchmarked on a consistent basis going back five years, as just happened, but, again, only for the Household Survey (unemployment, etc.). Come January 2019, all the headline numbers return to being inconsistent month-to-month.

***Other Survey Differences.*** While there are a number of other differences between the Payroll and Household Surveys, such as the Payroll count excluding, and the Household count including Agriculture, the headline, seasonally-adjusted Payroll gain of 312,000 in December 2018 was against a seasonally-adjusted Household Survey gain of 142,000 employed and an increase of 276,000 unemployed.

***Headline Payroll Detail.*** The headline December 2018 payroll gain of 312,000 formally was statistically-significant as to being greater than zero +/- 135,000 (although that 95% confidence interval more appropriately should be closer to the range of +/- 300,000, where all confidence intervals used here are at the 95% level). That followed revised monthly gains of 176,000 [previously 155,000] in November, 274,000 [previously 237,000, initially 250,000] in October and an unrevised 119,000 in September (see *Graphs 10 and 11*).

Year-to-year growth in not seasonally adjusted December 2018 payroll employment jumped to 1.79%, from an unrevised 1.65% increase in November 2018, versus a revised 1.73% [previously 1.72%] in

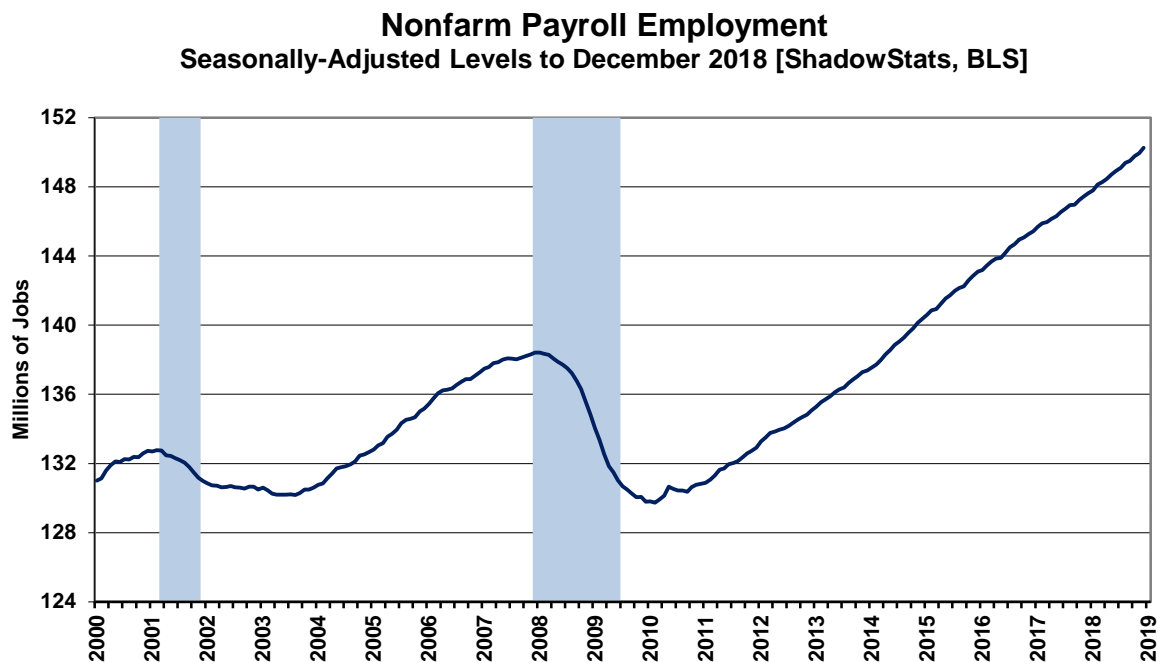
October 2018, and unrevised increases of 1.74% in September 2018, 1.77% August 2018, 1.65% in July 2018, 1.67% in June 2018, 1.64% in May 2018, 1.55% in April 2018, 1.59% in March 2018, 1.56% in February 2018 and 1.42% in unadjusted January 2018 payrolls. The January 2018 annual gain was the weakest standard level of annual growth since coming out of the headline 2007 recession in August 2011, other than for a benchmark-revised, hurricane-induced trough of 1.38% in September 2017 (see *Graphs 12 and 13*).

Contrary to claims by economists at the San Francisco Fed, such low-level annual growth rates are far from being healthy or normal. They are seen either coming out of recession, or going into recession, but rarely seen consistently in the regular variability of ongoing, sustainable, normal economic activity, as discussed in [Commentary No. 843](#). Current levels of annual growth in unadjusted payrolls likely remain near the downside threshold of heading into recession.

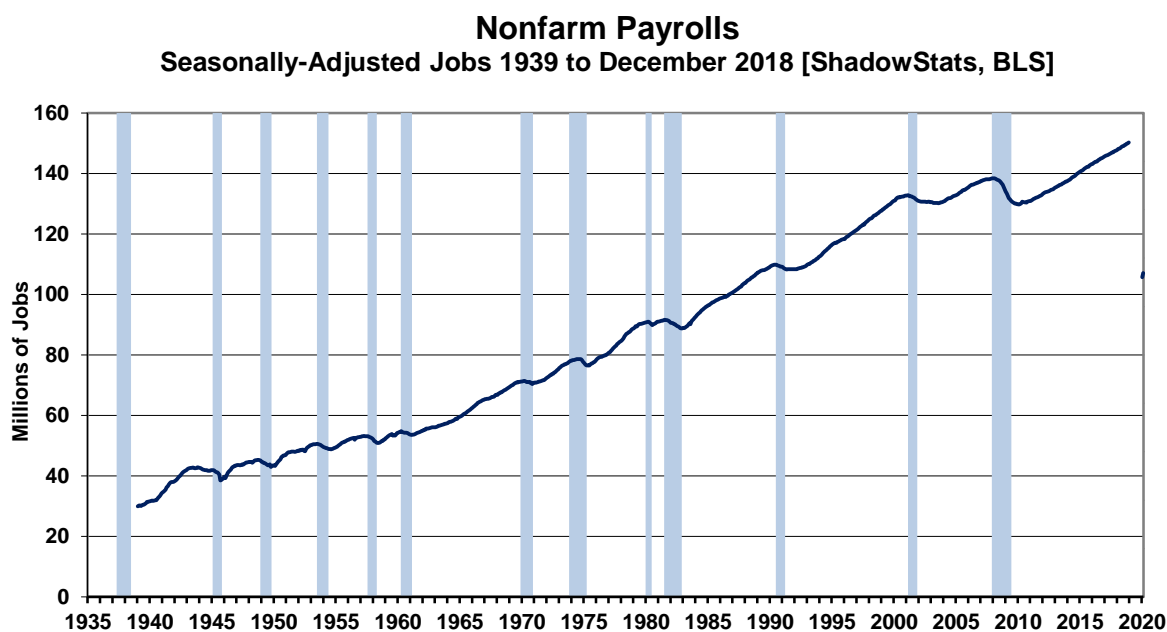
*Graphs 10 to 13* show the headline payroll series, level and annual change, both on a shorter-term basis, since 2000, and on a longer-term historical basis, from the onset of the series in 1939. In perspective, the longer-term graph of the headline payroll-employment levels shows the extreme duration of what had been the official non-recovery in payrolls, the worst such circumstance of the post-Great Depression era.

**[Graphs 10 to 15 begin on the next page.]**

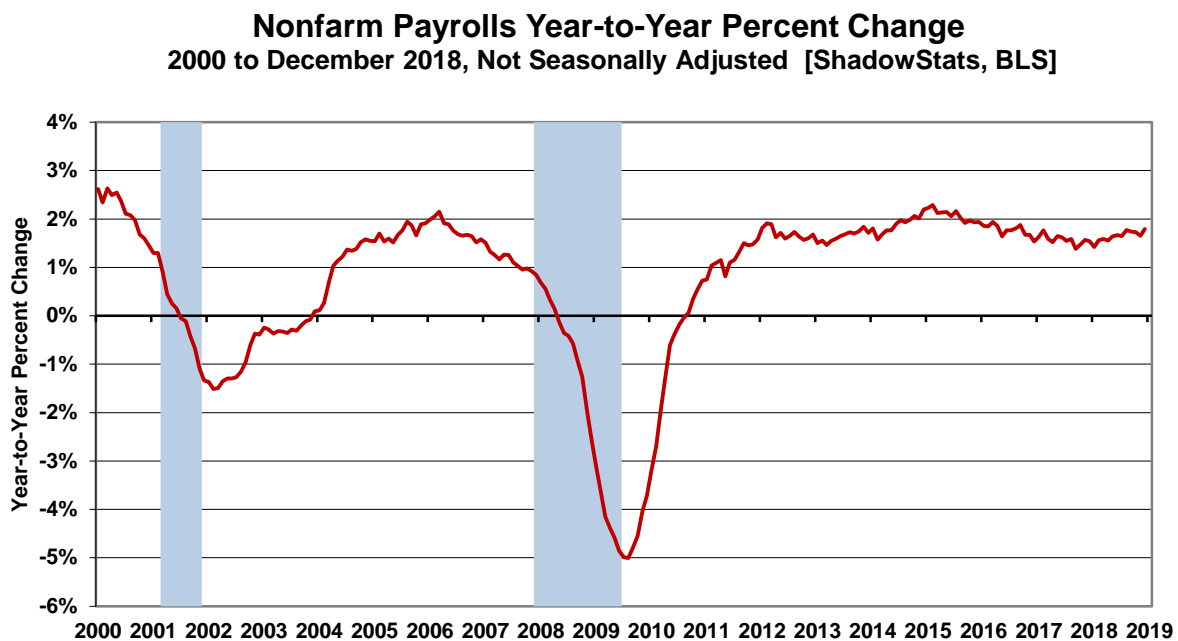
**Graph 10: Nonfarm Payroll Employment, 2000 to Date (Scale Proportionate to Graph 14)**



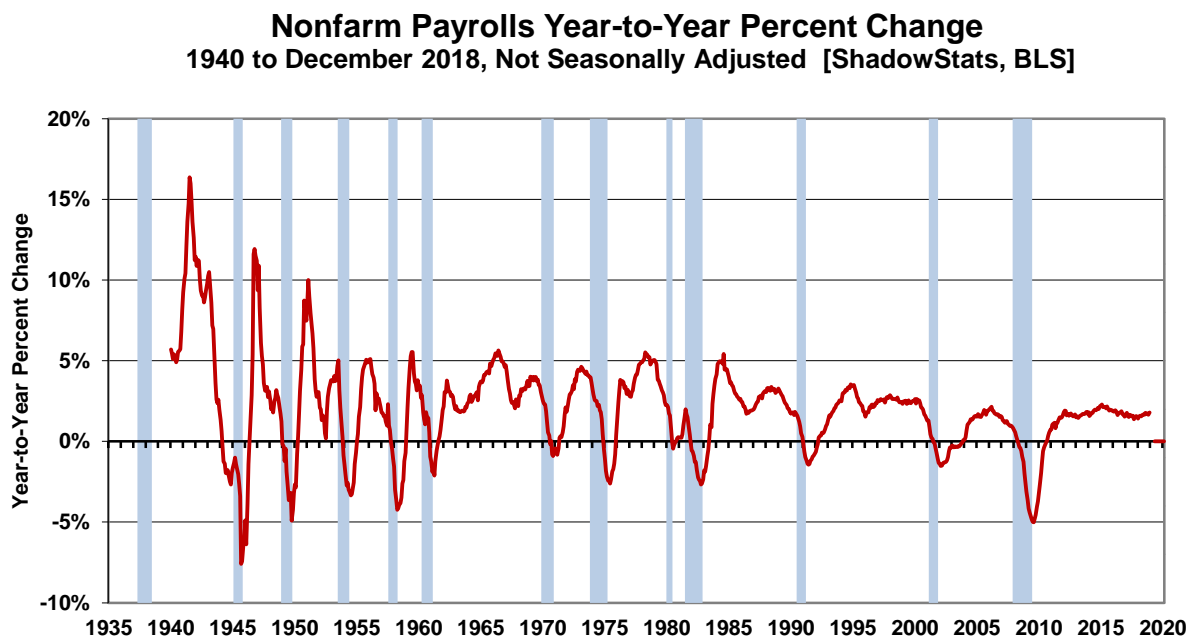
**Graph 11: Nonfarm Payroll Employment, 1939 to Date**



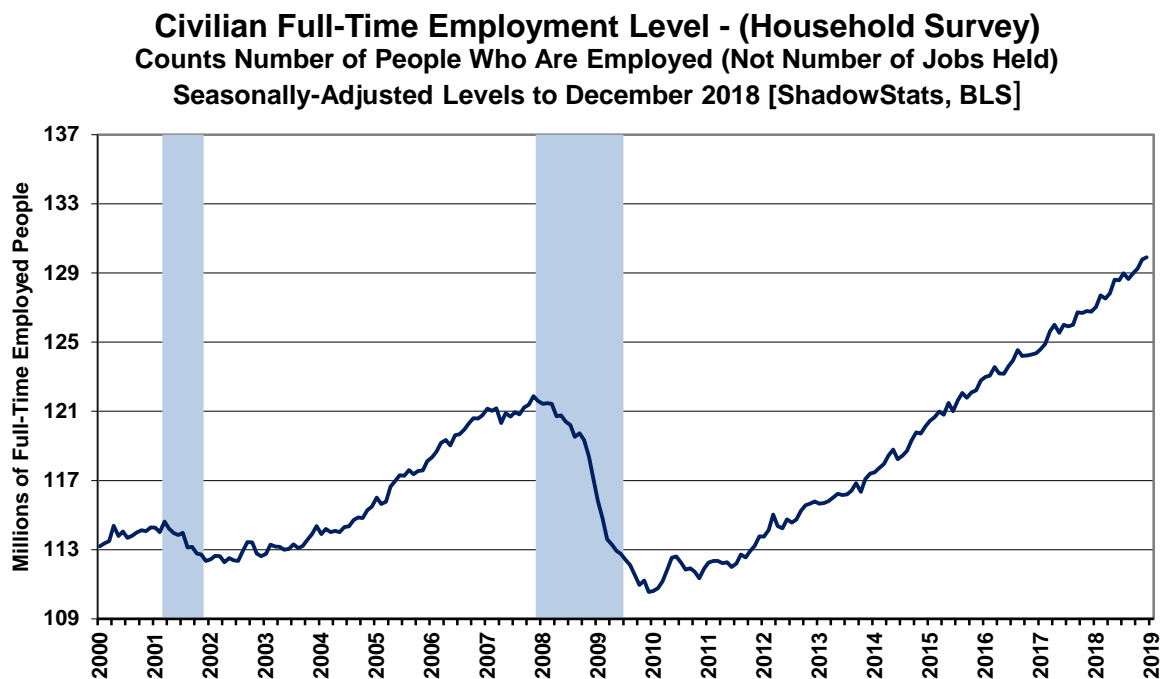
**Graph 12: Payroll Employment, Year-to-Year Percent Change, 2000 to Date**



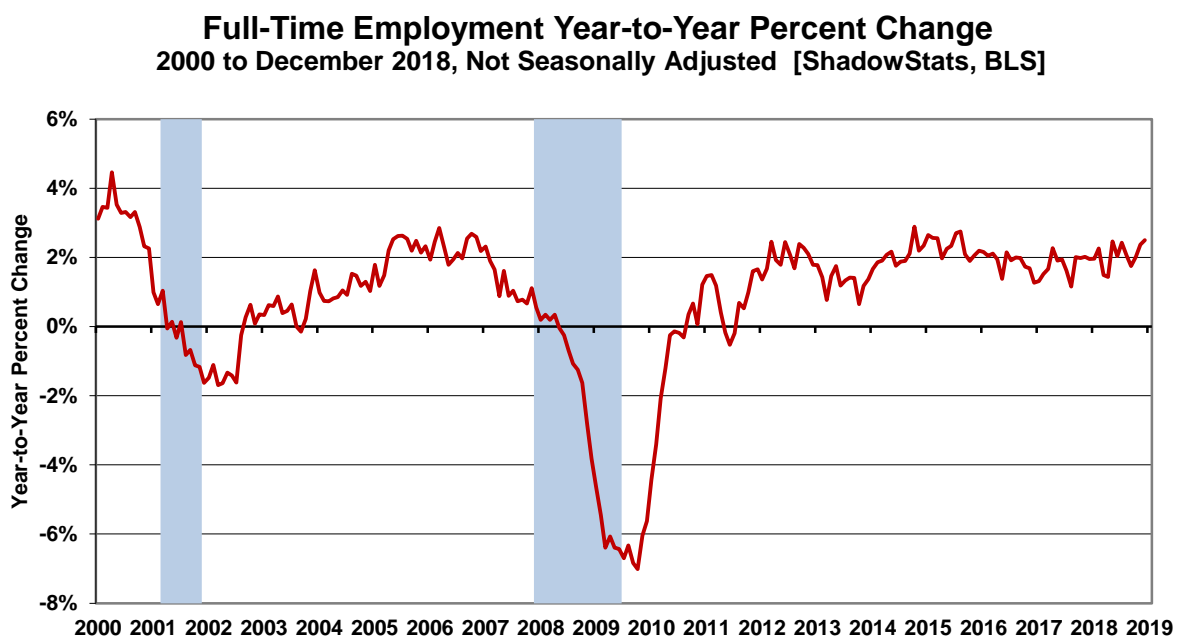
**Graph 13: Payroll Employment, Year-to-Year Percent Change, 1940 to Date**



**Graph 14: Full-Time Employment (Household Survey), 2000 to Date (Scale Proportionate to Graph 10)**



**Graph 15: Full-Time Employment (Household Survey), Year-to-Year Percent Change, 2000 to Date**

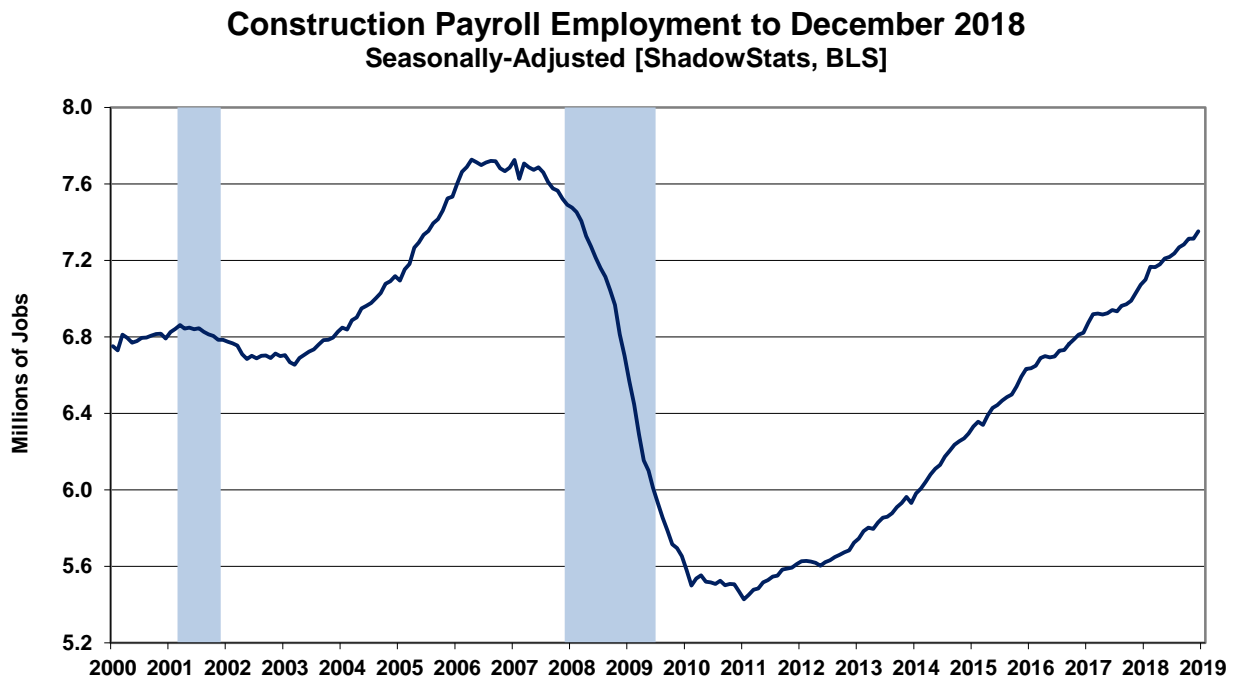




***December 2018 Construction Employment Gained 0.5% in the Month, 4.1% Year-to-Year, Yet It Still Held Shy by 4.8% (-4.8%) of Its Pre-Recession Peak.*** The latest Construction Industry jobs survey was released along with the headline December 2018 payroll employment reporting. Construction payrolls rose by a headline 38,000 jobs, by 0.52% in the month to 7,352,000, following a downwardly revised “unchanged” in November (previously a gain of 5,000 jobs or 0.07%), an upwardly revised gain of 31,000 [previously 24,000, initially 30,000] in October and an unrevised 15,000 gain in September.

Unadjusted annual growth increased by a headline 4.06%, versus a revised 3.82% [previously 3.89%] (its weakest showing since January 2018), a revised 4.37% [previously 4.43%] in October 2018 and an unrevised 4.17% in September 2018. That said, Construction payrolls in December 2018 still were shy by 374,000 (-374,000) jobs, or by 4.84% (-4.84%), of full recovery to pre-recession levels.

**Graph 16: Construction Payroll Employment (2000 to Date)**



**[The Supplemental Labor-Detail Background begins on the next page.]**

## Supplemental Labor-Detail Background

**Reasons Why Headline Employment and Unemployment Numbers Usually Fail to Match Common Experience.** The accompanying material provides background detail on reporting biases, reporting gimmicks, Pollyannaish redefinitions of methodology (“Pollyanna Creep” in the ShadowStats lexicon, as discussed recently in the *Opening Comments* of [Special Commentary No. 968-Extended](#)), surveying and reporting inconsistencies and other issues with the monthly headline labor data from the Bureau of Labor Statistics (BLS) surveys: the Establishment Survey (nonfarm payrolls) and the Household Survey (unemployment and employment detail). Text here usually is not revised much each month from its prior version, except for headline numbers (currently December 2018) used in the accompanying text.

Those current numbers also are referenced and discussed separately in the standard employment and unemployment text of the *Reporting Detail*. Note: Accompanying Household (December 2018) and Payroll-Survey (January 2018) comments reflect the indicated, most-recent annual benchmarkings. Where the Household Survey comments are updated the current December 2018 benchmarking, the Payroll Survey comments will be updated following the pending January 2019 benchmarking.

### SECTIONS

- (I.) Headline Distortions from Shifting Concurrent Seasonal-Adjustment Factors
- (II.) Payroll-Employment Monthly Bias Factors (Birth-Death Modeling)
- (III.) ShadowStats Alternate-Unemployment Rate (Accounting for Displaced Workers)
- (IV.) Reconciling Record “Low” Unemployment with Record-High Labor-Market Stress

#### (I.) Headline Distortions from Shifting Concurrent Seasonal-Adjustment Factors

Highlighted in the current headline reporting of December 2018 Nonfarm Payrolls, discussed in today’s *Reporting Detail*, there remain serious and deliberate flaws with the government’s seasonally-adjusted, monthly reporting of both employment and unemployment (there are parallel issues here with the Retail Sales, New Orders for Durable Goods and Trade Deficit series). Each month, the BLS uses what is known as a “concurrent-seasonal-adjustment process” to adjust both the payroll and unemployment data for the latest seasonal patterns. The new headline numbers are used each month as the new base month for monthly seasonally-adjustments going back in time. A new seasonally-adjusted history is recalculated for every month, going back five years, so as to be consistent with the new seasonal patterns generated for the current headline number. While the procedure is unnecessarily complex, there is no problem with the basic concept. The problem is that historically-comparable revised data are not published along with the new headline detail by the Bureau of Labor Statistics (BLS), Department of Commerce (Commerce) or the Bureau of Economic Analysis (BEA), so month-to-month seasonally-adjusted patterns quickly become meaningless if not extremely misleading.

For example, detailed in the regular monthly BLS press release covering employment/unemployment BLS (second page of the *Technical Note*, subheading *Seasonal Adjustment*):

For both the household [unemployment] and establishment [payroll] surveys, a concurrent seasonal adjustment methodology is used in which new seasonal factors are calculated each month using all relevant data, up to and including the data for the current month. In the household survey, new seasonal factors are used to adjust only the current month's data. In the establishment [payroll] survey, however, new seasonal factors are used each month to adjust the three most recent monthly estimates. The prior 2 months are routinely revised to incorporate additional sample reports and recalculated seasonal adjustment factors. In both surveys, 5-year revisions to historical data are made once a year.

Discussed in the following paragraphs, the historical data never are published on a month-to-month consistent basis for the Payroll Survey, even with accompanying headline benchmark revisions. The Household Survey is published only once per year on a consistent basis, in December (see the today's *Opening Comments*), but the numbers become inconsistent, once again, with the ensuing January reporting. Headline month-to-month inconsistencies in the seasonally-adjusted Household Survey are highly variable every month, but that detail never is published and is not knowable by the public.

Effective Reporting Fraud. The problem remains that the BLS does not publish the monthly historical revisions along with the new headline data. As a result, current headline reporting is neither consistent nor comparable with published historical data, including the most-recent months, and the unreported actual monthly variations versus headline detail can be meaningful. The deliberately-misleading reporting effectively is a fraud. The problem is not with the BLS using concurrent-seasonal-adjustment factors; it is with the BLS not publishing the consistent data, where those data are calculated each month and are available internally to the Bureau. The [BLS](#) expressed reasons for not publishing the revised monthly numbers on a consistent basis: "Numerous revisions during the year, however, should be avoided, because they tend to confuse data users and to increase publication costs substantially."

If that indeed were the reason for not publishing consistent monthly data, then the BLS would do itself and the public a favor by using its prior annual or semi-annual revisions to the seasonal factors, where the data at least were published in a manner where monthly changes were consistent on a month-to-month basis.

Household Survey. In the case of the published Household Survey (unemployment rate and related data), the seasonally-adjusted headline numbers usually are not comparable with the prior monthly data or any month before. Accordingly, the published headline detail as to whether the unemployment rate was up, down or unchanged in a given month is not meaningful in terms of statistical significance, and what actually happened is not knowable by the public. Month-to-month comparisons of these popular numbers are of no substance, other than for market hyping or political propaganda. In theory, the headline month-to-month reporting in the Household Survey is made consistent only in the once-per-year reporting of December data (just published for the December 2018 data on January 4th), with annual revisions back for five years. Again, though, all historical comparability disappears, with the ensuing headline January reporting, and with each monthly estimate thereafter, until the next December's benchmarking.

Consider *Graphs SLD-1* and *SLD-2*, where data are available from the BLS to calculate the month-to-month seasonal-adjustment variability in the Payroll Survey. Similar detail is not available for the Household Survey, yet the monthly instability likely is of similar magnitude. Shown here as an example with the Payroll Survey, the headline January 2017 payroll level was prepared on a consistent basis with the levels of December 2016 and November 2016, but not with October 2016, with the result the headline monthly gains were consistent only for January and December. With the Household Survey, except for December, seasonally-adjusted monthly detail is not comparable with any other month, so seasonally-

adjusted, month-to-month Household Survey comparisons have no meaning, even for the headline month, except temporarily for the one month of December.

Payroll or Establishment Survey. In the case of the published Payroll Survey data (payroll-employment change and related detail), again, the current monthly changes in the seasonally-adjusted headline data are comparable only with the prior month's month-to-month reporting, not before. Due to the BLS modeling process, the historical data never are published on a consistent basis, even with publication of the annual benchmark revisions (see the comments with *Graphs SLD-1* and *SLD-2*).

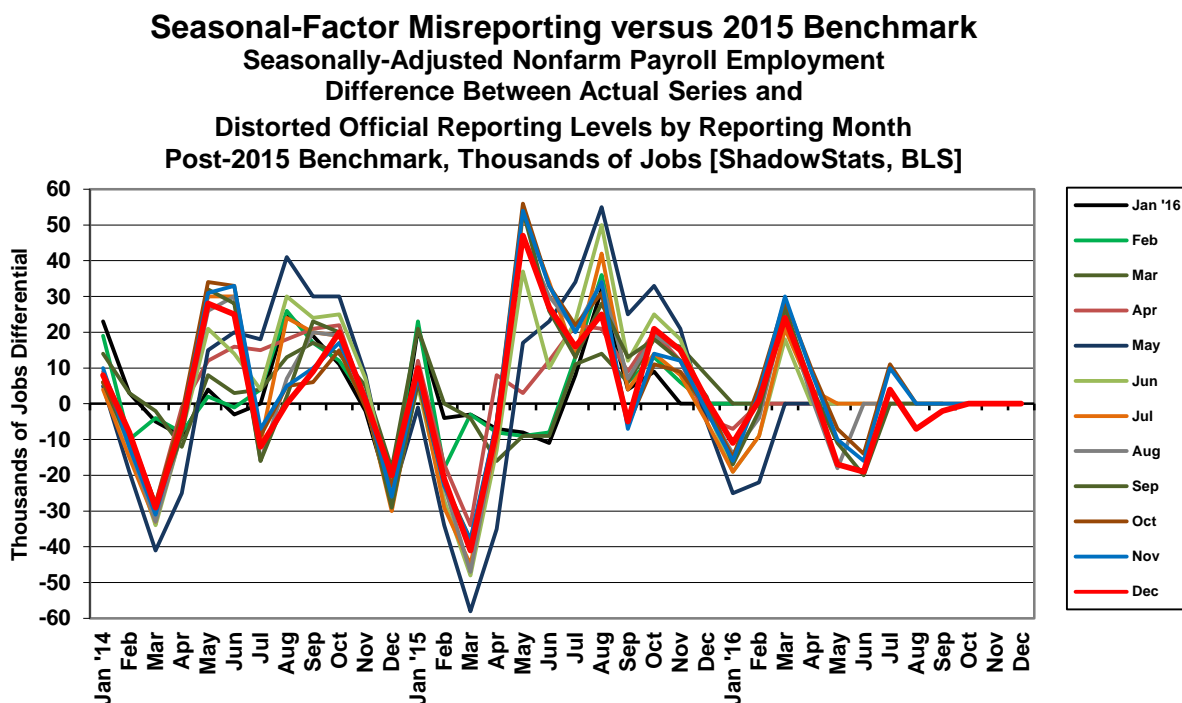
Where the BLS does provide modeling detail for the Payroll Survey, allowing for third-party calculations, no such accommodation has been made for the Household Survey. ShadowStats affiliate ExpliStats has done such third-party calculations for the payroll series, and the resulting detail of the differences between the current headline reporting and the constantly-shifting, consistent and comparable history are reflected here in *Graph SLD-1*, showing the full monthly variability in the 2016 historical seasonal adjustments in the period since the 2015 payroll benchmark revision. As seen here, consistent data never are published. The benchmark-revised system is run in the background for three months before the headline January (benchmarking) publication, which allows the initial headline publishing to stray from the actual initial benchmarking. *Graph SLD-1* shows how far the system strayed from the initial 2016 benchmarking, in its formal benchmark reporting of January 2017.

Where the red line reflected seasonal-factor straying through December 2016 from the 2015 benchmarking, the blue line indicates the straying in January 2017 versus the initial 2016 benchmarking. The January 2017 detail suggested a reversal of seasonal factors, consistent with the benchmarking detail and the new “selective” seasonal adjustment processes. Such variability in seasonal factors, though, rarely is seen in a stable economic series. These data again suggest heavily-gamed headline reporting.

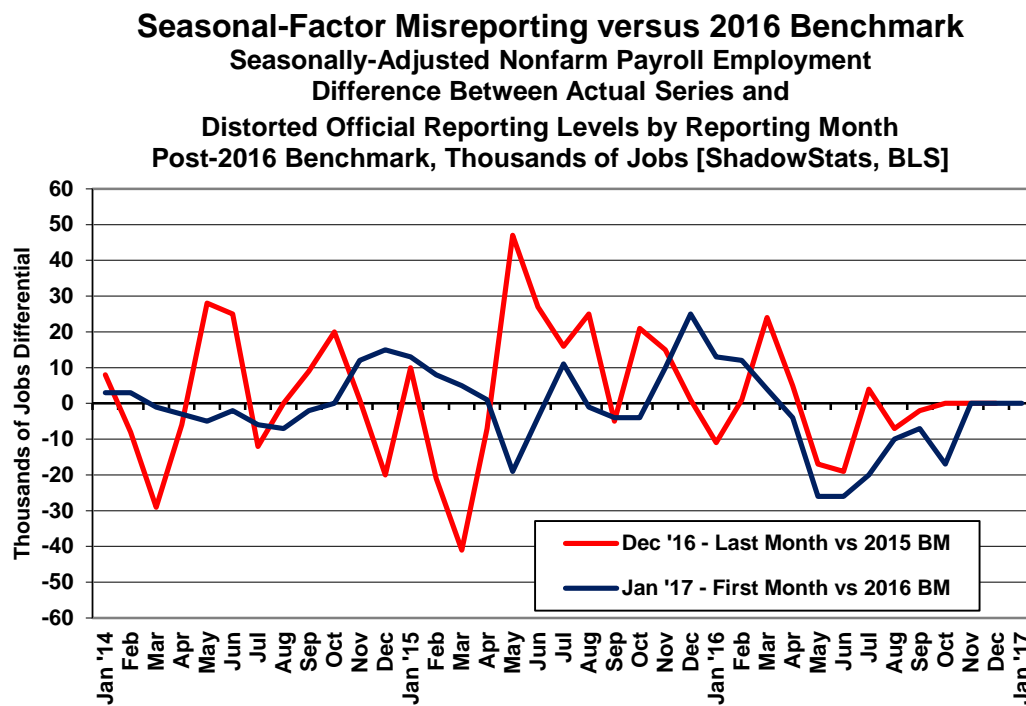
Seen in the detail, the differences go both ways and often are much larger. Such was the case for example in November 2014, coming out of the 2014 benchmark revision, as detailed and discussed in the *Opening Comments* of [Commentary No. 784](#). Subscribers interested in the modeling of specific industry payroll components on a consistent month-to-month basis—not otherwise available— should contact [johnwilliams@shadowstats.com](mailto:johnwilliams@shadowstats.com) or at (707) 763-5786.

**[Graphs SLD-1 and SLD-2 follow on the next page.]**

**Graph SLD-1: Concurrent-Seasonal-Factor Irregularities – December 2016 Detail versus 2015 Benchmarking**



**Graph SLD-2: Concurrent-Seasonal-Factor Irregularities – January '17 Detail versus 2016 Benchmarking**



**(II.) Payroll-Employment Monthly Bias Factors (Birth-Death Modeling: BDM)**

In the ongoing, general overstatement of monthly payroll employment (see [Special Commentary No. 885](#), entitled *Numbers Games that Statistical Bureaus, Central Banks and Politicians Play*), the BLS adds in upside monthly biases to the payroll employment numbers. The continual overstatement is evidenced usually by regular and massive, annual downward benchmark revisions (2011, 2012, 2017 and preliminary 2018 excepted). The preliminary estimate of 2018 payroll benchmark revision was minimal, a positive 43,000 payroll jobs (see [Commentary No. 967](#)), with the 2017 benchmark revision of February 2, 2018 on the upside by 138,000 (initially by 95,000).

Noted in [No. 885](#), “During the Reagan Administration, the Bureau of Labor Statistics (BLS) underestimated employment growth, coming out of the 1983 recession. [As expressed by a spokesperson for the BLS] That “political embarrassment” for the BLS resulted in the introduction of monthly, upside-bias factors to payroll-employment reporting. Those biases evolved into the current Birth-Death modeling for the payroll series.”

Recent History. As a separate matter, though, formalized, corrective downside revisions to prior history increasingly have been more than offset by upside revisions to the monthly bias factors, going forward, as was the case in 2016 (see [Commentary No. 864](#)). The initial estimate (summary number) for the 2016 benchmarking was for a downside revision in total payrolls for March of 2016 by 150,000 (-150,000), down for March 2016 by 224,000 (-224,000) in just private-sector employment (see [Commentary No. 830](#)). Those changes, however, were massaged and recast to an aggregate downside revision of 81,000 (-81,000) jobs. That change then was used to impute adjustments back to April 2015, and it should have been carried forward to December 2016, but that did not happen, see *Opening Comments* of [No. 864](#).

Despite the published downside revision of 206,000 (-206,000) to March 2015 payrolls in the 2015 benchmarking (see [Commentary No. 784](#) and [Commentary No. 784-A](#)), the BLS upped its annual upside-bias factors since then by 65,000. Such discrepancies, however, are not unusual for the BLS.

Considering related actions of recent years, discussed in the benchmark detail of [Commentary No. 598](#), the benchmark revision to March 2013 payroll employment was to the downside by 119,000 (-119,000), where the BLS had overestimated standard payroll employment growth.

With the March 2013 revision, though, the BLS separately redefined the Payroll Survey so as to include 466,000 workers who had been in a category not previously counted in payroll employment. The latter event was little more than a gimmicked, upside fudge-factor, used to mask the effects of the regular downside revisions to employment surveying, and likely was the excuse behind an increase then in the annual bias factor, where the new category could not be surveyed easily or regularly by the BLS. Elements here likely had impact on the unusual issues with the 2014 benchmark revision.

Abuses from the 2014 benchmarking were detailed in [Commentary No. 694](#) and [Commentary No. 695](#). With the headline benchmark revision for March 2014 showing understated payrolls of 67,000 (-67,000), the BLS upped its annual add-factor bias by 161,000 for the year ahead.

Historically, the upside-bias process was created simply by adding in a monthly “bias factor,” so as to prevent the otherwise potential political embarrassment to the BLS of understating monthly jobs growth. The creation of “bias factor” process resulted from such an actual embarrassment, with the underestimation of jobs growth coming out of the 1983 recession. That process eventually was recast as



the now infamous Birth-Death Model (BDM), which purportedly models the relative effects on payroll employment of jobs creation due to new businesses starting up, versus jobs lost due to bankruptcies or closings of existing businesses.

November 2018 Add-Factor Bias. In context of the 2017 benchmarking (see the *Opening Comments of [Commentary No. 934-B](#)*) and the initial estimate for the 2018 benchmarking (see *[Commentary No. 967](#)*), the not-seasonally-adjusted monthly add-factor bias in December 2018 was downwardly revised monthly negative bias of 36,000 (-36,000), previously a negative bias of 23,000 (-23,000). The revamped, aggregate upside annual bias for the trailing twelve months through December 2018 is estimated from the current headline bias reporting at 955,000, up by 76,000 or 7.1% from the last prior count of 892,000 in December 2017. That is a monthly average now of 79,583, versus 74,333 in December 2017, jobs created out of thin air, on top of some indeterminable amount of other jobs that are lost in the economy from business closings. Those losses simply are assumed away by the BLS in the BDM, as discussed below. Put another way, that upside bias of 955,000 in unadjusted payrolls in the twelve months through December 2018 accounted for 35.9% of the headline unadjusted 2,660,000 payroll jobs gain the same period. On a seasonally adjusted basis, that twelve-month payroll gain was 2,638,000.

Problems with the Model. The aggregated upside annual reporting bias in the BDM reflects an ongoing assumption of a net-positive jobs creation by new companies versus those going out of business. Such becomes a self-fulfilling system, as the upside biases boost reporting for financial-market and political needs, with relatively good headline data, while often also setting up downside benchmark revisions for the next year, which traditionally are ignored by the media and the politicians. The BLS cannot measure meaningfully the impact of jobs loss and jobs creation from employers starting up or going out of business, on a timely basis (within at least five years, if ever), or by changes in household employment that were incorporated into the 2017 redefined payroll series. Such information simply is guesstimated by the BLS, along with the addition of a bias-factor generated by the BDM. Private surveying runs counter to the BLS contentions.

Positive assumptions—commonly built into government statistical reporting and modeling—tend to overstate official estimates of general economic growth. Along with happy guesstimates, there usually are underlying assumptions of perpetual economic growth in most models. Accordingly, the functioning and relevance of those models become impaired during periods of economic downturn, and the current, ongoing downturn has been the most severe—in depth as well as duration—since the Great Depression.

Indeed, historically, the BDM biases have tended to overstate payroll employment levels—to understate employment declines—during recessions. There is a faulty underlying premise here that jobs created by start-up companies in this downturn have more than offset jobs lost by companies going out of business. Recent studies continue to suggest that there has been a net jobs loss, not gain, in this circumstance. Nonetheless, if a company fails to report its payrolls because it has gone out of business (or has been devastated by a hurricane), the BLS assumes the firm still has its previously-reported employees and adjusts those numbers for the trend in the company's industry.

The presumed net additional “surplus” jobs created by start-up firms are added on to the payroll estimates each month as a special add-factor. On top of that, the monthly BDM add-factors have been increased now to an average of 79,583 jobs per month for the current year. As a result, in current reporting, the aggregate average overstatement of employment change easily exceeds 200,000 jobs per month (the underlying positive base-assumption upside bias, plus the monthly Birth-Death Model add-factor).



### **(III.) ShadowStats Alternate-Unemployment Rate – Accounting for Displaced Workers**

At the same time, as reviewed in *Section IV: Reconciling Record “Low” Unemployment with Record-High Labor-Market Stress*, the recent historic low in headline unemployment (and current near-record low) was despite continued signals of extreme stress in labor-market conditions. The dominant issue with that dichotomy remains that the headline unemployment numbers out of the BLS have not counted the aggregation of long-term discouraged or displaced workers, since the 1994 redefinitions of the unemployment reporting. Those issues have become a factor here in the context of the severity of the economic collapse from 2007 into 2009.

In 1994, the Bureau of Labor Statistics (BLS) overhauled its system for estimating unemployment, including changing survey questions and unemployment definitions. In the new system, measurement of the previously-defined discouraged or displaced workers disappeared. These were individuals who had given up looking for work, because there was no work to be had. These people, who considered themselves unemployed, had been counted in the old survey, irrespective of how long they had not been looking actively for work. These were individuals who were and would be considered displaced workers, due to circumstances of severely-negative economic conditions or other factors such as changing industrial activity resulting from shifting global trade patterns.

The new survey questions and definitions had the effect of minimizing the impact on unemployment reporting for those workers about to be displaced by the then just-implemented North American Free Trade Agreement (NAFTA). At the time, I (John Williams) had close ties with an old-line consumer pollster and his polling company, whose substantial economic monthly surveys were compared closely with census-survey details. The new surveying changed the numbers, and what had been the discouraged-worker category soon became undercounted or effectively eliminated. Change or reword a survey question, and change definitions, you can affect the survey results meaningfully.

The post-1994 survey techniques also fell far shy of adequately measuring the long-term displacement of workers tied to the economic collapse into 2008 and 2009, and from the lack of subsequent economic recovery. In current headline reporting, the BLS has a category for those not in the labor force who currently want a job. Including the currently-defined level of “marginally attached workers,” which incorporates the currently-defined and undercounted “discouraged workers” category used in the U.6 calculation, those not in the labor force currently wanting a job was a seasonally-adjusted 5.337 million in December 2018 (5.121 million not seasonally adjusted). While some contend that that number includes all those otherwise-uncounted discouraged workers, such is extremely shy of underlying reality due to changes in survey methodology since 1994.

The ShadowStats Alternate Unemployment number—a broad unemployment measure more in line with common experience—is my estimate. The approximation of the ShadowStats “long-term discouraged worker” category—those otherwise largely defined out of statistical existence in 1994—reflects proprietary modeling based on a variety of private and public surveying over the last two-plus decades. Other than using the BLS’s U.6 estimate as an underlying monthly base with my modeled adjustments, I have not found a way of accounting adequately for the current unemployment circumstance and common experience using just the monthly headline data published by the BLS.

Some broad systemic labor measures from the BLS, though, are consistent in pattern with the ShadowStats measure, even allowing for the shifts tied to an aging population with retiring “baby boomers.” Again, discussed the following *Section IV: Reconciling Record “Low” Unemployment with*

*Record-High Labor-Market Stress*, and shown in the *Reporting Detail*, the graph of the inverted ShadowStats unemployment measure has a strong correlation with the employment-to-population ratio, in conjunction with the labor-force participation rate (see *Graphs 2* and *3* there and *Graph SLD-4* in the next section). Other measures, such as the ShadowStats-Alternate GDP Estimate, the Cass Freight Index, U.S. Petroleum Consumption, Production of Consumer Goods, Construction Spending and Housing Starts are highlighted in subsequent *Graphs 4* to *9* in today's *Reporting Detail* and in [Commentary No. 976](#), updating the *Opening Comments* and *Section II* of [Special Commentary No. 968-Extended](#).

**Headline December 2018 Detail.** Adding back into the total unemployed and labor force the ShadowStats estimate of effectively displaced workers, of long-term discouraged workers—a broad unemployment measure more in line with common experience—the ShadowStats-Alternate Unemployment Estimate for December 2018 was 21.4%, versus a benchmarked revised 21.4% in November, 21.3% in October 2018, 21.3% in September, 21.2% in August, 21.3% in July, 21.5% in June, 21.4% in May, 21.5% in April, 21.6% in March, 21.8% in February, 21.8% in January. That was against 21.7% in December 2017, 21.8% in November, 21.8% in October, 21.9% in September, 22.2% in August, 22.1% in July, 22.0% in June, 22.1% in May, 22.1% in April, 22.3% in March, 22.6% in February, and 22.8% in January 2017. Built upon the headline U.3 and U.6 estimates, the December 2018 ShadowStats reading was down by 190 (-190) basis points or 1.9% (-1.9%) from the 23.3% series high seen in May 2014.

In contrast, the December 2018 headline U.3 unemployment rate of 3.9% was down by 610 (-610) basis points or by 6.3% (-6.3%) from its peak of 10.0% in October 2009. The broader U.6 unemployment measure of 7.6% in December 2018, was down by 960 (-960) basis points or 9.6% (-9.6%) from its peak of 17.2% April 2010.

A subscriber raised the question once as to why the ShadowStats Alternate Unemployment Estimate had been holding around 23%, at the time. Recalculated each and every month, the ShadowStats estimate generally picks up the net flows of headline “discouraged” workers, who have been redefined out of existence after having been inventoried in the BLS accounting of the U.6 rate for about eleven months (where individuals have not looked actively for a job in one year). In turn, U.6 picks up as “discouraged workers” those in U.3 who have not actively looked for work in the last four weeks. It is the resulting reduction in the U.3 and U.6 “unemployed” and the related labor forces used in calculating those respective headline unemployment rates that has accounted for the bulk of the reduction in those headline rates, with much of the difference flowing into and holding reasonably steady in the ShadowStats alternate measure.

Seen in the usual graph of the various unemployment measures (*Graph 1* in the *Reporting Detail*), there indeed is a noticeable divergence in the ShadowStats series versus U.6 and U.3, with the BLS headline U.3 unemployment measure broadly flat-to-minus at low levels recently, against higher level, albeit often softening U.6 and a still-higher level, more slowly softening ShadowStats number, with all the series recently turning to an uptrend.

The reason for the longer-term divergence versus the ShadowStats measure, again, is that U.6 only includes discouraged and marginally-attached workers who have been “discouraged” for less than a year. As the discouraged-worker status ages, those that go beyond one year fall off the government counting, even as new workers enter “discouraged” status. A similar pattern of U.3 unemployed becoming

“discouraged” or otherwise marginally attached, and moving into the U.6 category also accounted for the early divergence between the U.6 and U.3 categories.

With the continual rollover, the flow of headline workers continues into the short-term discouraged workers category (U.6), and from U.6 into long-term discouraged worker or displaced-worker status (the ShadowStats measure). There was a lag in this happening as those having difficulty during the early months of the economic collapse, first moved into short-term discouraged status, and then, a year later they began moving increasingly into longer-term discouraged or displaced status, hence the lack of earlier divergence between the series. The movement of the discouraged unemployed out of the headline labor force had been accelerating. While there is attrition in long-term discouraged numbers, there is no set cut off where the long-term discouraged workers cease to exist. See the *Alternate Data* tab at [www.ShadowStats.com](http://www.ShadowStats.com) for historical detail.

Generally, where the U.6 largely encompasses U.3, the ShadowStats measure encompasses U.6. To the extent that a decline in U.3 reflects unemployed moving into U.6, or a decline in U.6 reflects short-term discouraged workers moving into the ShadowStats number, the ShadowStats number continues to encompass all the unemployed, irrespective of the series from which they may have been ejected and correspondingly has been reasonably stable over a longer timeframe.

***Great Depression Comparisons.*** Discussed in these regular *Commentaries* covering the monthly unemployment circumstance, an unemployment rate in the 21% to 23% range might raise questions in terms of a comparison with the purported peak unemployment in the Great Depression (1933) of 25%. Hard estimates of the ShadowStats series are difficult to generate on a regular monthly basis before 1994, given meaningful reporting inconsistencies created by the BLS when it revamped unemployment reporting at that time. Nonetheless, as best estimated, the current ShadowStats level likely is about as bad as the peak actual unemployment seen in the 1973-to-1975 recession and the double-dip recession of the early-1980s.

The Great Depression peak unemployment rate of 25% in 1933 was estimated well after the fact, with 27% of those employed then working on farms. Today, less than 2% of the employed work on farms. Accordingly, a better measure for comparison with the ShadowStats number might be the Great Depression peak in the nonfarm unemployment rate in 1933 of roughly 34% to 35%.

**(IV.) Reconciling Record “Low” Unemployment with Record-High Levels of Labor-Market Stress It All Is in the Gimmicked Unemployment Definitions.** *Graphs SLD-3* (same as *Graph 3* in the *Reporting Detail*) and *SLD-4*, updated through December 2018, plot measures of broad labor-market health. *Graph SLD-3* shows the ratio of headline employment to the working age population, the *Employment-Population Ratio*. *Graph SLD-4* shows labor-force participation (the total of the headline employed plus headline unemployed) as a percent of the working age population, the *Participation Rate*. The higher those ratios, the healthier is the economy. Correspondingly, the weaker those ratios the more intense is the labor-market stress. Also consider *Graph SLD-5*, which plots the updated headline U.3 Unemployment Rate, but with an inverted scale, since the 1994 onset of the current unemployment series.

Benchmarked December 2018 U.3 unemployment at the first decimal point held to 3.9%, off a post-1994 series record low of 3.7 % in November, having hit a near-term peak in June 2018 of 4.0%, versus 3.8 in May 2018.

At the second decimal point of 3.79% (revised from 3.75%), that benchmarked May 2018 unemployment rate had set a then historic low for the current series, again, which was defined in 1994. At the first decimal point, May 2018 unemployment tied the then record low of 3.8% of April 2000. Where the low April unemployment was then the early high point with the inverted scale of *Graph SLD-5*, April 2000 also was the happy high point for the *Employment-Population Ratio* and the *Participation Rate*. That is as it should be. The problem comes with the November, October and September 2018 “low” unemployment rates (the latest high points in *SLD-5*) going against relatively low points (severe levels of labor-market stress) in *Graphs SLD-3* and *SLD-4*, which had deteriorated further in recent reporting, only to jump minimally in October 2018 (likely from hurricane-boosted Household Survey employment) from where they were at the prior “low” unemployment rate in May 2018. The November 2018 ratios effectively held unchanged. All these numbers will be reworked next month using the benchmarking.

Those three graphs move pretty much in unison (particularly *SLD-3* and *SLD-5*) until they pass the second blue recession bar, when the unemployment rate turns lower (rises in with the inverted-scale in *SLD-5*), while the measures of labor-market stress begin to bottom-bounce. Now consider *Graph SLD-6* of the inverted-scale ShadowStats Alternate Unemployment rate (same as *Graph 2* in the *Reporting Detail*, which includes long-term discouraged or displaced workers).

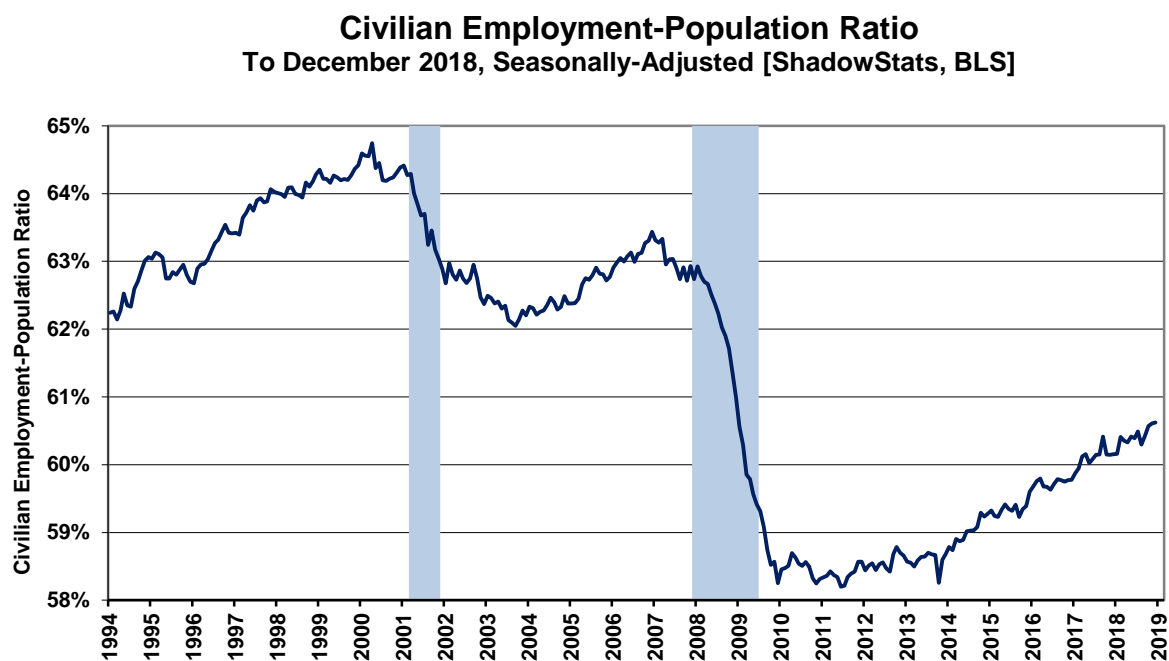
The problem and the conflict with the headline numbers out of the Bureau of Labor Statistics is that the current unemployment series was redefined in 1994 (at the onset of NAFTA) so as not to count “discouraged workers” for more than one year. Otherwise, that population (and share of the total population) would aggregate, rather than be retired after twelve months [see prior *Section III: ShadowStats Alternate-Unemployment Rate (Accounting for Displaced Workers)*].

Subsequent to the redefined series, the U.S. economy collapsed into its most severe downturn since the Great Depression, and as the headline unemployment rate dropped (rose on the inverted scale) the ShadowStats measure (also on an inverted scale) continued to track the accumulating discouraged workers. The ratio differences here reflect issues with population. Some argue the difference here is due to an increased portion of the population entering retirement. While that is a partial factor, many who retired or who had planned to retire have found that they cannot afford to do so, at present, as had been planned originally.

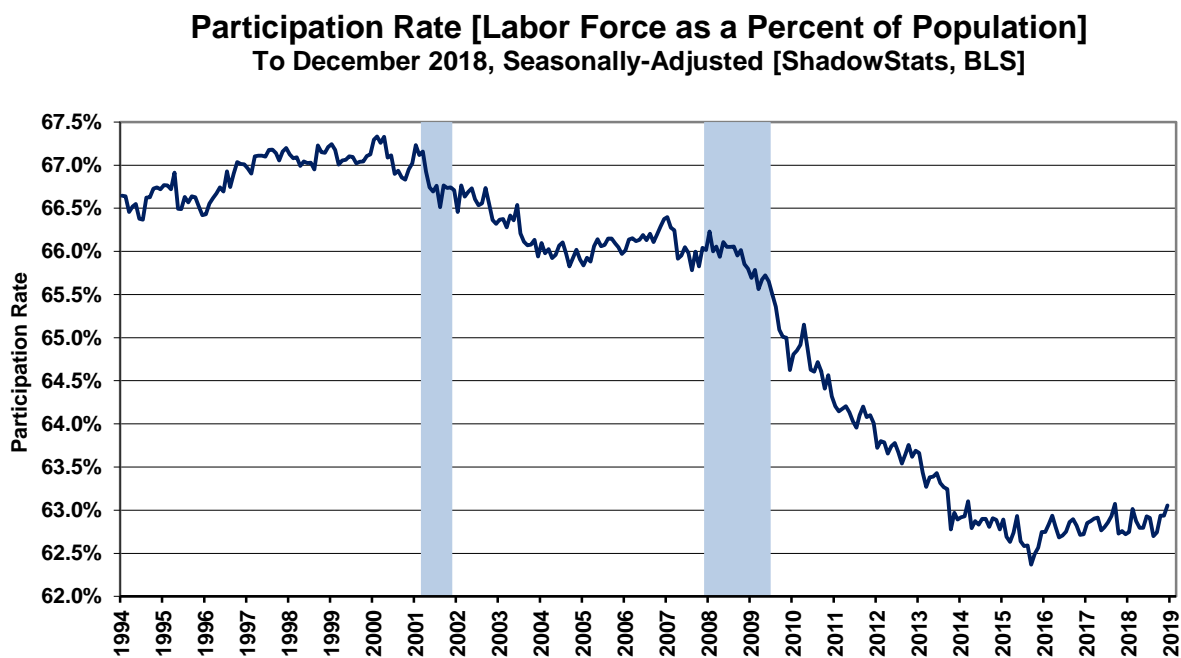
Allowing for the build-up of the discouraged/displaced worker population allows for some non-conventional employment/unemployment estimates. With calculations shown in the footnotes, the current *Employment-Population Ratio* and *Participation-Rate* suggest that a realistic unemployment rate, as the public might sense it, would be closer to 10% in instead of 3.8% (currently 3.9%) [the calculations here are based on the recent May 2018 historic low in U.3]. With the *Participation-Rate* suggesting room for another 11.1 million employed. Separately, despite the record-low U.3 in November 2018, the headline count of those not in the headline labor force “wanting a job” eased to a benchmarked 5.327 million in December 2018, from 5.397 million in November 2018 and 5.333 million in October 2018.

**[Graphs SLD-3 to SLD-6 begin on the next page.]**

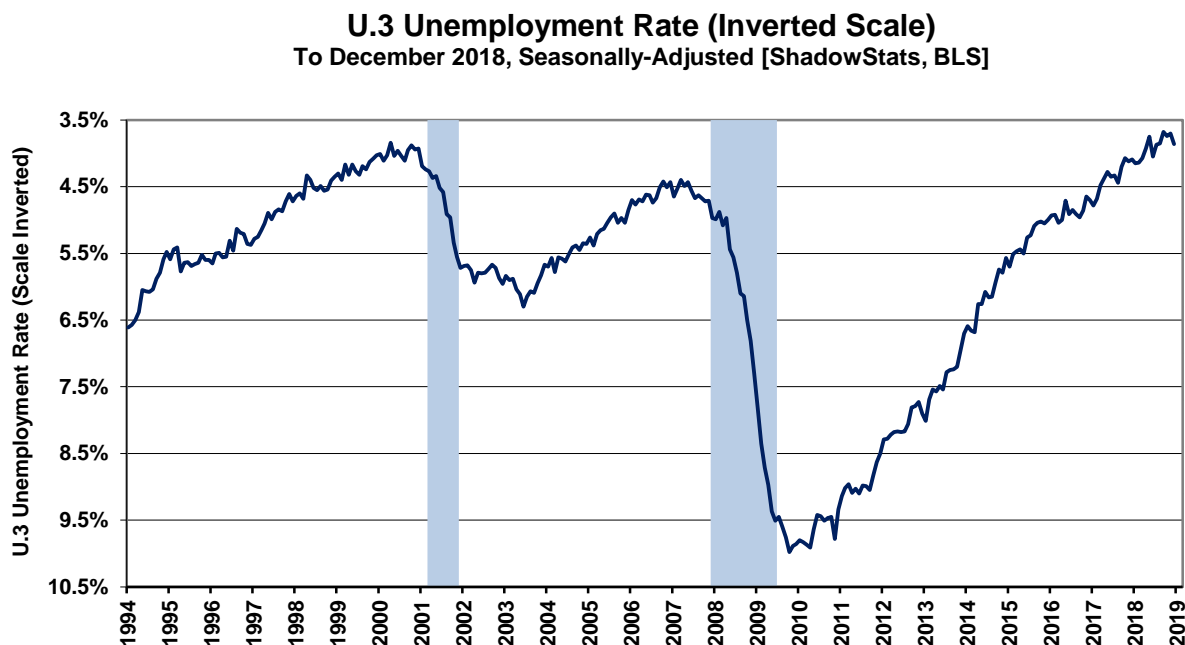
**Graph SLD-3: Civilian Employment to Population Ratio**  
(Same as Graph 3 in the Reporting Detail)



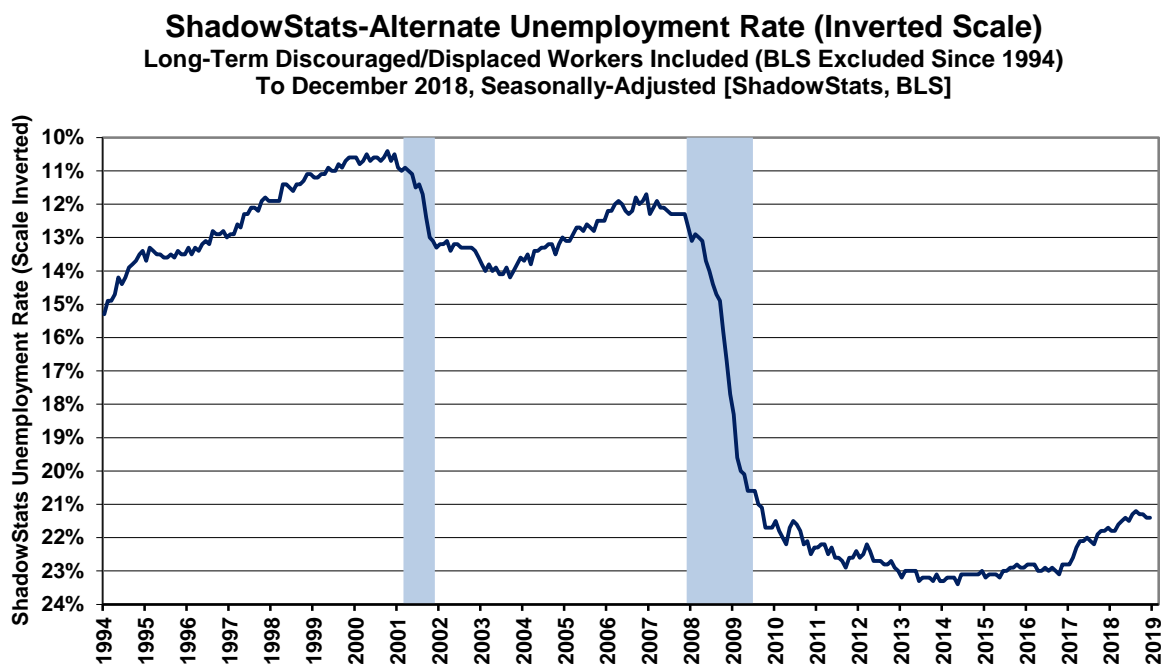
**Graph SLD-4: Labor-Force Participation Rate**



**Graph SLD-5: Inverted-Scale of the Headline U.3 Unemployment Measure**



**Graph SLD-6: Inverted-Scale of ShadowStats Alternate Unemployment Measure**  
(Same as Graph 2 in the Reporting Detail)





***Economy Remains Far From Full-Employment (Part 1); 3.8%/ 3.7% U.3 Unemployment Historically Is Consistent with 67.3% Participation, Not the Current 63.1%, Which is Consistent with 10.3% U.3.***

[The following calculations were based on the pre-benchmarked historic-low 3.75% (3.79% benchmarked) of May 2018 and related stress numbers of that time. While headline U.3 broke that historic low in September 2018 at 3.69%, and stayed near it at a benchmarked 3.70% in November 2018, it moved up to 3.86% in the headline December 2018). The stress numbers are little changed, and recalculations still would not be meaningfully different, although they will be updated fully next month. The accompanying graphs have been updated through the headline December 2018 detail.

Argued here for many months, the U.S. economy is not at, or close to, full employment. As with much-earlier comments from former Fed Chair Janet Yellen, Treasury Secretary Steven Mnuchin ([\*Treasury Secretary Mnuchin: Economy is not really at full employment yet\*](#)) has noted, “My comment is we’re not really at full employment because of the participation rate.” The near-historically-low level of the headline participation rate (labor force/working-age population) is despite the series-low 3.7% headline U.3 unemployment rate. The headline participation rate should be at an all-time high. In like manner, the employment-to-population ratio, also near its historic low, also should be at an historic high. Something very much is amiss in the government’s headline Household Survey detail.

Discussed in the *Fedspeak* portion of the *Fed* section of [No. 859 Special Commentary](#) and the *Opening Comments* of [Commentary No. 870](#), certain members of the Federal Reserve Board ([Commentary No. 827](#)) had suggested that an unemployment rate near 5.0% (U.3 now is at 3.7%) reflected full-employment conditions in the United States. Noted in [Commentary No. 845](#), one would expect that “full employment” not only would be consistent with a certain headline unemployment rate, traditionally about 5.0%, but also with a coincident labor-force participation rate, traditionally of about 66%.

For example, at the formal onset of the recession in December 2007, the headline unemployment rate was 5.0%, with the participation rate at a 66.0% near-term peak (higher peaks in participation, in the early 2000’s, were coincident with U.3 unemployment of about 4.0%). The last time the U.3 rate was close to 3.7%, at 3.8% [3.84%] was in April 2000, versus the May 2018 reading of 3.8% [3.75%]—certainly a more-realistic full-employment rate—the participation rate then was the series-high of 67.33%.

Full employment with unemployment at 5.0% or at the then record-low 3.8% in May 2018, also minimally should be reflected at a relative near-term peak in the participation rate, not close to its historic trough. The May 2018 headline unemployment rate of 3.8%, for example was in the context of a 62.7% participation rate. Yet, that historically-consistent participation rate, in the current circumstance (where the count of Household Survey employed generally is not gimmicked), would generate a consistent, current headline unemployment rate (U.3) of 10.3%, instead of the headline 3.8%.<sup>1</sup>

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<sup>1</sup> Consider with the May 2018 working-age population of 257.454 million, the implied labor force at a full-employment participation rate of 67.3% (last seen when headline unemployment was 3.8% in April 2000) would show  $0.673 \times 257.454 = 173.267$ . That labor force less current headline employed,  $173.267 - 155.474 = 17.793$  million implied unemployed, which divided by the labor force of 173.267 = 10.3% unemployment. The problem with the assumptions underlying these numbers and concept, again, remains that the economy is not at full employment, as would be suggested normally by a headline 3.8% U.3; there are serious flaws in the surveying and/or definitional concept of U.3.



The calculations used here are for May 2018, as the series-low U.3 unemployment rate. New calculations will be provided, if the 3.8% (3.75%) is breached meaningfully on the downside. I am not publishing recalculated estimates today of the consistent unemployment rate or, room in labor force, based on the November 2018 headline near-record low 3.70% U.3 details, since the results effectively are the same, Details will be recast next month, in the context of the just-published December 2018 benchmarking.

***Far From Full-Employment (Part 2): Historic Low 3.8% May 2018 Unemployment Was Consistent a Record-High 64.7% Employment-to-Population Ratio, Not the Current Near-Historic Low.*** The then historic-low 3.8% U.3 unemployment of May 2018 U.3 (now 3.9% in December 2018, versus 3.7% in November 2018) also should have reflected an historic high Employment-to-Population Ratio, not the near-record low indicated for December 2018. In turn, the May headline 60.4% (60.6% in the December) Employment-to-Population Ratios was suggestive of a 9.9% U.3 unemployment rate and a missing 11.1 million employed.

The last time<sup>2</sup> U.3 unemployment rate dropped to 3.8% was in April 2000, with the Employment-to-Population Ratio also hitting an historic high of 64.7%. Detailed in the accompanying footnote, historical consistency would suggest a parallel headline unemployment rate for May 2018 at 9.9%, instead of the headline 3.8%, otherwise with a missing 11.1 million “employed” individuals.

The reason for the heavily-distorted current headline unemployment details, largely is definitional, reflecting the unusual nature of the post-recession drop in headline unemployment. The declining unemployment rate heavily has reflected discouraged and displaced, unemployed persons being defined out of the labor force, instead of the more-traditional and positive circumstance of the unemployed being reemployed.

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**[Coverage of December 2018 Monetary Circumstances begins on the next page.]**

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<sup>2</sup> Consider with the May 2018 working-age population of 257.454 million, the implied level of employment, given an historically consistent employment-to-population ratio of 64.7% (last seen when headline unemployment was 3.8% in April 2000) would show  $0.647 \times 257.454 = 166.573$  million employed. Yet, the current headline employed count of 155.474 – 166.573 implied employed = a current shortfall of 11.099 million employed, based on historical norms with a headline unemployment rate U.3 of 3.8%.

To the extent one could count those implied missing employed as unemployed, such would suggest a consistent headline U.3 unemployment rate in May 2018 of 9.9% (Unemployed of 17.164 million = headline 6.065 unemployed + the missing 11.099 employed) / (Labor Force of 172.638 = 155.474 headline employed + the headline unemployed of 6.065 + the missing 11.099 employed). The problem with the assumptions underlying these numbers and concept, again, remains that the economy is not at full employment, as would be suggested normally by a headline 3.8% U.3; there are serious flaws in the surveying and/or definitional concept of U.3.

## **MONETARY CIRCUMSTANCES (December 2018)**

### **December 2018 Money Supply Annual Growth Bounced Back a Bit**

### **Annual Plunge in December Monetary Base Mirrors 1937 Fiasco**

### **FOMC Exit-Strategy Tightening Has Triggered a Renewed Business Downturn**

### **Fed Chairman's Recent Comments Hint "Flexibility" but No Imminent Policy Shift**

**Where Recent FOMC Policy Has Strangled Consumer Liquidity, the Fed Continues to Hint at a Possible, Recession-Driven Policy Shift Towards Easing.** The Federal Reserve Board's Federal Open Market Committee (FOMC) has begun to waffle on the further raising of interest rates and tightening, likely in response to rapidly increasing signs of slowing domestic economic activity and a developing downturn in the stock market. This was discussed in today's *Opening Comments* and the *Opening Comments* and general reporting of [Commentary No. 978 - Part I](#) and in [Commentary No. 978 – Part II](#).

The FOMC, however, has taken no overt action to back off its tightening. The January 9th release of minutes from the last FOMC meeting might provide some guidance. In turn, aggressive tightening and interest hikes by the FOMC, particularly since late-2017, have tightened systemic liquidity, as discussed in [Hyperinflation Watch No. 4](#), and in consumer liquidity, as discussed in [Consumer Liquidity Watch No. 5](#). The effect has been to strangle consumer liquidity and to slow economic activity. Residential real estate sales and construction, and aggregate construction spending, all are in quarterly contractions and deepening downtrends, along with slowing /declining real retail sales, including motor vehicle sales and related orders for and production of same ([Commentary No. 979](#) and [Commentary No. 981](#)).

Systemic- and consumer-liquidity conditions are tightened by the FOMC reducing growth in the Monetary Base and the domestic Money Supply. Negative liquidity stresses on the U.S. consumer flow through to the consumer-dependent domestic economy (again, see [Consumer Liquidity Watch No. 5](#)).

Reviewed in [Special Commentary No. 968-Extended](#) and [Commentary No. 976](#), ShadowStats contends that the U.S. economy never recovered its pre-recession peak of fourth-quarter 2007. Although corrected

GDP numbers suggest the economy is off bottom, the FOMC's tightening already has killed any nascent recovery that had been in the works, given a six-to-nine month lead time between monetary conditions and the broad economy, again as noted in [Hyperinflation Watch No. 4](#), and the prior [Hyperinflation Watch – No. 3](#) [August 12, 2018]:

***Killing a Nascent Economic Recovery.*** With the Federal Reserve's targeted "Core" annual inflation rate just having hit a 10-year high in July 2018, and given the headline 4.1% growth boom in GDP, Federal Reserve tightening likely will intensify in the months ahead, if the FOMC's interest-rate hawks get their way. Such likely would kill any a potential or nascent economic recovery and would throw the U.S. domestic financial system and financial markets into renewed turmoil, as discussed in the later *FOMC, the U.S. Dollar and Financial Markets* section.

***Chairman Powell Allowed for the Possibility of Shift to More-Accommodative Monetary Policy.*** Where the economy is not as strong as hyped or headlined, the Fed most likely recognizes that, internally, and Chairman Powell also has indicated that he remains open to shifting policy, when the headline economy slows. Where the Fed and the banking system very much would like to see higher interest rates, the economy indeed is slowing anew, as should be increasingly obvious in better-quality economic releases of the month or two ahead. The banking system remains far from normal or "pre-crisis" conditions. As liquidity stresses on the banking system intensify from the weakening economy, that should be enough to have the Fed pull the trigger on altering policy. Intensifying liquidity stresses on Main Street U.S.A., by itself, does not appear to be enough to trigger FOMC action. Circumstances have to begin to threaten ever-fragile, banking-system solvency, before FOMC action is taken.

The preceding comments here will be reviewed in the context of the pending FOMC Meeting notes.

**Annual Money Supply Growth Flattened Out, Notched Higher in December 2018, As the Monetary Continued to Base Plunge Year-to-Year as Though It Were 1937.** Mirroring Fed tightening policies and a collapsing Monetary Base, annual growth in the November 2018 ShadowStats Money Supply M3 hit or held at near-term lows, only to bounce higher in December 2018 reporting, based on detail reported January 4th by the Federal Reserve Board (see *Graph HW-1*). The *HW-* graph-number prefixes here are consistent with the *Graphs HW-1* to *HW-5* in [Hyperinflation Watch No. 4](#) – Special Edition, which are updated in today's December Monetary Circumstance section, and will flow through into *Hyperinflation Watch No. 5*.

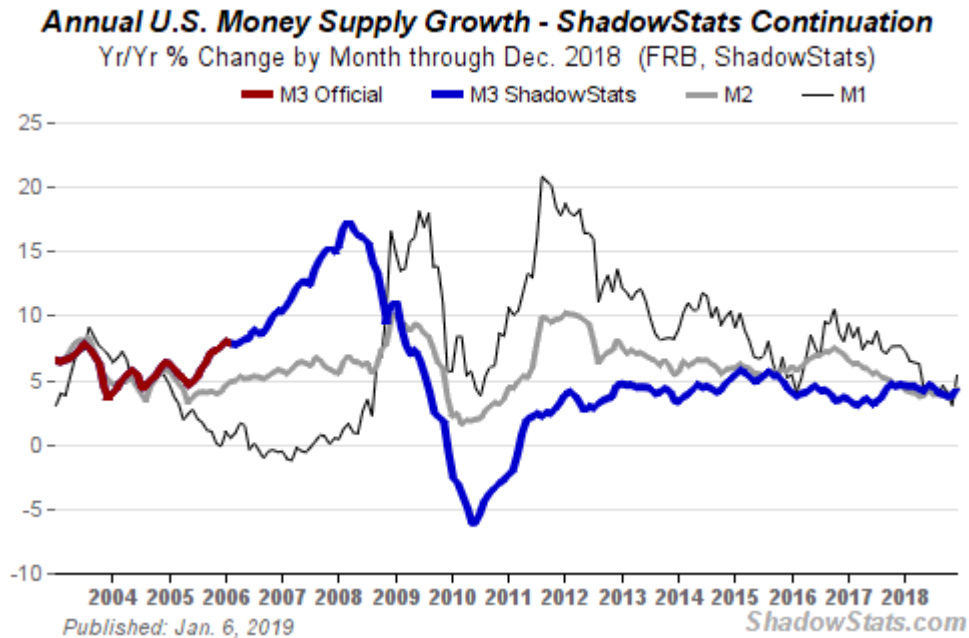
***Money Supply M1, M2 and M3 in December 2018.*** Reflected in *Graph HW-1*, and detailed on the [Alternate Data](#) tab of [www.ShadowStats.com](http://www.ShadowStats.com), monthly average annual growth in December 2018 M3 growth rose to 4.31%, versus 3.74% in November 2018 and a near-term trough of 3.72%, in the context of regular Federal Reserve benchmarking of the data. While the level of the FOMC's targeted Monetary Base continued to fall off a cliff (see *Graphs HW-2* to *HW-5*), annual change remained near historic levels of decline, as discussed in the next section. Inflation-adjusted growth will be addressed following the still-scheduled CPI release on January 11th. Related M3 growth should weaken in tandem.

December 2018 annual growth in the narrower M2 came in at 4.45% in December 2018, versus 3.86% in November and 3.74% on October 2018. December 2018 annual growth rebounded to 5.37% in the narrowest M1 measure, versus 3.04% in November 2018 and 4.08% in October 2018.

M2 includes M1; M3 includes M2, see the [Money Supply Special Report](#) for full definitions of those measures. The latest estimates of level and annual changes for December 2018 M3, M2 and M1, and for earlier periods are detailed in [www.ShadowStats.com](http://www.ShadowStats.com), the [Alternate Data](#) tab, with the plot of nominal

year-to-year change shown in *Graph HW-1*. See the [Money Supply Special Report](#) for full definitions of those money supply measures.

**Graph HW-1: Comparative Money Supply M1, M2 and M3 Yr-to-Yr Changes through December 2018**



**Based on Its Latest Two-Week Reporting the Saint Louis Fed's Adjusted Monetary Base Plunged Year-to-Year by 11.2% (-11.2%), In a Continuing, Near-Record Pace of Decline.** The Federal Reserve Board's Federal Open Market Committee (FOMC) has continued to tighten domestic liquidity at what has become an intensifying pace. For the two-week reporting period closest to month-end December 2018, the two weeks ended January 2nd, the Saint Louis Fed's Adjusted Monetary Base declined to its lowest level in five-and-a-half years, since July of 2013. The same period, annual growth declined by 10.21% (-10.21%), following a near record annual drop of 12.55% (-12.55%) in the prior two-week period.

The Monetary Base traditionally has been the FOMC's tool for targeting growth in the Money Supply (and inflation and economic activity), following annual drops of 8.36% (-8.36%) in the two weeks ended October 24th, 7.56% (-7.56%) for the two-weeks ended September 26th, 9.38% (-9.38%) August 29th and 5.92% (-5.92%) August 1st. Such broadly has been in a continuous stream of deepening annual declines since the May 14th period, and continual slowing in annual growth from a peak of 9.67% in the two-week period ended January 3, 2018, as reflected in *Graph HW-2*.

**Annual Drop of 11.78% (-11.78%) in the December 2018 Monetary Base, Was Hit Before in July 1937, When the FOMC Triggered the Great Depression's Second Down Leg.** *Graphs HW-4* and *HW-5* show the monthly Adjusted Monetary Base as calculated and provided by the Saint Louis Federal Reserve. The graphs show respectively both the monthly level (1918 to date) and monthly year-to-year change of the nominal Saint Louis Fed's Adjusted Monetary Base. Plots show periods of formal recessions shaded in blue. President Roosevelt abandoned the domestic gold standard in 1933, with President Nixon completing the process on an international basis in 1971. Gold had been the primary determinant of the money supply up until 1933, with ongoing impact into 1971. The Federal Reserve reportedly began

targeting the Monetary Base in the early-1980s as a way of generating desired growth in the Money Supply, the Economy and Inflation.

Shown in *Graph HW-5*, annual year-to-year change in the monthly monetary base since 1930 has breached an annual decline of 11% (-11%) on the downside only three times. Most recently was November 2018 down by 11.02% (-11.02%), continuing to deepen in December 2018, down by 11.78% (-11.78%). Prior to the current circumstance was October 2016 and before that was July 1937.

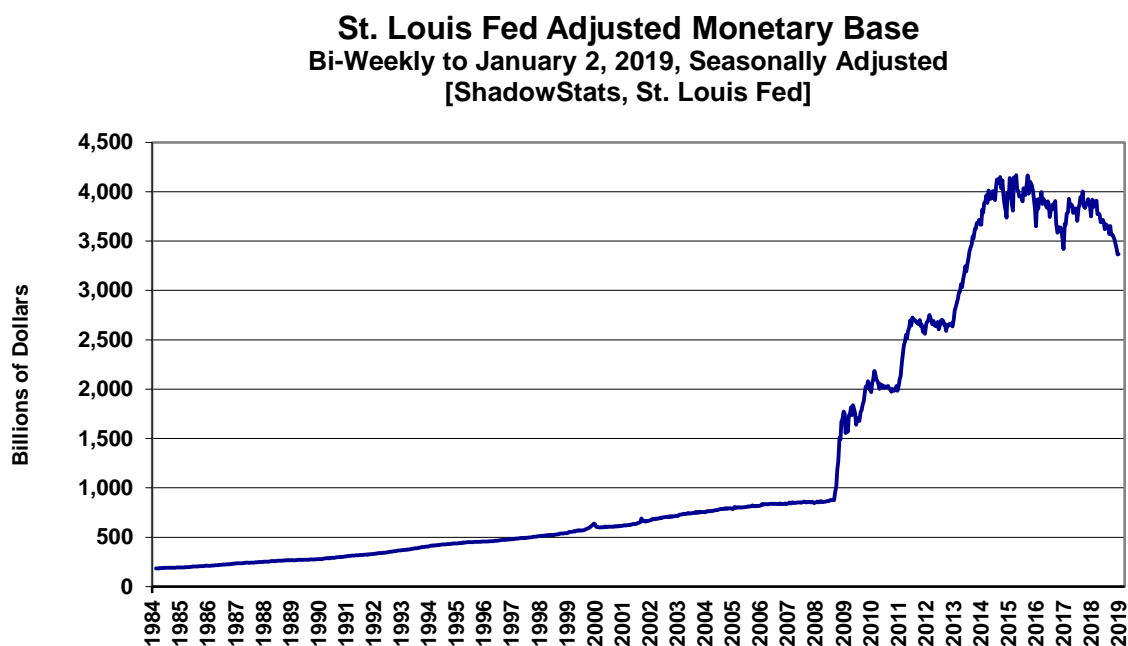
Milton Friedman and Anna Jacobson Schwartz discussed in *A Monetary History of the United States 1867-1960* as to how the FOMC's raising reserve requirements in 1937, and being slow to recognize a renewed economic downturn, had helped to trigger the steep, second down-leg to the Great Depression.

The FOMC has done its best to mute recent Monetary Base impact on Money Supply growth. Where explosive growth in the Monetary Base during Quantitative Easing broadly did not flow through to the Money Supply, some parallel weakness in the "tightening" Money Supply has been seen in the early stages of reversing the process, enough to dampen current economic activity.

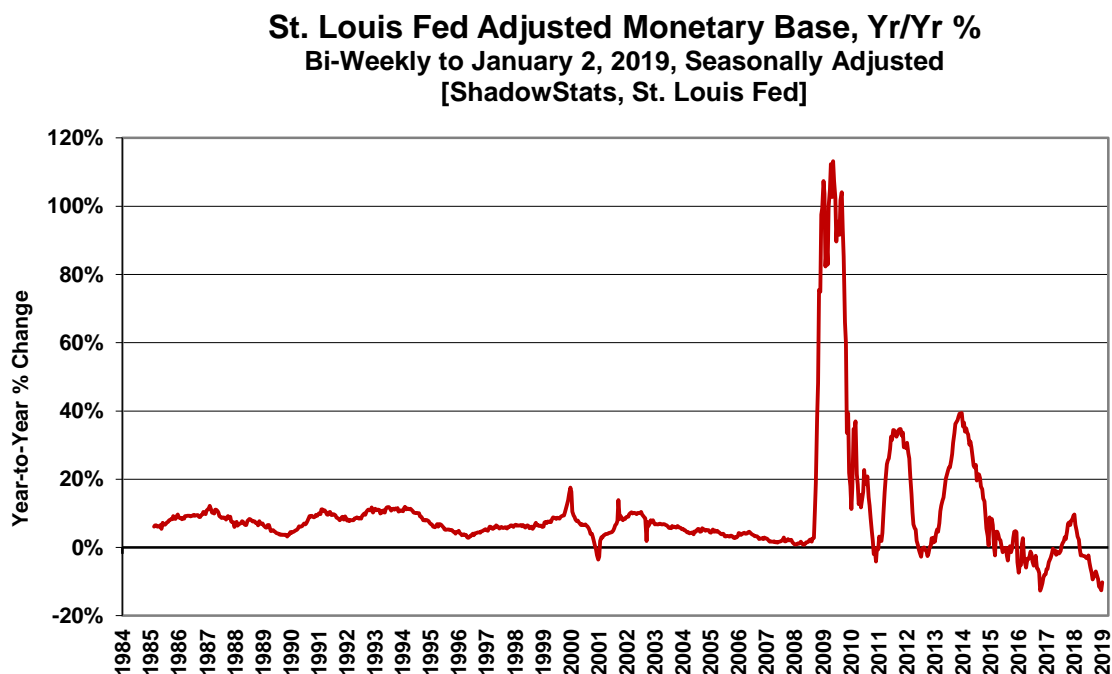
Given continued tightening and still-possible rate hikes by the FOMC, the annual contraction in the Monetary Base should continue to deepen, possibly hitting meaningfully deep, record levels of annual contraction. While the level of the Monetary Base has remained within the bounds of activity seen in the last several years, it now is trending sharply lower. Prior to Quantitative Easing, changing the level of the Monetary Base had been the primary tool of the FOMC for targeting growth in the money supply. Late-2017 upside movements in annual growth for M3 and the Monetary Base have reversed, dropping off sharply, together. With the current activity confirming a sharp tightening in FOMC policy, despite a one-month jumps in annual M1, M2 and M3 money growth in December, intended negative economic consequences already have started to flow, as discussed earlier.

**[Graphs HW-2 to HW-5 begin on the next page.]**

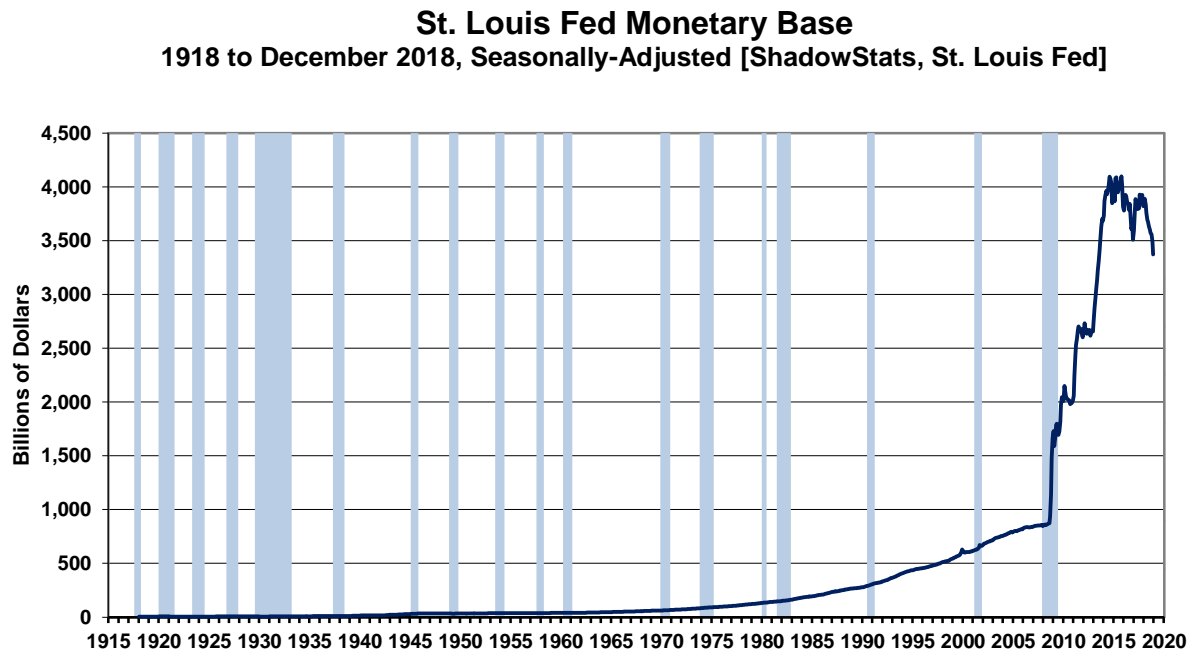
**Graph HW-2: Saint Louis Fed Bi-Weekly Monetary Base, Billions of Dollars (1984 to January 2, 2019)**



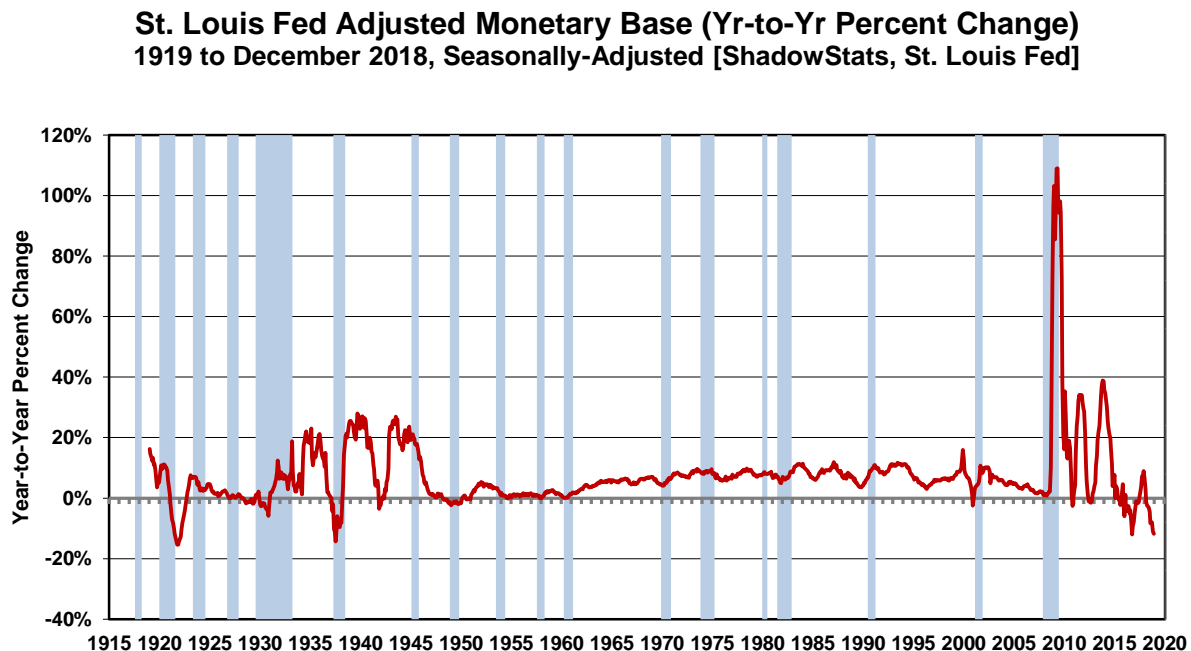
**Graph HW-3: Yr-to-Yr Percent Change, Saint Louis Fed Bi-Weekly Monetary Base (1985 to January 2, 2018)**



**Graph HW-4: Saint Louis Fed Monthly Monetary Base, Billions of Dollars (January 1918 to December 2018)**



**Graph HW-5: Year-to-Year Percent Change, Monthly Saint Louis Fed Monetary Base (Jan 1919 to Dec 2018)**





## WEEK, MONTH AND YEAR AHEAD

### Beware of Nonsense Hype of an Economic Turnaround in Place

**FOMC Has Not Yet Settled in With the Concept of Renewed Easing – No New Rate Hikes**

**Accordingly, Watch for Continued Selling of Stocks, the U.S. Dollar and a Flight to Gold!**

Today's *Opening Comments* and [\*Some Thoughts on the Stock Market \(No. 980-A\)\*](#) of December 26th address continued, unfolding stock-market turmoil, supplemental to [\*Hyperinflation Watch No. 4 – Special Edition\*](#) of December 11th, which incorporated and expanded upon [\*Special Commentary No. 973 – ALERT\*](#) of October 14, 2018. In advance of *Hyperinflation Watch No. 5*, related new material will be advised in the *Daily Update* section of [www.ShadowStats.com](http://www.ShadowStats.com), and/or posted in the *Opening Comments* of a *Regular Commentary* (again, see today's *Opening Comments*, beginning on page 6). The same holds for updates to [\*Consumer Liquidity Watch No. 5 – Special Edition\*](#) of November 21st.

**Financial-Market Turmoil Reflects Deteriorating Economic, Fiscal and Political Conditions, Exacerbated by the FOMC Banking-System Priorities, Which Have Exacerbated Related, Mounting Systemic- and Consumer-Liquidity Stresses.** Previously noted here, and expanded upon in today's *Opening Comments*, the backdrop of the *Squirrelly Season* and likely tipping point for the markets reviewed in [\*Commentary No. 970\*](#) is coming into play, irrespective of an organized media campaign to sell the concept that all is right again with the U.S. economy, the domestic banking system and the domestic financial markets. One could hope or wish these claims were true, in place, but the evidence strongly is in the other direction, as discussed in the various elements of today's missive.

Rapid deterioration in near-term, headline economic activity, and rapidly mounting risks of near-term political turmoil/instability, have combined to widen and to accelerate the risk of massive selloffs in the

U.S. dollar and U.S. equity markets, coming together at the same point in time. Such market movements began to break in the days leading into Christmas, with increasingly unstable activity since. Again, see today's *Opening Comments* section for updated circumstances. ***The remainder of this text is background, unchanged from [No. 979](#) of December 19th:***

Discussed in [Hyperinflation Watch No. 4](#) and the *Daily Update*, extraordinary financial-market and systemic risks are in play, with a great deal more involved in recent stock-market selling than overvalued equities. At hand are circumstances that could trigger one of the worst financial panics/systemic disruptions of the last century. Consider still-unresolved systemic instabilities from the 2008 bailout of the global banking system; heavily inflated equity prices; current Fed tightening and a related, unfolding U.S. recession; rapidly deteriorating, uncontained and unsustainable U.S. fiscal deficits; and exploding risks of political instability in the United States and among major U.S. trading partners and allies.

In particular, watch out for weakness and instability in the U.S. Dollar, and for spiking gold prices. The dollar and precious metals serve as the Canary in the Coal Mine for the domestic stock and bond markets. A sudden sell-off in the U.S. dollar, likely would be coincident with, if not the proximal trigger for the intensifying flight from liquid dollar-denominated assets such as stocks and bonds.

Holdings of 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 U.S. inflation and currency debasement and/or political- and financial- system upheaval. These crisis circumstances increasingly are likely in the next six months, but they could break at any time.

Please call (707) 763-5786, or contact me by e-mail at [johnwilliams@shadowstats.com](mailto:johnwilliams@shadowstats.com), if you would like to discuss current circumstances, or otherwise.

*Best wishes – John Williams*

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**[Pending and Delayed Economic Releases Discussed Beginning on the Following Page.]**

## Pending and Delayed Economic Releases

**Note:** Summary observations of major economic releases are posted in real time, as soon as possible (usually within two hours of the headline release) to the *Daily Update* section at the top right-hand side of the [www.ShadowStats.com](http://www.ShadowStats.com) homepage.

**Consumer Price Index (December 2018).** Irrespective of the partial government shutdown, details of the headline December 2018 Consumer Price Index (CPI) remain scheduled for release on Friday, January 11th, by the Bureau of Labor Statistics (BLS) at 8:30 a.m. Eastern Time. ShadowStats coverage of the headline detail will follow in the *Daily Update* section of the [ShadowStats](http://www.ShadowStats.com) home page, within roughly two hours of the headline release.

Full coverage will follow in a *Commentary* next week, depending on the status of the government's publication of other data (please check the *Daily Update* on the [www.ShadowStats.com](http://www.ShadowStats.com) home page for the latest scheduling).

The consensus outlook appears to be for the December 2018 CPI-U to decline by 0.1% (-0.1%) month-to-month, with an annual CPI-U gain of about 1.9%. Given the continuing decline in headline gasoline prices, that outlook is in line with the ShadowStats estimate of a monthly contraction of 0.1% (-0.1%) as expressed in [Commentary No. 979](#), although with an annual unadjusted CPI-U gain more likely in the 2.0% to 2.1% range

**Look for month-to-month seasonally adjusted CPI-U inflation around a monthly contraction of 0.1% (-0.1%), with unadjusted annual CPI-U inflation around 2.0% plus-or-minus, all reflective of a continuing collapse of headline gasoline prices in December.**

### ***ECONOMIC RELEASES DELAYED BY THE U.S. GOVERNMENT PARTIAL SHUTDOWN:***

- **New Home Sales (November 2018).** *Delayed* – Was due for release on Thursday, December 27th by the Census Bureau.
- **Construction Spending (November 2018).** *Delayed* – Was scheduled for Thursday, January 3rd, by the Census Bureau.
- **Trade Deficit (November 2018).** *Will be Delayed* – Initially scheduled for release on Tuesday, January 8th, by the Census Bureau and the Bureau of Economic Analysis.
- **Retail Sales (December 2018).** *Likely Will Be Delayed* – Scheduled for release on Wednesday, January 16th, by the Census Bureau.

- **New Residential Construction (December 2018).** *Likely Will Be Delayed* – Scheduled for release on Thursday, January 17th, by the Census Bureau.

*Releases scheduled from the Federal Reserve and Private Surveying should not be affected.*

*Revised detail will be posted to the DAILY UPDATE column, [www.ShadowStats.com](http://www.ShadowStats.com).*

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## **Prior Commentaries and Current Hyperinflation and Consumer-Liquidity Watches**

**Most Recent Hyperinflation and Consumer-Liquidity Watches:** The latest Watches always are available on [www.ShadowStats.com](http://www.ShadowStats.com) and by link from the current *Commentary*. Updates are advised by e-mail when they are posted.

The *Hyperinflation Watch* of December 11th: [Hyperinflation Watch No. 4](#) – Special Edition.

The *Consumer Liquidity Watch* of November 21st: [Consumer Liquidity Watch No. 5](#) – Special Edition.

**Special Pieces Underlying the Regular and Special Commentaries:** Underlying the [Special Commentary No. 935](#), 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](#).

**Regular Commentaries:** *[Listed here are Commentaries of the last year or so, including Special Commentaries and a sampling of others covering a variety of non-monthly issues, including annual benchmark revisions. Please Note: Complete ShadowStats archives back to 2004 are available at [www.ShadowStats.com](http://www.ShadowStats.com) (left-hand column of home page).]*

These regular *Commentaries* should be published about weekly, with *Consumer Liquidity* and *Hyperinflation Watches* updated every several weeks or so, updating general economic, consumer-liquidity and financial-market circumstances as they develop.

[Commentary No. 981](#) (January 3rd) reviewed the November 2018 Retail Sales, Industrial Production, New Residential Construction, Home Sales, New Orders for Durable Goods, the Cass Freight Index™ and the third “final” estimate of Third-Quarter 2018 Gross Domestic Product (GDP).

[Some Thoughts on the Stock Market \(No. 980-A\)](#) (December 26th), with any subsequent 980-B reserved for an interim market update, offered brief comments on unfolding, extreme stock-market volatility.

[Commentary No. 979](#) (December 19th) discussed the FOMC meeting of December 19th and reviewed the November 2018 employment and unemployment reporting, the October Trade Deficit and the November 2018 Consumer and Producer Prices Indices and related consumer-liquidity indicators.

[Commentary No. 978 – Part II](#) (December 5th) completed *Part I*, reviewing the October 2018 New Residential Construction, New-and Existing-Home Sales and Construction Spending, the second estimate of Third-Quarter GDP and the initial estimates of Third-Quarter GDI and GNP. It also updated the *No. 973 ALERT*.

[Commentary No. 978 - Part I](#) (December 1st) covered deteriorating economic and consumer-liquidity conditions and evolving FOMC policy, the October 2018 Consumer and Producer Prices Indices, Retail Sales, Industrial Production, New Orders for Durable Goods and the CASS Freight Index™.

[Commentary No. 977](#) (November 6th) detailed the October 2018 employment and unemployment reporting, the September Trade Deficit and Construction Spending and October monetary conditions.

[Commentary No. 976](#) (October 30th) reviewed the first or “advance” estimate of Third-Quarter 2018 GDP, September 2018 New Orders for Durable Goods, September New-Home Sales, the “advance” September and third-quarter 2018 Trade Deficit and an updated review of underlying economic reality.

[Commentary No. 975](#) (October 22nd) covered FOMC policy and deteriorating consumer- and systemic-liquidity conditions along with headline September 2018 Retail Sales, Industrial Production, New Residential Construction (Building Permits, Housing Starts), Existing-Home Sales, the Cass Freight Index™, Hurricane Impact and pending Elections.

[Commentary No. 974](#) (October 15th) expanded upon elements of the *No. 973 ALERT*, previewed elements of updated consumer and systemic liquidity measures and covered the September 2018 Consumer and Producer Price Indices.

[Special Commentary No. 973 – ALERT](#) (October 14th) was a single-page discussion and warning of rapidly mounting risks of instabilities in the domestic financial markets in six months ahead. See the latest *Hyperinflation* and *Consumer-Liquidity Watches* and *Commentary No. 970*.

[Commentary No. 972](#) (October 7th) covered September 2018 Employment and Unemployment, Conference Board Help Wanted OnLine® Advertising, Monetary Conditions and the August Trade Deficit and Construction Spending.

[Commentary No. 971](#) (October 3rd) reviewed August 2018 New Residential Construction, Existing- and New-Home Sales, New Orders for Durable Goods and the third estimate of Second-Quarter 2018 GDP, along with an updated review of underlying economic reality.

[\*Commentary No. 970\*](#) (September 26th) discussed a potential, pending Tipping Point in the U.S. financial markets along with a review of August 2018 CPI, PPI, Retail Sales, Industrial Production and the CASS Freight Index<sup>TM</sup>.

[\*Commentary No. 969-Extended\*](#) (September 16th) Reviewed the reporting of 2017 Real Median Annual Household Income and related measures of Income Dispersion, along with extended coverage of the August 2010 Employment and Unemployment numbers, including an updated Supplemental Labor-Detail Background Supplement.

[\*Flash Commentary No. 969-Advance\*](#) (September 7th) covered initial headline employment and unemployment detail for August 2018 (expanded upon in *No 969-B*), July Construction Spending, the July Trade Deficit and a review of August Monetary Conditions.

[\*Special Commentary No. 968-Extended\*](#) (September 6th) reviewed underlying economic reality, in the context of statistical deception used in boosting headline GDP activity, and against the background of extended analysis of the 2010 Comprehensive GDP Benchmarking. Separately covered was extended coverage of the second estimate of second-quarter 2018 (see [\*Flash Commentary No. 968-Advance\*](#)).

[\*Flash Commentary No. 968-Advance\*](#) (August 29th) provided a summary review of the headline first revision, second estimate of Second-Quarter 2018 GDP and initial estimates of GDI and GNP. Also updated were early indications from the latest Consumer Liquidity measures.

[\*Commentary No. 967\*](#) (August 24th) discussed the annual squirrely season and reviewed July 2018 New Orders for Durable Goods and New- and Existing-Home Sales and the preliminary benchmark revision to 2018 payroll employment.

[\*Commentary No. 966\*](#) (August 17th) reviewed July 2018 Retail Sales, Industrial Production, New Residential Construction and the CASS Freight Index<sup>TM</sup>.

[\*Commentary No. 965\*](#) (August 12th) covered the July 2018 Consumer and Producer Price Indices (CPI and PPI), and Real Average Weekly Earnings and deteriorating consumer liquidity conditions.

[\*Commentary No. 964-A\*](#) (August 3rd) preliminary coverage of July 2018 Employment/Unemployment, Conference Board Help Wanted OnLine<sup>®</sup> Advertising, M3 and the June Trade Deficit and Construction Spending.

[\*Commentary No. 963\*](#) (July 31st) reviewed June Retail Sales, Industrial Production, New Orders for Durable Goods and the Cass Freight Index, all in the context of the GDP revisions and unfolding, underlying economic reality.

[\*Commentary No. 962\*](#) (July 27th) provided initial coverage of the first or “advance” estimate of Second-Quarter 2018 Gross Domestic Product (GDP) and the Comprehensive Benchmark Revisions to the series back to 1929. A full update and extended coverage are the September 6th *Special Commentary No. 968-Extended*.

[\*Commentary No. 961\*](#) (July 26th) provided full coverage on New Residential Investment (Housing Starts, Building Permits and New- and Existing-Home Sales. Preliminary coverage was provided on June Retail Sales, Industrial Production, New Orders for Durable Goods and the Cass Freight Index<sup>TM</sup>, all of which were expanded upon in *Commentary No. 963*.

[\*Commentary No. 960\*](#) (July 15th) reviewed the June Consumer and Producer Price Indices (CPI and PPI), Real Earnings and related implications for consumer and systemic liquidity



[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 with 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<sup>®</sup> 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<sup>™</sup> 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<sup>™</sup>.

[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<sup>®</sup> 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<sup>™</sup> 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<sup>®</sup> 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<sup>™</sup> 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<sup>®</sup> 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<sup>™</sup>.

[Commentary No. 942-A](#) (March 23rd) provided a very brief summary of the much more extensive Industrial Production benchmarking 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<sup>®</sup> 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<sup>™</sup>.

[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<sup>®</sup> 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<sup>™</sup> 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<sup>®</sup> 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<sup>®</sup> 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).

[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. 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 pre-recession level of activity. Such was in the context of contracting and faltering industrial production rivaling the economic collapse in the Great Depression as to duration. Also covered were prior January 2017 New- and Existing Home Sales.

[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.

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