

ShadowStats Flash Commentary, Issue No. 1432

March 2020 Unemployment Claims, Industrial Production, Retail Sales, Housing Starts

April 17, 2020

**First Major Coronavirus Impact on Headline Economic Reporting
Devastated March Activity - Only the Final Third of First-Quarter 2020 GDP**

**Despite Muted Pandemic Impact, Pending First-Quarter 2020 GDP Contraction
Should Rival the Depths of the Great Recession**

**Fully Hit Second-Quarter GDP Contraction Should Rival the
Depths of the Great Depression, or Worse**

**Since the March 2020 Unemployment Survey, 22 Million New Claims for
Unemployment Insurance Have Been Filed, Suggestive of Headline
April 2020 Unemployment Topping 22%; It Will Get Worse**

**April 2020 Unemployment Rate Will More Than Double Anything Seen
Post-World War II, Worst Since the Great Depression**

March 2020 Real Retail Sales Plunged by a Record Monthly 10.3% (-10.3%)

**March 2020 Industrial Production and Manufacturing Showed Their
Deepest Monthly Plunges Since the Post-World War II Production Shutdown**

**What Had Been a Recent Boom in Housing Starts and Building Permits
Was Flattened in First-Quarter 2020 by Weakened March Activity,
Second-Quarter 2020 Plunge Already Is in Play**

**First- and Second-Quarter 2020 Quarterly Contractions in Real Retail Sales and
Manufacturing Follow Pre-Pandemic Fourth-Quarter 2019 Contractions**

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Crisis Overview – Headline Monthly March Economic Reporting

Coronavirus Pandemic Pushes Economy into Deepening Depression

First-Quarter GDP Plunge Will Have Comparisons With Depths of the Great Recession

Second-Quarter GDP Should Rival Depths of the Great Depression or Worse

U.S. Faces a Potential, Hyperinflationary Systemic Collapse - Hyperinflation Risk Analysis and Review Follow in Issue No. 1433

With the Bulk of March 2020 Headline Monthly Economic Reporting in Hand, Severe Quarterly Contractions Loom in First- and Second-Quarter 2020 Gross Domestic Product (GDP).

Complementing the coverage of the March 2020 Cass Freight Index® in [*Flash Commentary, Issue No. 1431*](#), today's missive reviews this week's other headline economic reporting of weekly New Claims for Unemployment Insurance (Week Ended April 11th) on page 6, and monthly March 2020 Real Retail Sales beginning on page 7, Industrial Production (Manufacturing, Mining and Utilities) beginning on page 10, and Residential Construction (Building Permits and Housing Starts) beginning on page 18.

The hard numbers for March 2020 suffered a variety of surveying quality issues tied to the Coronavirus Pandemic disruptions. Yet, as stated by the Census Bureau in both its Retail Sales and New Residential Construction Spending releases, they had "... determined estimates in this release meet publication standards ."

With initial estimates of key data now in hand for full First-Quarter 2020, and with reasonable indications of likely Second-Quarter 2020 activity, *ShadowStats* will update its GDP forecasts for both First- and Second-Quarter GDP in pending *Special Commentary, Issue No. 1433* in the next several days.

Against headline Fourth-Quarter 2019 real annualized quarter-to-quarter and year-to-year growth rates of 2.1% and 2.3%, the current *ShadowStats* GDP forecasts from [*Special Commentary, Issue No. 1430*](#) are for respective negative real quarterly and annual contractions of 8.2% (-8.2%) and 0.6% (-0.6%) in First-Quarter 2020, and of 37.2% (-37.2%) and 11.9% (-11.9%) in Second-Quarter 2020. The updated forecasts should show similar patterns and magnitudes to the current estimates, with the First-Quarter 2020 GDP contraction the worst since the Great Recession, and the Second-Quarter 2020 GDP the worst since the Great Depression, if not the worst ever in terms of modern GDP estimation. Keep in mind that the First-Quarter 2020 GDP includes only one month's Pandemic impact, where Second-Quarter 2020 will suffer the full impact.

Evolving Coverage of the Pandemic-Induced Economic and Financial Turmoil. Disrupted economic and financial-system circumstances remain highly fluid and volatile. Accordingly, *ShadowStats* assessments will be updated with frequent *Flash Commentaries* in the weeks ahead, interspersed with *Special Commentaries*, as needed.

ShadowStats Special Commentary, Issue No. 1433 - Risk of Hyperinflationary Collapse follows in the next several days. Specific schedules, headline reporting, intervening events and unusual developments all are covered regularly in the *Daily Update* section on the [ShadowStats Home Page](#).

For earlier and evolving assessments of the last month, see [Special Commentary, Issue No. 1429](#), [Special Commentary, Issue No. 1430](#) abt [Flash Commentary, Issue No. 1431](#).

Please call me any time, with a question on the evolving circumstances, or if you just would like to talk, at (707) 763-5786. Leave a message if your call goes to Voicemail. I shall be back to you.

**Your questions and comments always are welcomed. Again, please contact:
John Williams (707) 763-5786, johnwilliams@shadowstats.com.**

[Coverage of New Claims for Unemployment Insurance begins on the next page]

New Claims for Unemployment Insurance Confirm Collapsing Labor Markets

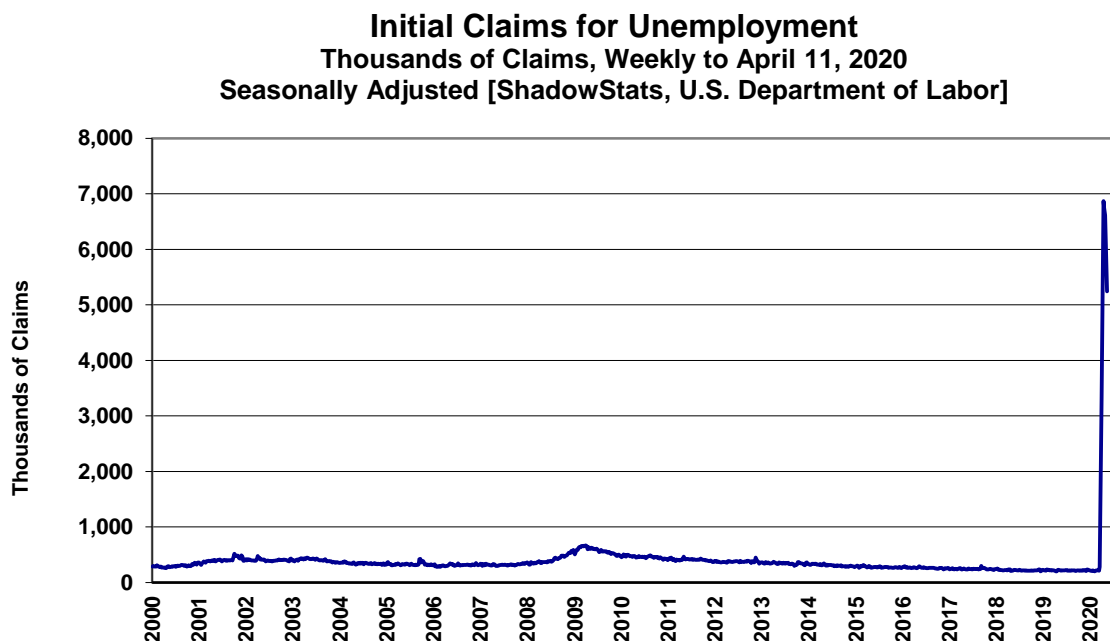
It Is Not Over: Continued Headline Unemployment Deterioration in Weeks Ahead

Headline April 2020 Unemployment Will Be Worst Since Great Depression

Week-Ended April 11th New Unemployment Claims Continued to Surge, Consistent With April 2020 U.3 Unemployment of Over 22%, Versus 4.4% in March. (April 16th, Department of Labor)

Weekly new claims for unemployment insurance continued to explode, albeit at a somewhat slowing pace of 5.245 million, versus an upwardly revised 6.615 [previously 6.606] million in the April 4th week, but up by 2485% against 0.203 million (203 thousand) in the year-ago April 6, 2019 week. New Claims have increased by 22 million since the March Unemployment Survey, suggesting something close to 22% headline U.3 Unemployment in April. Yet, that surge in unemployment is not over, where a new round of secondary furloughs is on the rise, with many who had been kept on payrolls until now, being shifted to State Unemployment Agencies. Insured Unemployment has continued to increase each week, with the April 11th “highest in history,” topping the Great Recession Peak.

Graph 1: Initial Claims for Unemployment Insurance – Weekly to April 11, 2020



[Coverage of Real Retail Sales begins on the next page]

March 2020 Real Retail Sales Plunge Worst in History of Current and Prior Series

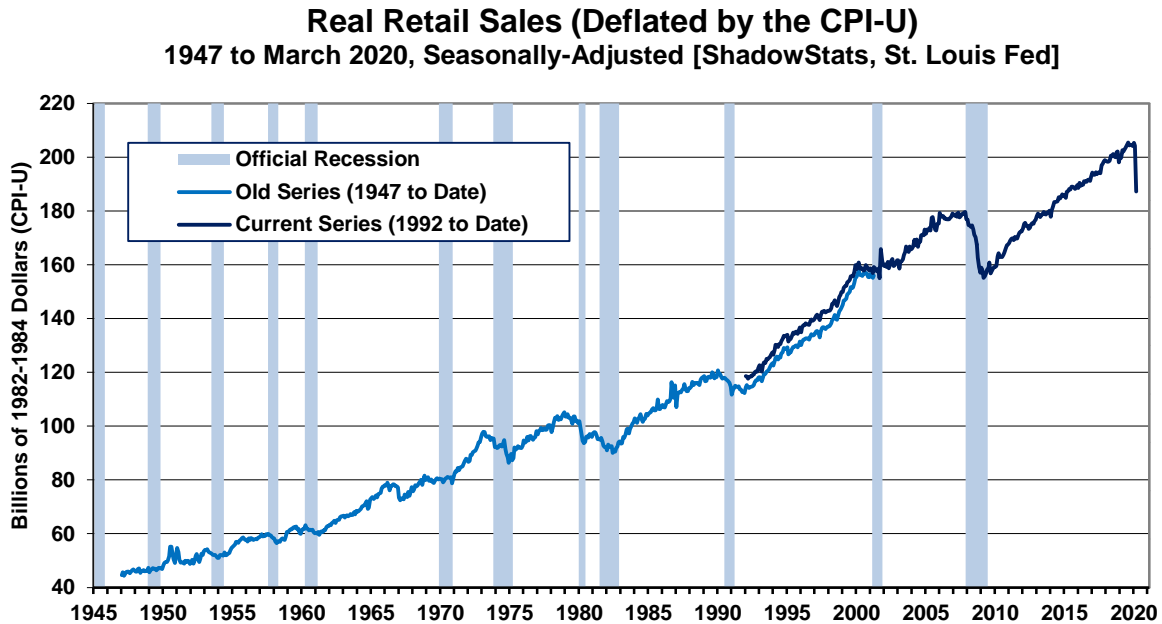
Inflation-Adjusted March 2020 Real Retail Sales Collapsed by a Record 8.3% (-8.3%) in the Month, With First-Quarter 2020 Activity Plunging at an Annualized 10.3% (-10.3%), Worst Since the Great Recession. (April 15, Census Bureau, Saint Louis Fed) First-Quarter 2020 Real Retail Sales declined for the second consecutive quarter, down by an annualized 0.78% (-0.78%) in Fourth-Quarter 2019, and by a Pandemic-accelerated 10.29% (-10.29%) for First-Quarter 2020. The March 2020 monthly decline of 8.34% (-8.34%) was the steepest in the history of the modern Series (since 1992), as well as earlier historical estimations, back to 1947 (see ***Graph 2***). Most areas of Retail Sales dropped sharply in the month, due to Pandemic disruptions and shutdowns. Key exceptions were Grocery and Liquor Stores, Pharmacies and Drug Stores, Building Materials and Supplies.

The real series headlined and plotted here is the nominal Retail Series surveyed by the Census Bureau, deflated by the CPI-U, as published by Saint Louis Federal Reserve.

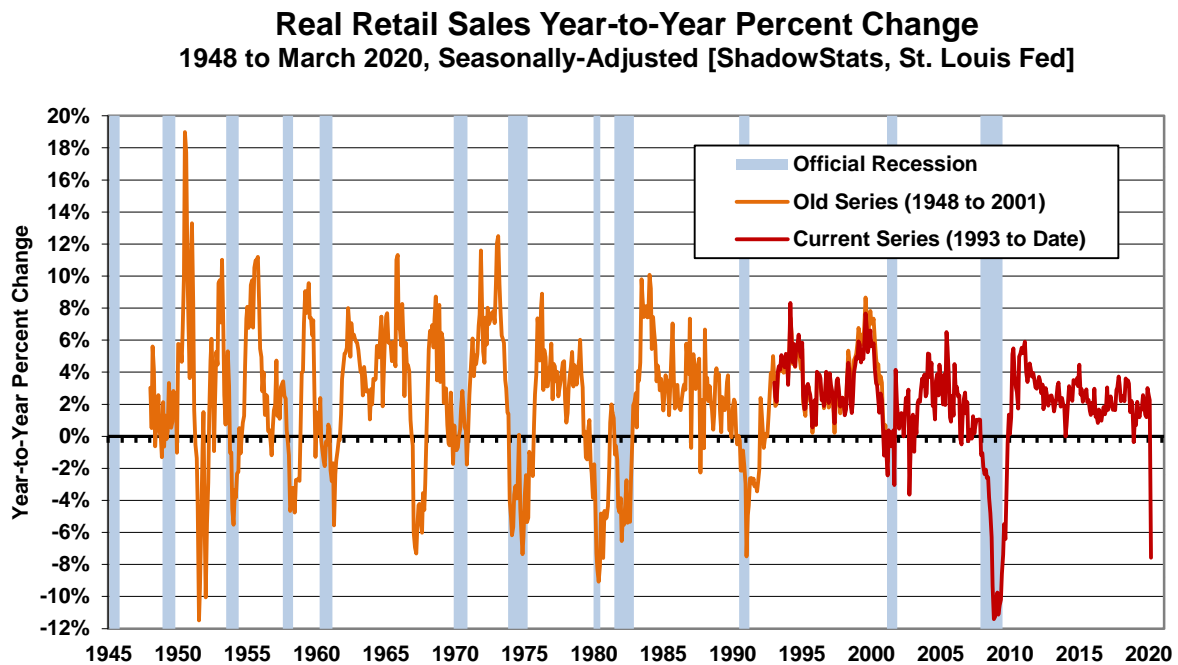
Deepening Recession and Depression. With the Second-Quarter 2020 Real Retail Sales on track for a record quarter-to-quarter contraction, such would be the third consecutive quarterly contraction, consistent with the evolving Coronavirus Pandemic Depression overwriting what already had been an unfolding recession. This should become increasingly obvious, following the pending April 27th annual benchmark revisions to the Retail Sales series.

[Graphs 2 to 5 begin on the next page]

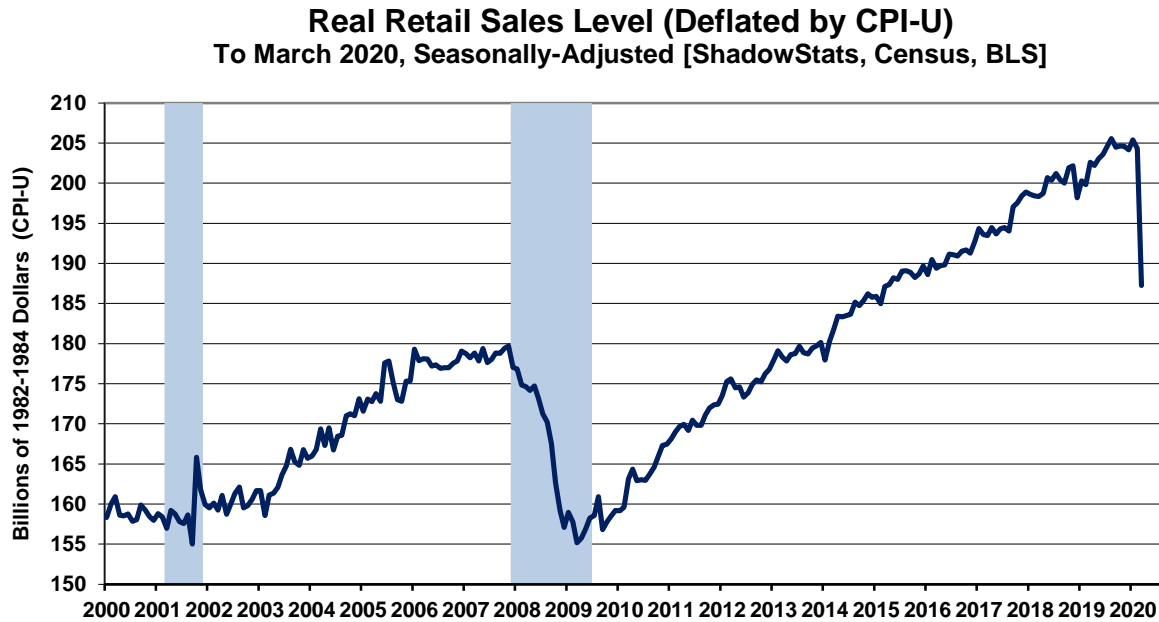
Graph 2: Combined Full History - Real Retail Sales (1947 to March 2020)



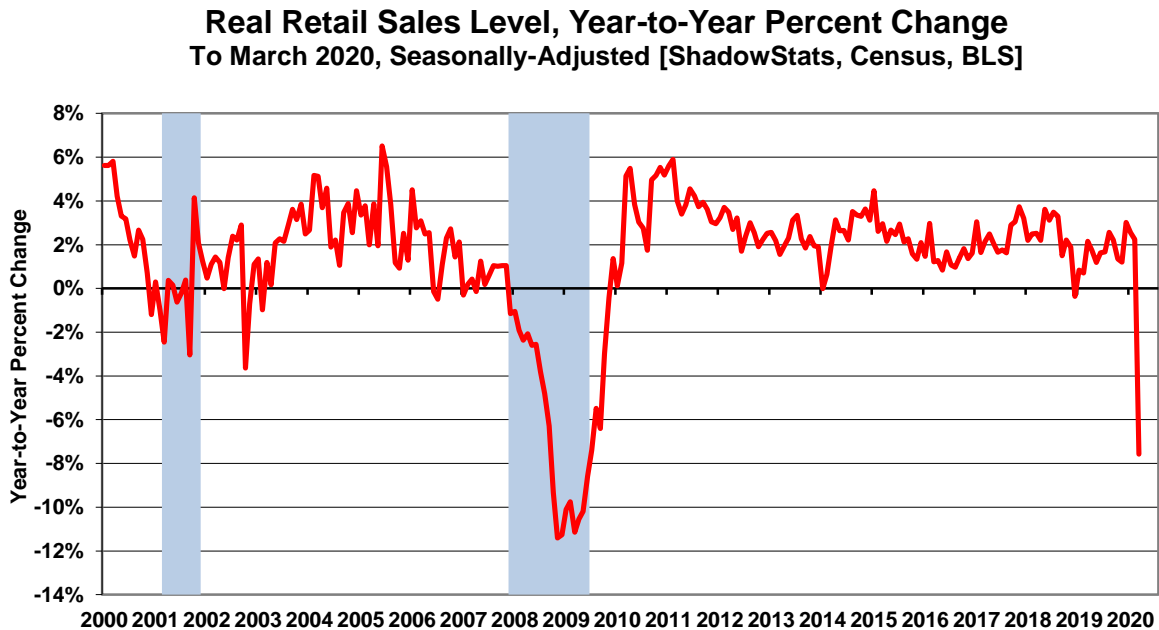
Graph 3: Combined Full History - Real Retail Sales, Year-to-Year Percent Change (1948 to March 2020)



Graph 4: Real Retail Sales (2000 to March 2020)



Graph 5: Real Retail Sales, Year-to-Year Percent Change (2000 to March 2020)



[Coverage of Industrial Production begins on the next page]

March 2020 Industrial Production Drop Was Worst Since WWII Shutdown

Second-Quarter 2020 Plunge Should Be Worst Since Great Depression

March 2020 Industrial Production Capacity Utilization Plunged to a 10-Year Low, With Production and Its Dominant Manufacturing Sector Both Showing Their Largest Monthly Percent Declines Since the Post-World II Production Shutdown. (April 15, Federal Reserve Board) Capacity Utilization, commonly used to time formal economic recessions, just took a record plunge, consistent with the unfolding Pandemic-driven Recession/Depression (see *Graphs 6* and *7*, updating prior [Flash Commentary No. 1431](#)).

March 2020 Industrial Production declined in the month by 5.40% (-5.40%), with Manufacturing down by 6.25% (-6.25%) [respectively having gained 0.46%, and dropping 0.06% (-0.06%) in February]. Neither the monthly decline of 1.92% (-1.92%) in Mining, despite some impact from the Oil-Price War driven plunge in oil prices, nor the 3.92% gain in the randomly volatile Utilities was unusual.

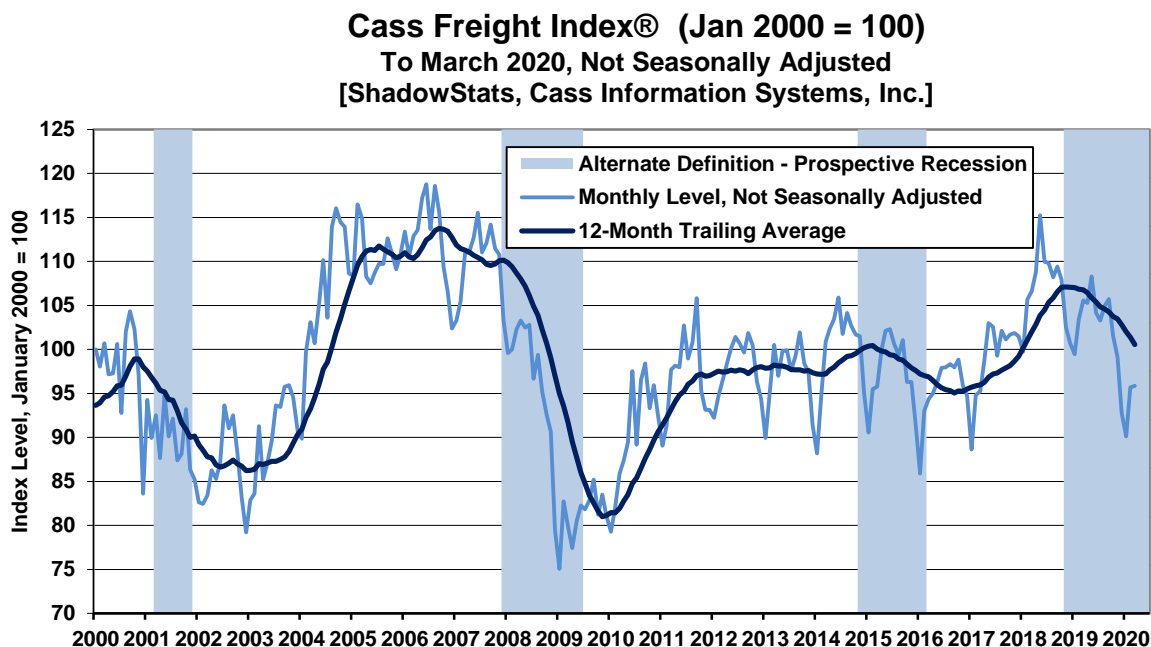
The Pandemic hit to Production and Manufacturing was late in the month of March, so where full First-Quarter 2020 (January, February and March) Production and Manufacturing plunged at respective, annualized rates of 7.53% (-7.53%) and 7.13% (-7.13%) [the second consecutive quarterly decline for Manufacturing], such otherwise would have rivaled Great Depression performance, had there been full quarterly impact (a Second-Quarter 2020 possibility). The monthly drop in Manufacturing pulled headline Production back below its Pre-Great-Recession High for the second time since its “Recovery” (breaking above its pre-recession peak in 2014, going into the 2014-2016 Mini-Recession). The hit to Manufacturing dropped it to a level 10.67% (-10.67%) shy of ever having recovered its pre-Great Recession December 2007 high. Such represents a 101-year record, 148-straight months of non-economic recovery in the Manufacturing Sector.

Deepening Recession and Depression. As with Second-Quarter 2020 Real Retail Sales, Second-Quarter Manufacturing is on track for a record quarter-to-quarter contraction. That would be the third consecutive quarterly contraction, consistent with the evolving Coronavirus Pandemic Depression overwriting what already had been an unfolding recession. This should become increasingly obvious following the pending “This Summer” annual benchmark revisions to the aggregate Industrial Production and Manufacturing series. One might hope that the Production benchmarking will precede (be incorporated into) the July 30th benchmarking of the Gross Domestic Product series.

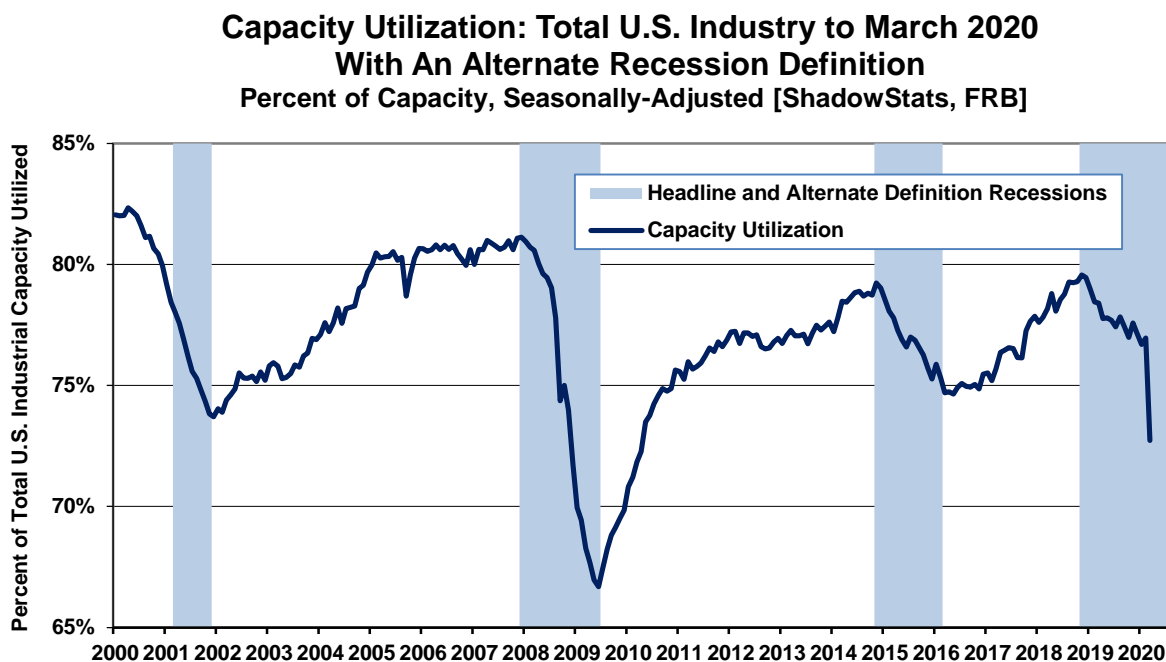
[Graphs 6 to 19 begin on the next page]

AGAINST ALTERNATE RECESSION MEASURES (Updated from [Flash Commentary No. 1431](#))

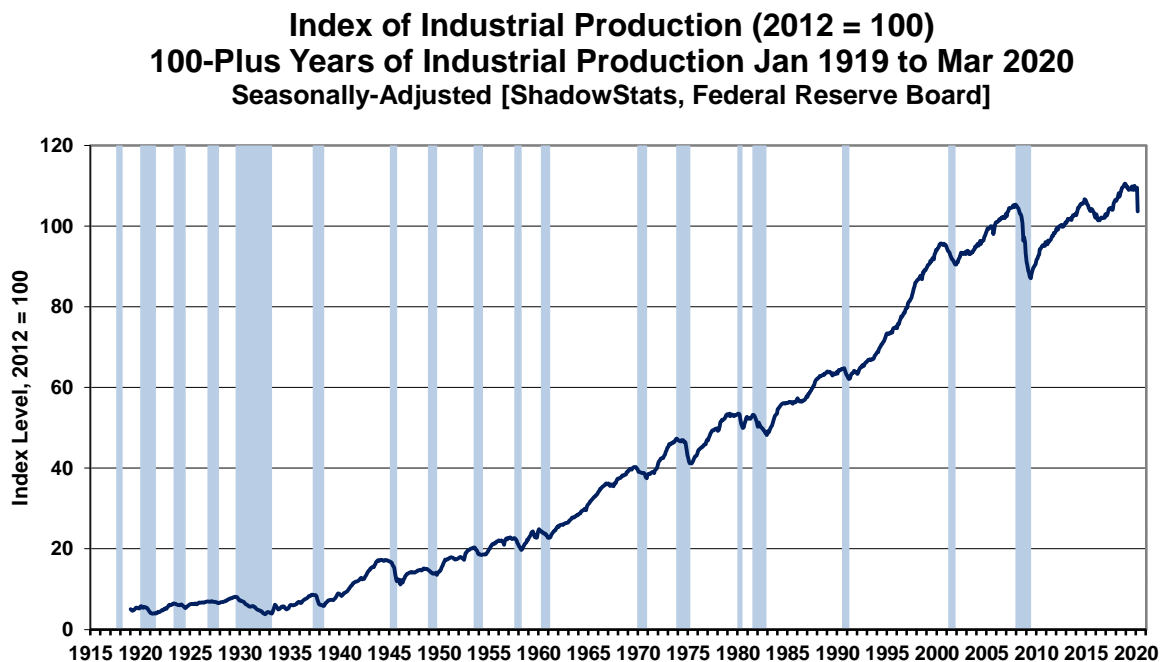
Graph 6: Cass Freight Index®, Monthly Level of Unadjusted Activity vs. 12-Month Trailing Average



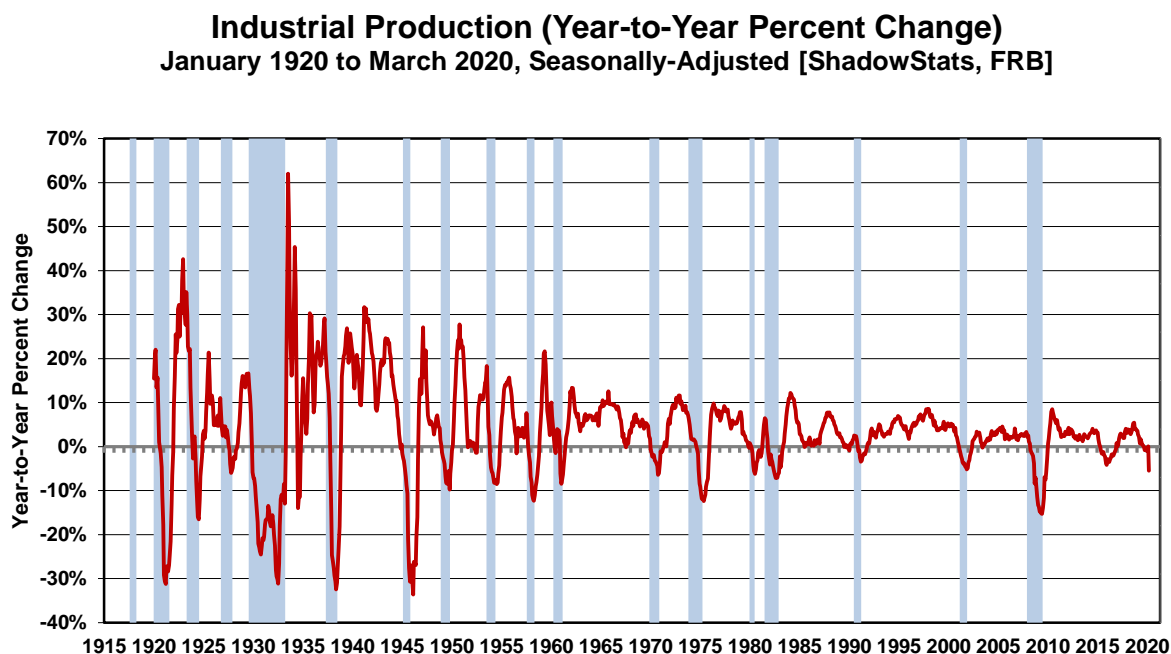
Graph 7: Total Industrial Capacity Utilization, Versus Recessions (2000-to-March 2020)



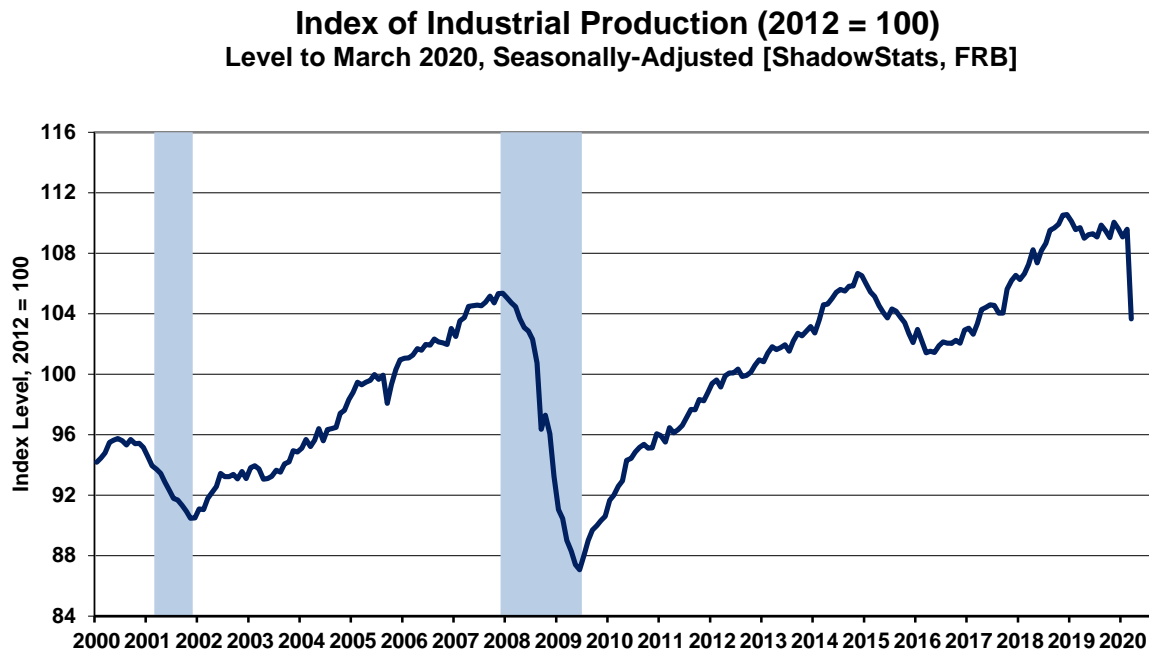
Graph 8: Index of Industrial Production, Complete History



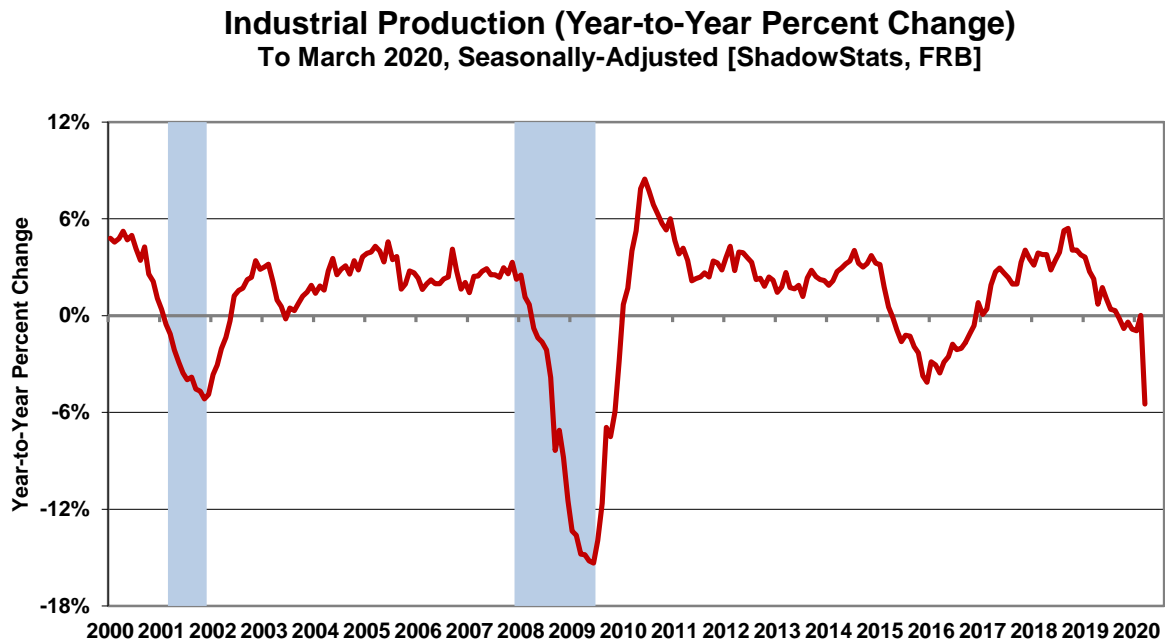
Graph 9: Index of Industrial Production, Year-to-Year Change, Complete History



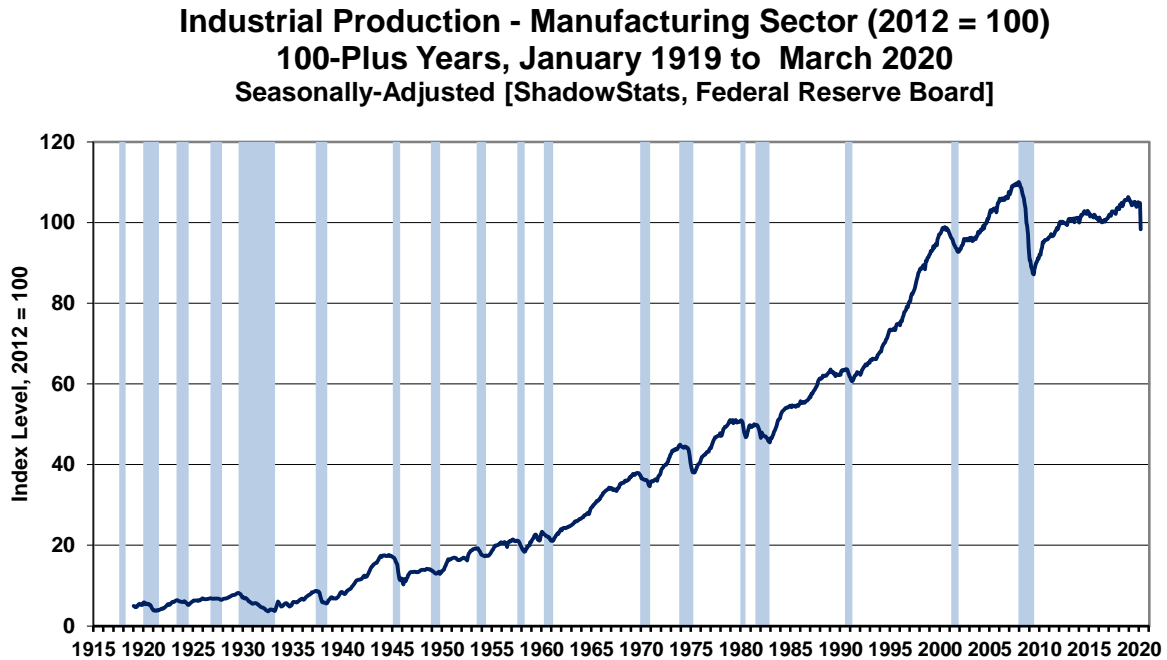
Graph 10: Industrial Production, 2000 to March 2020



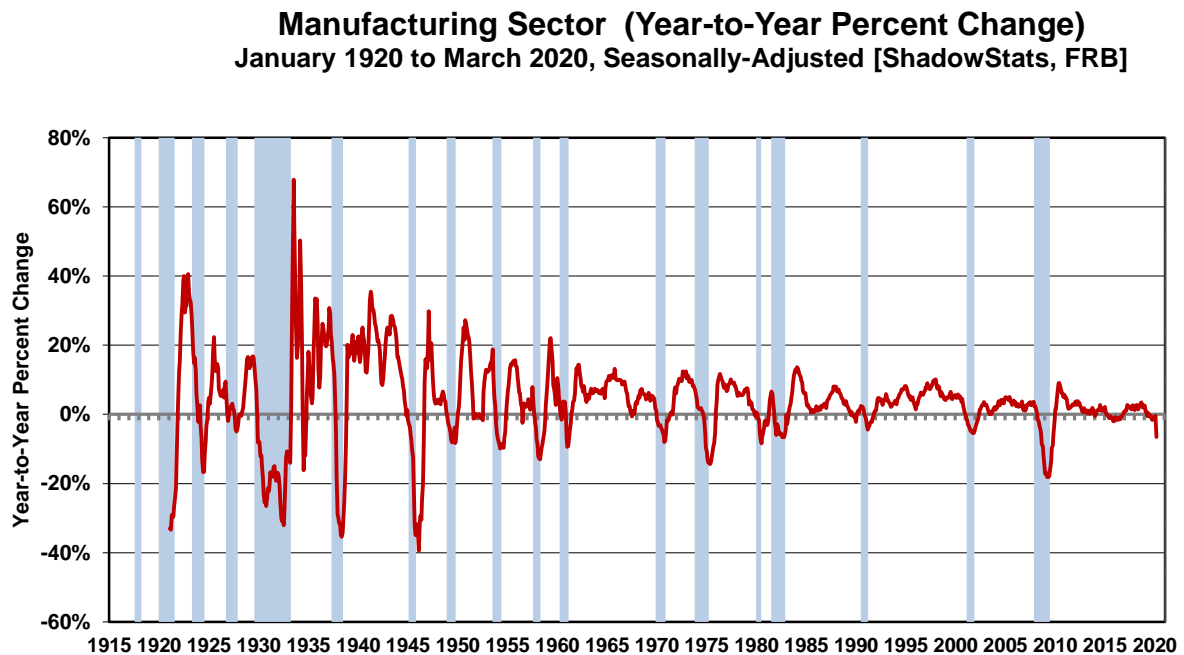
Graph 11: Industrial Production, Year-to-Year Percent Change, 2000 to March 2020



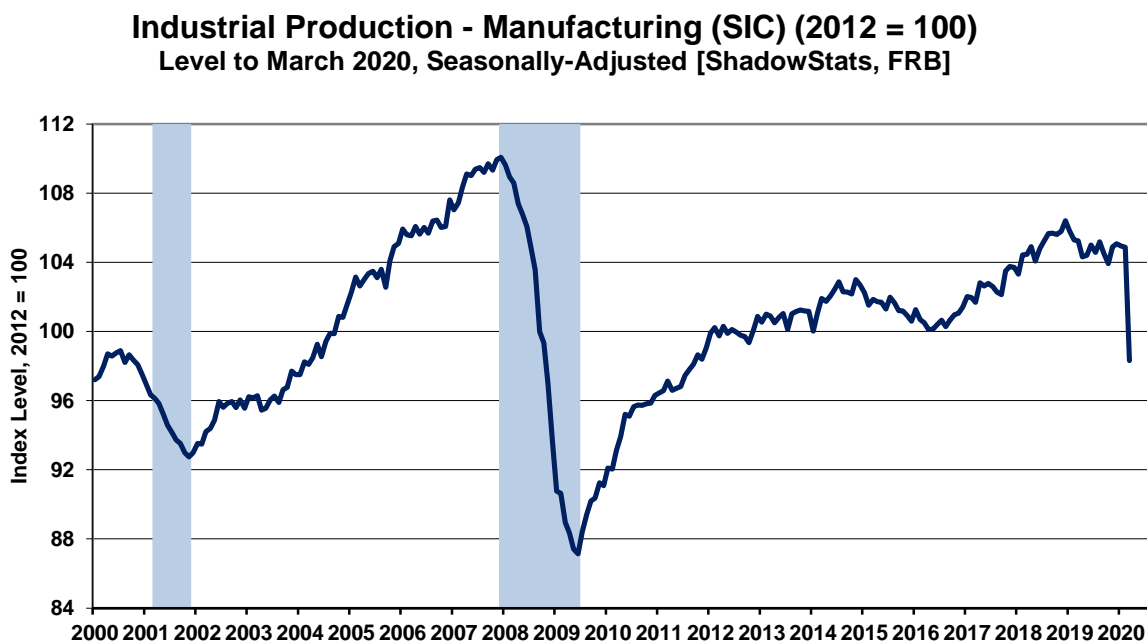
Graph 12: Manufacturing, Complete History



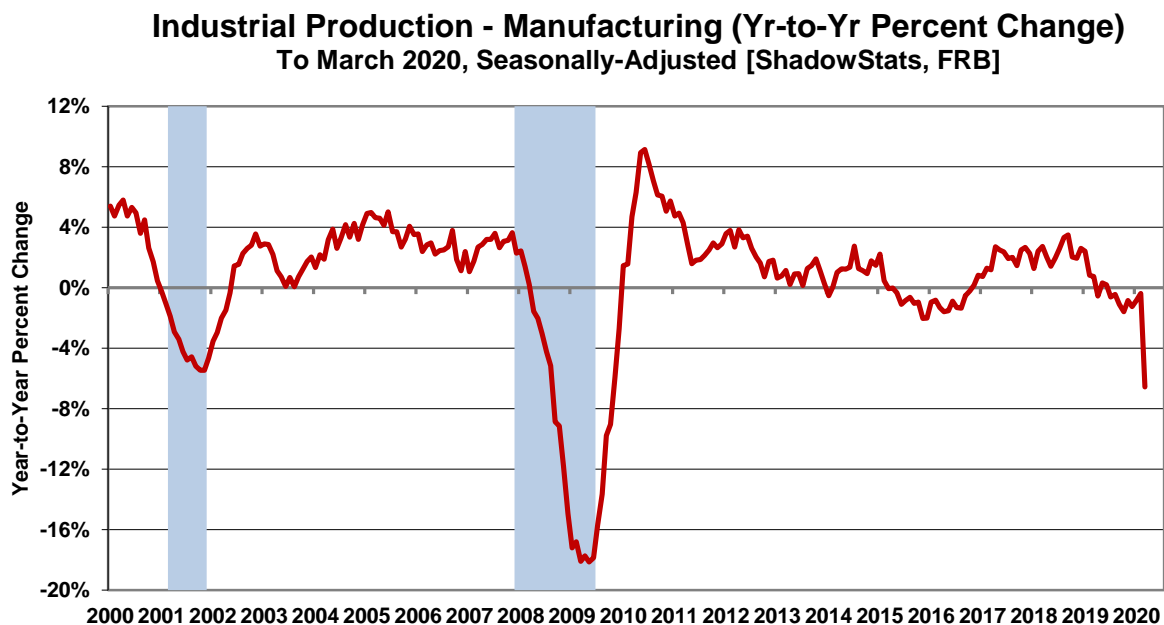
Graph 13: Manufacturing, Year-to-Year Change, Complete History



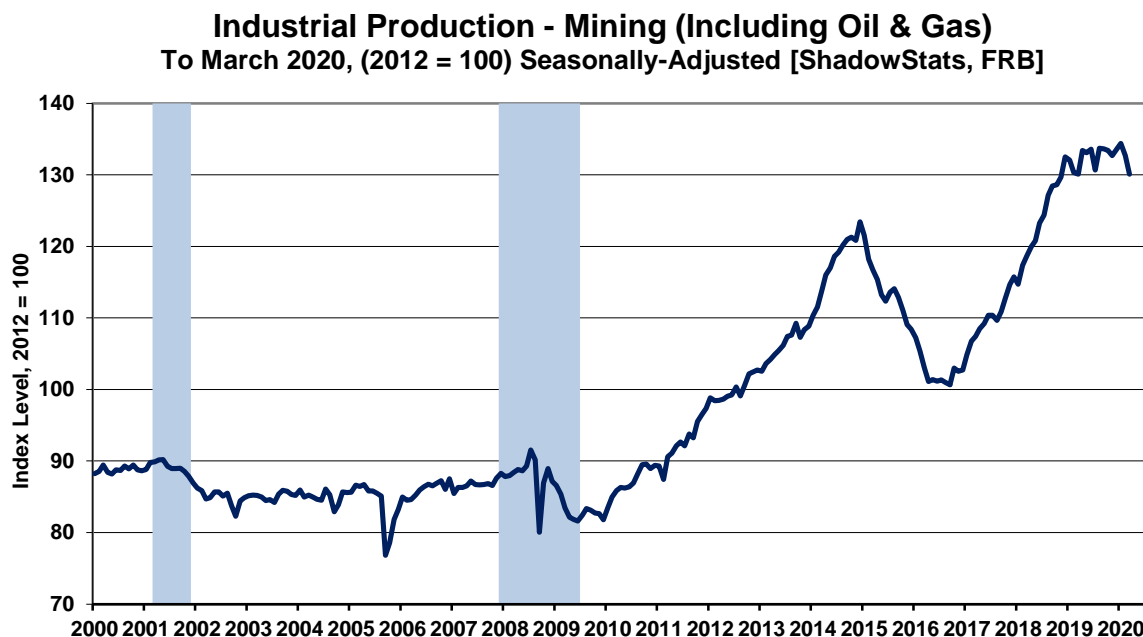
Graph 14: Manufacturing, 2000 to March 2020



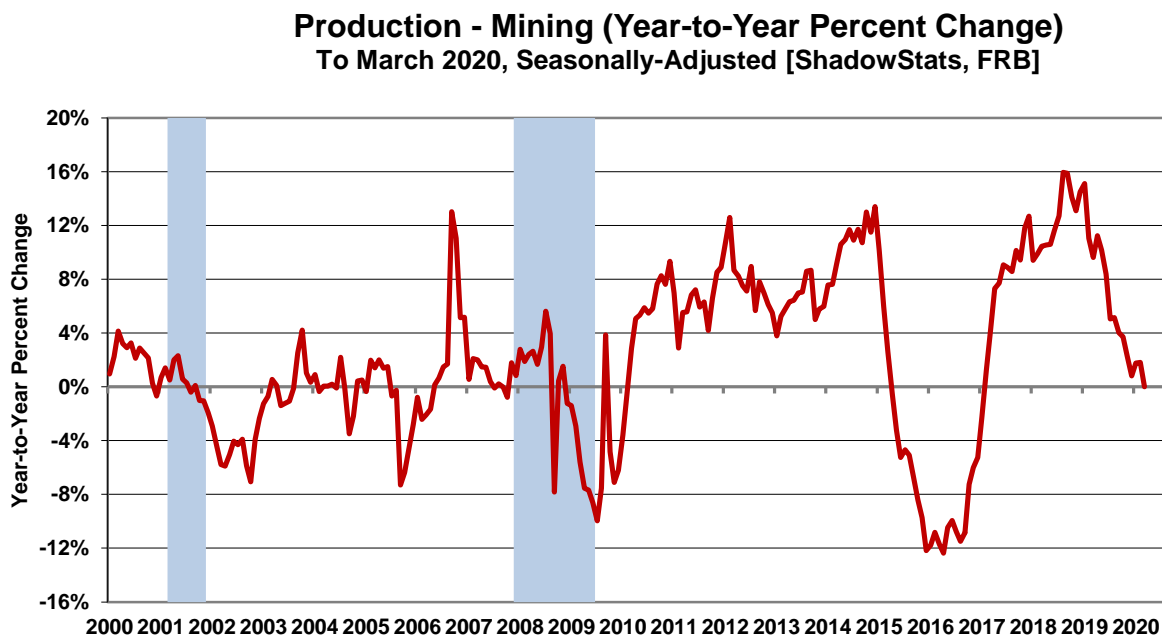
Graph 15: Manufacturing, Year-to-Year Change, 2000 to March 2020



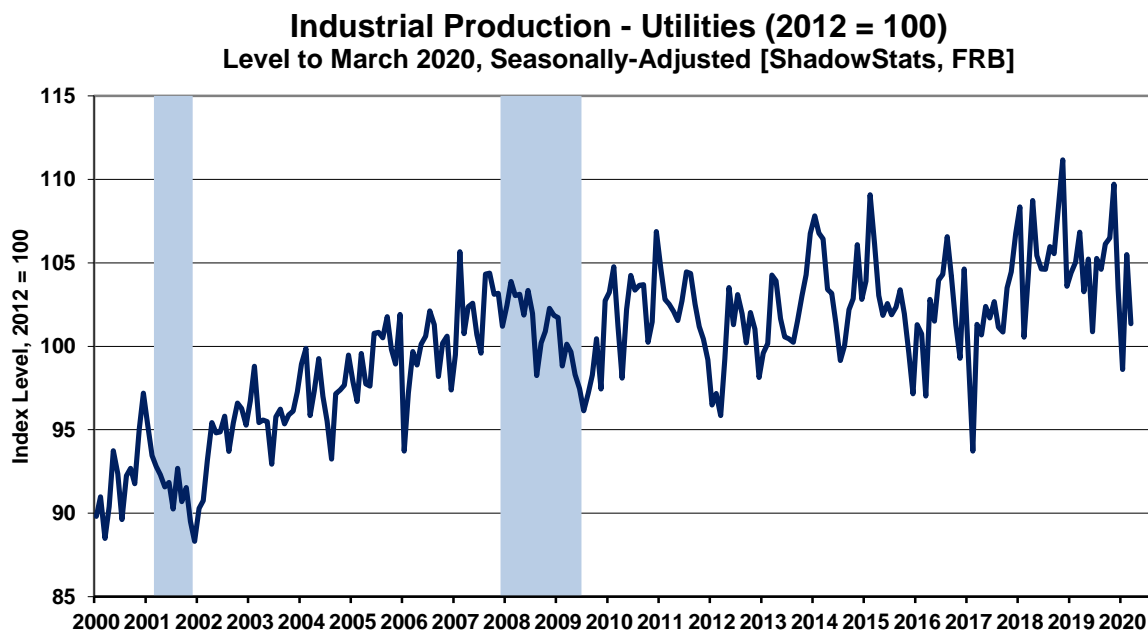
Graph 16: Mining, 2000 to March 2020



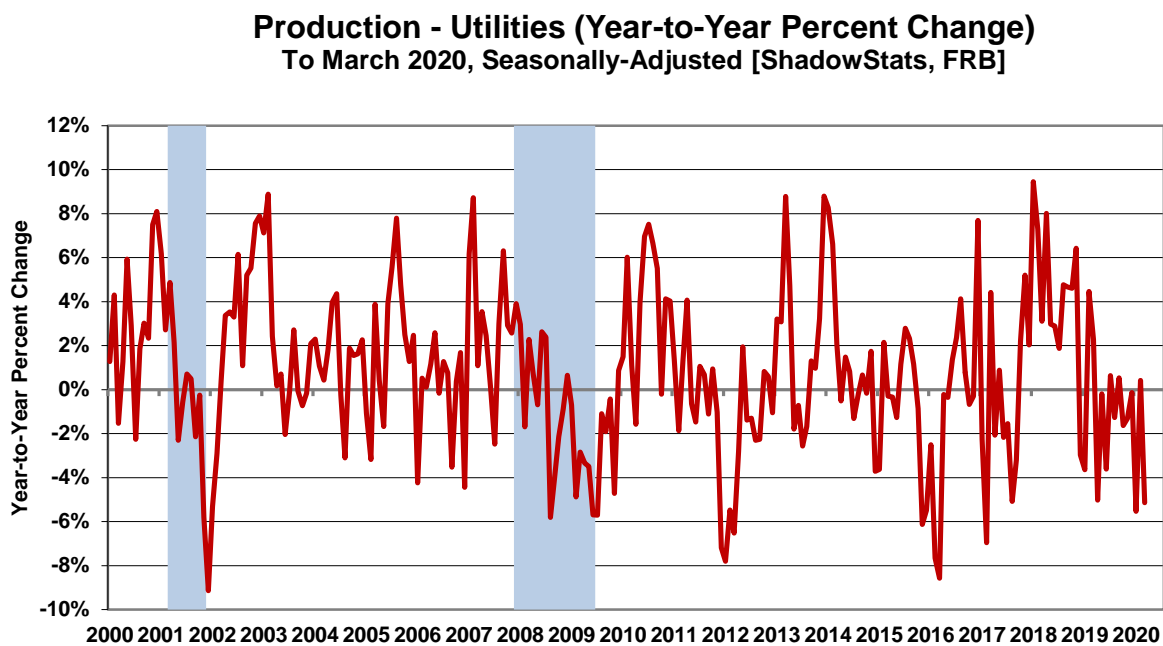
Graph 17: Mining, Year-to-Year Change, 2000 to March 2020



Graph 18: Utilities, 2000 to March 2020



Graph 19: Utilities, Year-to-Year Change, 2000 to March 2020



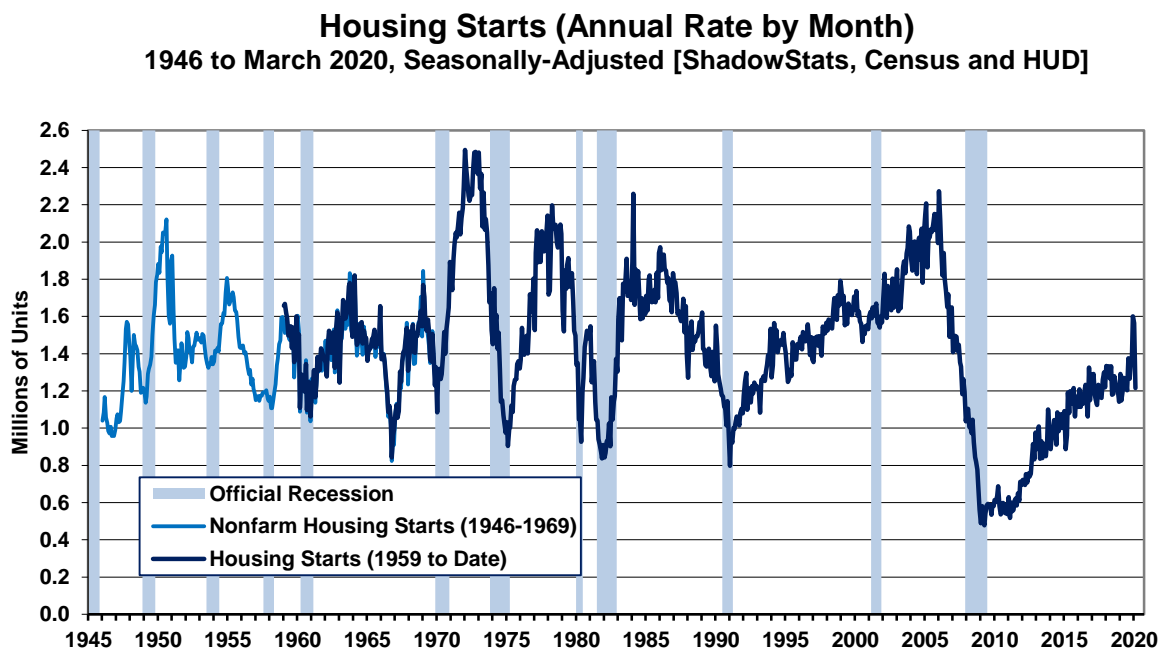
March 2020 New Residential Construction

Unfolding Construction Boom Held Positive into First-Quarter 2020

March Activity Signaled Likely Second-Quarter 2020 Collapse

Nascent New Residential Construction Boom Was Impaired by Coronavirus Pandemic Hit to March 2020 Numbers. (April 16 - Census Bureau, HUD) In the context of usually random, and statistically worthless monthly volatility, compounded by major Pandemic disruptions to the surveying process, the Census Bureau monitored response and data quality with its March 2020 survey of New Residential Construction and “... determined estimates in this release meet publication standards.” That said, for once, the massive headline month-to-month decline of 22.3% (-22.3%) in aggregate March Housing Starts was meaningful at the 90% confidence level, as was the 2.4% monthly gain in aggregate Building Permits (see *Graphs 21 and 22* and *Graphs 25 and 26*).

Graph 20: Housing Starts, Full Series (1946 to March 2020)



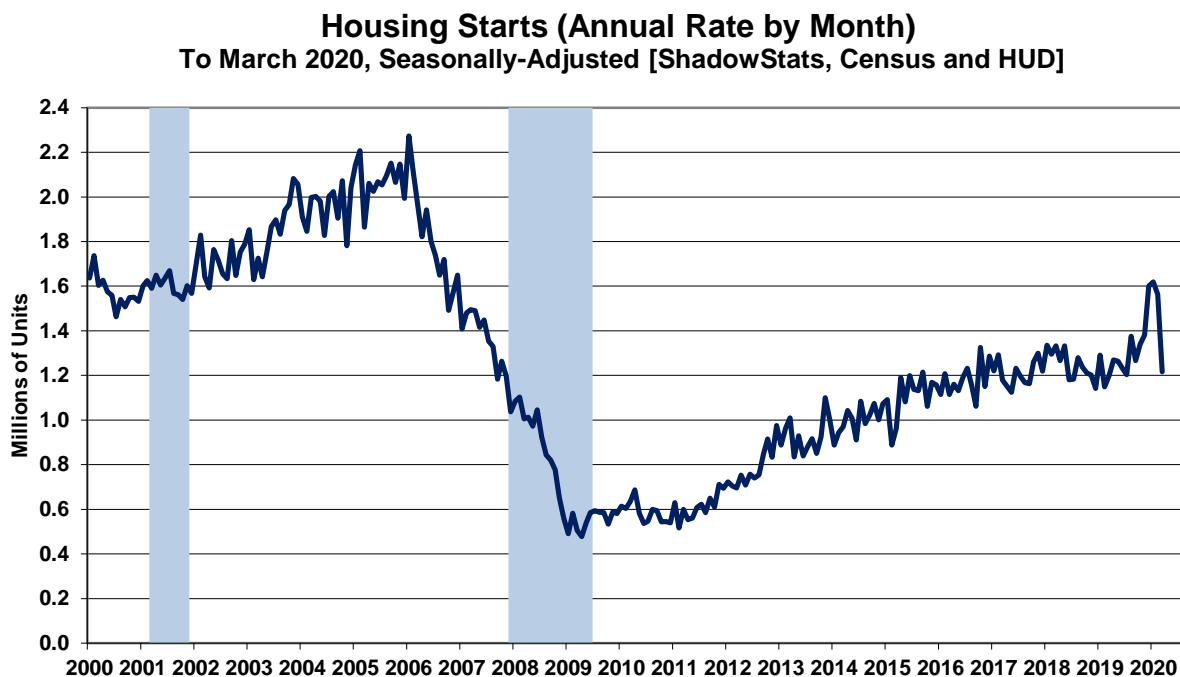
Where these series had been trending in an upside Fourth-Quarter 2019 and early-trend First-Quarter 2020 boom, initial, full aggregate first-quarter quarterly activity (March reporting) ended up, ranging from flat to positive, with the trailing six-month moving averages in these series still broadly trending higher, off their Great Recession troughs (see *Graphs 23 and 24*). Yet, at March 2020 levels of activity, headline

Second-Quarter 2020 New Residential Construction would see quarterly contractions. For example, Fourth-Quarter 2019 Housing Starts boomed in an annualized quarterly gain of 59.6%, and was on a two-month early track for a First-Quarter 2020 gain of 45.5%, which ended up at 7.3%. If March levels of activity held through June, Second-Quarter 2020 aggregate Housing Starts would see an annualized quarterly plunge of 47% (-47%).

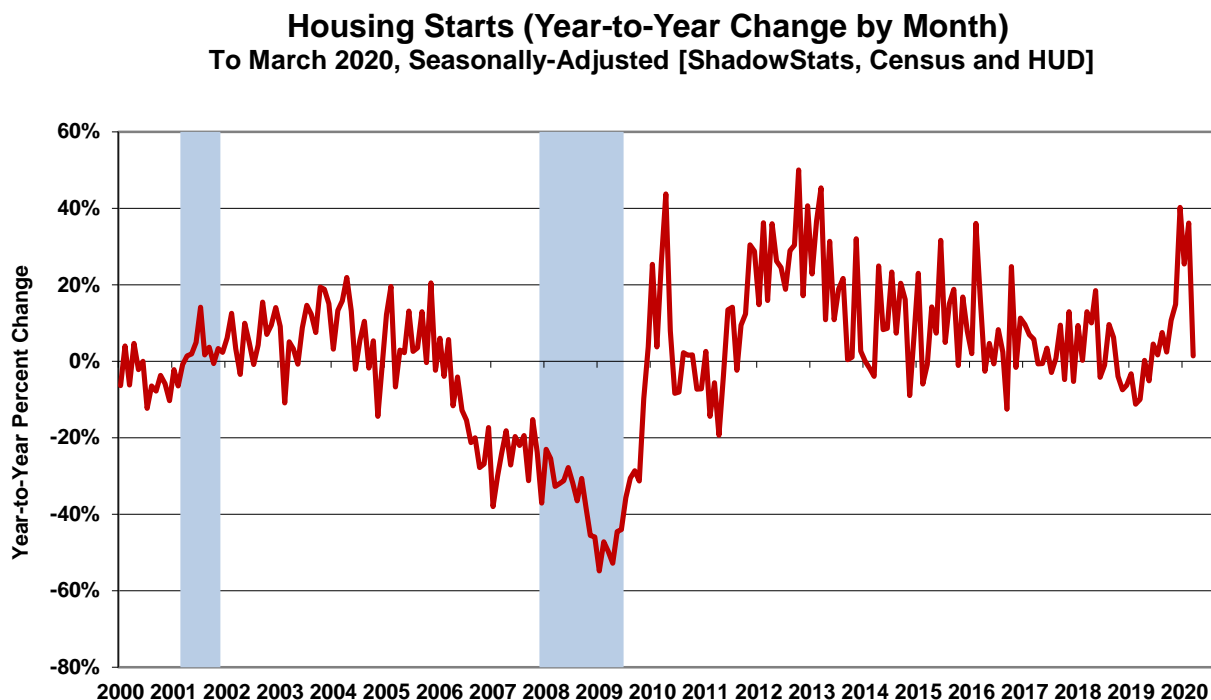
Fourth-Quarter 2019 Building Permits boomed in an annualized quarterly gain of 23.3%, on early track for a First-Quarter 2020 gain of 9.4%, which ended up at 0.0%. If March levels of Permits held through June, Second-Quarter 2020 aggregate Building Permits activity would see an annualized quarterly plunge of 25% (-25%). That said, headline March 2020 Housing Starts and Building Permits respectively remained shy of ever recovering their Pre-Great Recession levels of peak activity by 46.5% (-46.5%) and 40.2% (-40.2%).

[Graphs 21 to 26 begin on the next page.]

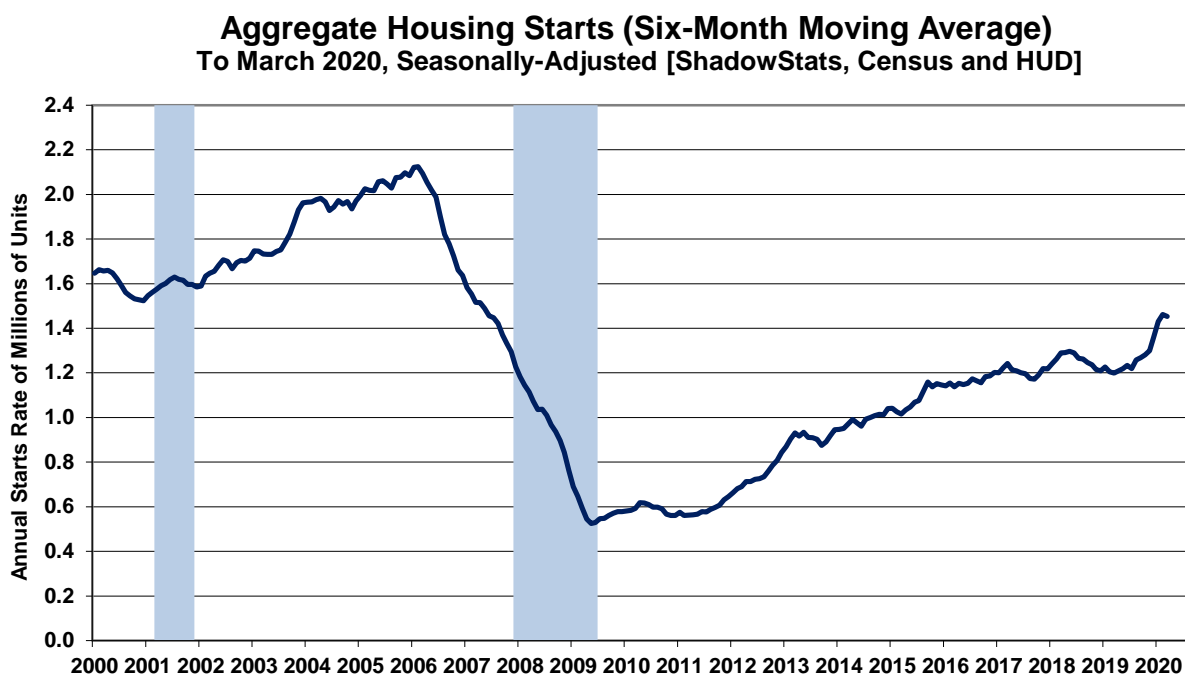
Graph 21: Housing Starts (2000 to March 2020)



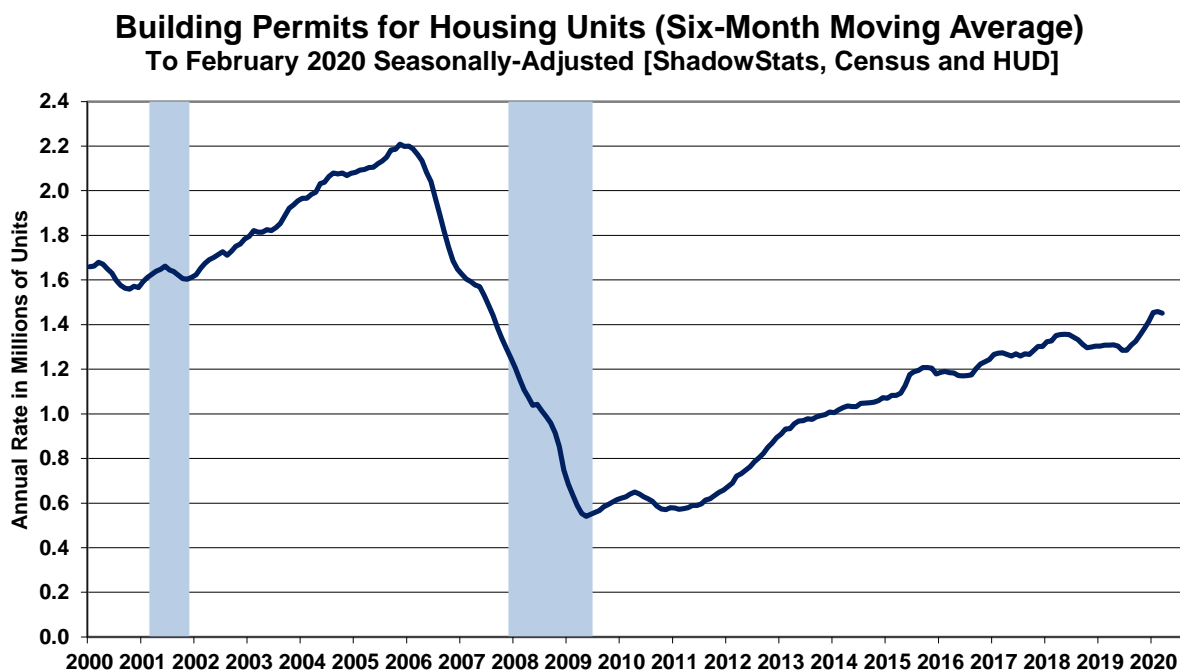
Graph 22: Housing Starts, Year-to-Year Change (2000 to March 2020)



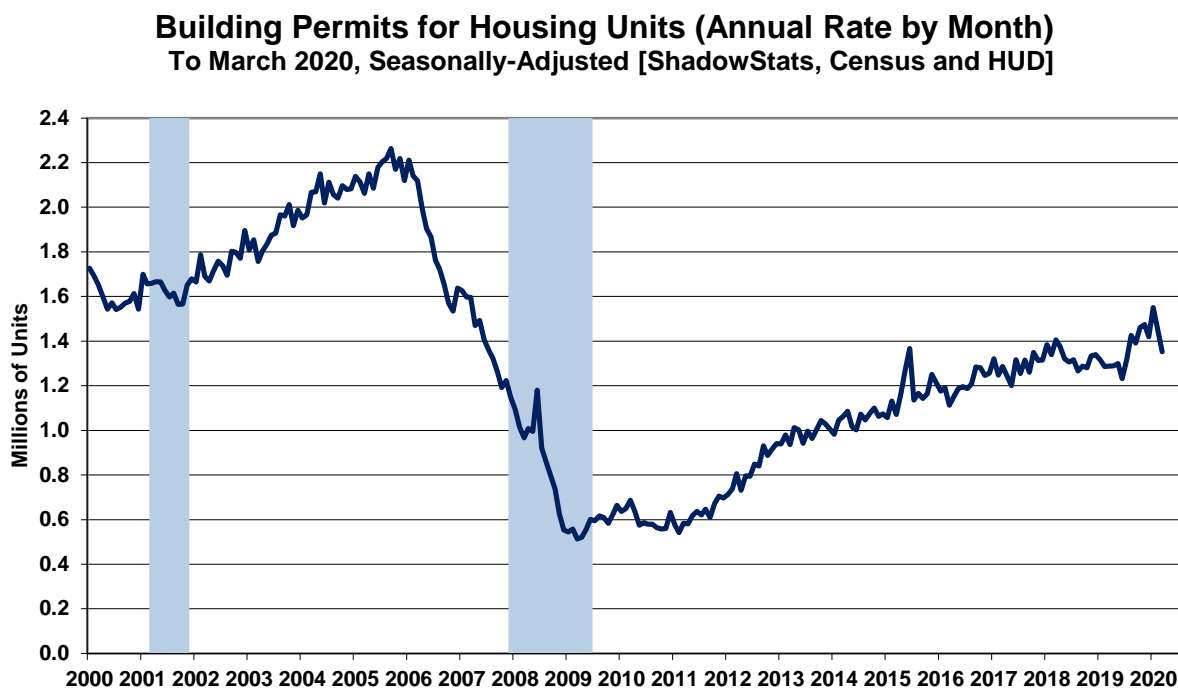
Graph 23: Housing Starts, Six-Month Moving Average (2000 to March 2020)



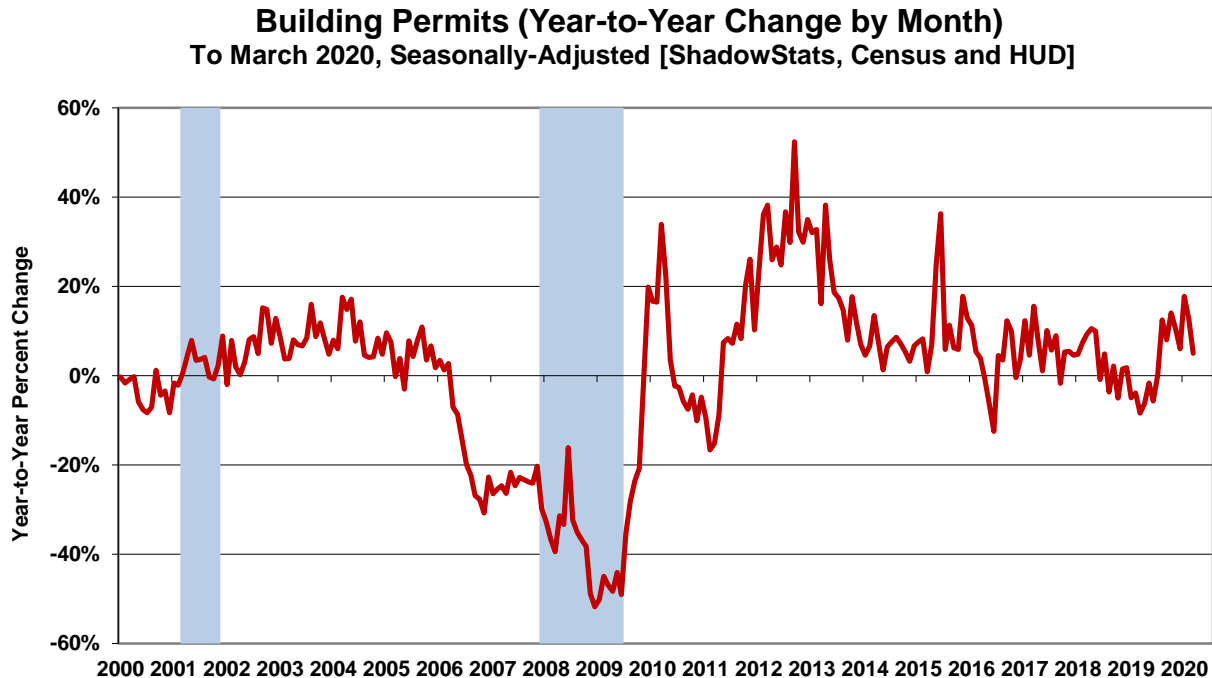
Graph 24: Building Permits, Six-Month Moving Average (2000 to March 2020)



Graph 25: Building Permits (2000 to March 2020)



Graph 26: Building Permits, Year-to-Year Change (2000 to March 2020)



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