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June Trade Balance

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Unusually Large Reduction in June Trade Deficit Likely Reflected Port of New York Disruptions

Headline Trade Deficit Will Add Upside Pressure to First Revision of Second-Quarter GDP Growth

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PLEASE NOTE: The next regular Commentary *is scheduled for Thursday, August 15th, covering the July CPI, PPI, real and nominal retail sales, real earnings and industrial production.*

Best wishes to all — John Williams

OPENING COMMENTS AND EXECUTIVE SUMMARY

In a week of minimal economic reporting, today's (August 6th) release of a heavily-distorted June 2013 trade deficit likely has complicated near-term GDP reporting, but it has not changed the fundamental economic outlook at all. This brief *Commentary* assesses that trade report. The general economic outlook has just been reviewed in *Commentaries* *No. 546* and *No. 547*, and it will be updated in the pending August 15th *Commentary*, which will cover the bulk of July 2013 reporting on inflation and the major economic series.

Sharp Narrowing in the June Trade Deficit Likely Reflected Both Trade-Flow and Seasonal-Factor Disruptions. An unusually-large improvement of $9.9 billion in the monthly June 2013 trade deficit in goods and services reflected a $4.1 billion increase in exports, combined with a $5.8 billion monthly decline in imports. Much of the reported deficit narrowing likely was due to a significant disruption in trade flows and to unstable seasonal-factor adjustments, which means there should be catch-up deficit reporting in the months ahead. Nonetheless, the Bureau of Economic Analysis (BEA) will use the "improved" trade number, and an implied reduction in the deficit in the net-export account of the GDP, to boost the headline growth in the "first revision" of second-quarter GDP (August 29th).

Noted by Bill King, as reported in the August 4th *Wall Street Journal*, "Computer Problems Leave Goods Stranded at New York Port," disruptions from the activation of a new computer system at one of the world's largest container handlers have created major delays in the movement of goods through Port of New York and New Jersey. Where the issues here started in June, today's trade reporting most likely was affected, primarily with imports, but also potentially on the export side, as well.

Consider that for the merchandise trade balance (excludes the service-side fudge factor), the seasonally-adjusted June 2013 deficit narrowed by $9.7 billion. On a not-seasonally-adjusted basis, the $13.7 billion narrowing of the June merchandise deficit reflected a $1.7 billion increase in exports, and a $12.0 billion decline in imports. Looking at these numbers in the context of historical patterns, the primary reporting problem appears in June to have been with understated imports. Nonetheless, unusual seasonal factors (see the oil-related section in *Reporting Detail*) also added to the monthly distortions.

With these distorting elements considered, there should be some catch-up in the months ahead of what is a temporary disruption to the normal flow of trade in and the reporting of same.

Nominal (Not-Adjusted-for-Inflation) Trade Deficit. The nominal, seasonally-adjusted monthly trade deficit in goods and services for June 2013, on a balance-of-payments basis, narrowed to $34.2 billion from a revised $44.1 (previously $45.0 billion) in May. The June 2013 deficit also was reduced in level against $42.4 billion in June of 2012.

Real (Inflation-Adjusted) Trade Deficit. Adjusted for seasonal factors and net of oil-price swings and other inflation (2009 chain-weighted dollars, which also is the new deflation base for the GDP), the June 2013 merchandise trade deficit (no services) narrowed to $43.1 billion from a revised $51.9 (previously $52.3) billion in May 2013, and narrowed from a $46.5 billion deficit in June 2012.

The BEA used the preliminary April and May real trade data to estimate, at least partially, the net-export component for the initial reporting of second-quarter 2013 GDP, on July 31st. Where the April-May deficits annualized out to $597.7 billion, versus a $573.1 billion deficit estimated for first-quarter 2013, the net deterioration in the quarterly trade deficit indeed became a negative contributor to the first estimate of the second-quarter GDP growth rate. By itself, the initial net-export account reduced the headline second-quarter GDP growth by 0.81%, leaving the initial aggregate headline GDP growth at 1.67% (see *Commentary No. 546*).

As the numbers currently stand, the annualized, real merchandise trade deficit for the full reporting of second-quarter 2013 is $569.3 billion, versus a revised $575.2 billion in first-quarter 2013, an apparent slight narrowing, instead of deterioration, versus the first-quarter. That generates a significant upside potential for the "first revision" to second-quarter 2013 GDP growth, likely reversing the negative impact shown in the first estimate of the second-quarter GDP, again, irrespective of reporting problems with the June data, and irrespective of other revisions that may be forthcoming in the GDP. The GDP revision is scheduled for release on August 29th.

[For further detail on the June trade deficit, see the* Reporting Detail *section.]

HYPERINFLATION WATCH

Hyperinflation Outlook—Unchanged. *[This* Outlook *summary is unchanged from* Commentary No. 546 *of August 1st; there likely will be an update in the August 15th missive]*. The comments here are intended as background material for new subscribers and for those looking for a brief summary of the broad outlook of the economic, systemic and inflation crises that face the United States in the year or so ahead.

Background Material. *No. 527: Special Commentary* (May 2013) supplemented *No. 485: Special Commentary* (November 2012), reviewing shifting market sentiment on a variety of issues affecting the U.S. dollar and prices of precious metals. *No. 485*, in turn, updated *Hyperinflation 2012* (January 2012)—the base document for the hyperinflation story—and the broad outlook for the economy and inflation, as well as for systemic-stability and the U.S. dollar. Of some use, here, also is the *Public Comment on Inflation*.

These are the primary articles outlining current conditions and the background to the hyperinflation forecast, and they are suggested reading for subscribers who have not seen them and/or for those who otherwise are trying to understand the basics of the hyperinflation outlook. The fundamentals have not changed in recent years, other than events keep moving towards the circumstance of a domestic U.S. hyperinflation by the end of 2014. Nonetheless, a fully-updated hyperinflation report is planned for the near future.

Beginning to Approach the End Game. Nothing is normal: not the economy, not the financial system, not the financial markets and not the political system. The financial system still remains in the throes and aftershocks of the 2008 panic and near-systemic collapse, and from the ongoing responses to same by the Federal Reserve and federal government. Further panic is possible and hyperinflation remains inevitable.

Typical of an approaching, major turning point in the domestic- and global-market perceptions, bouts of extreme volatility and instability have been seen with increasing frequency in the financial markets, including equities, currencies and the monetary precious metals (gold and silver). Consensus market expectations on the economy and Federal Reserve policy also have been in increasing flux. The FOMC and Federal Reserve Chairman Ben Bernanke have put forth a plan for reducing and eventually ending quantitative easing in the form of QE3. The tapering or cessation of QE3 is contingent upon the U.S. economy performing in line with overly-optimistic economic projections provided by the Fed. Initially, market reaction pummeled stocks, bonds and gold. The talk of ending QE3 still appears to be little more than jawboning, aimed a placating Fed critics. As part of the mind-game with the public, various Fed officials regularly offer contradictory stories, when the stock market needs a boost or distraction.

Underlying economic reality remains much weaker than Fed projections. As actual economic conditions gain broader recognition, market sentiment should shift increasingly towards no imminent end to QE3, and then to expansion of QE3. The markets and the Fed are stuck with underlying economic reality, and, eventually, they will have to recognize same. Business activity remains in continued and deepening trouble, and the Federal Reserve—despite currency-market platitudes to the contrary—is locked into quantitative easing by persistent problems now well beyond its control. Specifically, banking-system solvency and liquidity remain the primary concerns for the Fed, driving the quantitative easing. Economic issues are secondary concerns for the Fed; they are used as political cover for QE3. That cover will continue for as long as the Fed needs it.

At the same time, deteriorating expectations for domestic political stability reflect widening government scandals, in addition to the dominant global-financial-market concern of there being no viable prospect of those controlling the U.S. government addressing the long-range sovereign-solvency issues of the United States government. All these factors, in combination, show the end game to be nearing.

The most visible and vulnerable financial element to suffer early in this crisis likely will be the U.S. dollar in the currency markets (all dollar references here are to the U.S. dollar, unless otherwise stated). Heavy dollar selling should evolve into massive dumping of the dollar and dollar-denominated paper assets. Dollar-based commodity prices, such as oil, should soar, accelerating the pace of domestic inflation. In turn, that circumstance likely will trigger some removal of the U.S. dollar from its present global-reserve-currency status, which would further exacerbate the currency and inflation problems tied to the dollar.

This still-forming great financial tempest has cleared the horizon; its impact on the United States and those living in a dollar-based world will dominate and overtake the continuing economic and systemic-solvency crises of the last eight years. The issues that never were resolved in the 2008 panic and its aftermath are about to be exacerbated. Based on the precedents established in 2008, likely reactions from the government and the Fed would be to throw increasingly worthless money at the intensifying crises. Attempts to save the system all have inflationary implications. A domestic hyperinflationary environment should evolve from something akin to these crises before the end of next year (2014). The shifting underlying fundamentals are discussed in *No. 527: Special Commentary*; some of potential breaking crises will be expanded upon in the next revision to the hyperinflation report.

Still Living with the 2008 Crisis. Despite the happy news from the redefined GDP series that the recession was shallower, and the recovery more rapid, than previously estimated, there still never has been an actual recovery following the economic downturn that began in 2006, and collapsed into 2008 and 2009. No other major economic series has confirmed the pattern of activity now being reported in the GDP.

Instead, what followed was a protracted period of business stagnation that began to turn down anew in second- and third-quarter 2012 (see the corrected GDP graph in the *Opening Comments* section of *Commentary No. 546*). The official recovery seen in GDP has been a statistical illusion generated by the use of understated inflation in calculating key economic series (see *No. 527: Special Commentary*, *Commentary No. 528* and *Public Comment on Inflation*). Nonetheless, given the nature of official reporting, the renewed downturn still should gain eventual recognition as the second-dip in a double- or multiple-dip recession.

What continues to unfold in the systemic and economic crises is just an ongoing part of the 2008 turmoil. All the extraordinary actions and interventions bought a little time, but they did not resolve the various crises. That the crises continue can be seen in deteriorating economic activity and in the ongoing panicked actions by the Federal Reserve, where it still proactively is monetizing U.S. Treasury debt at a pace suggestive of a Treasury that is unable to borrow otherwise.

Before and since the mid-April rout in gold prices, there had and has been mounting hype about the Fed potentially pulling back on its "easing" and a coincident Wall Street push to talk-down gold prices. Again, as discussed in *No. 527: Special Commentary*, those factors appeared to be little more than platitudes to the Fed's critics and intensified jawboning to support the U.S. dollar and to soften gold, in advance of the still-festering crises in the federal-budget and debt-ceiling negotiations. Despite orchestrated public calls for "prudence" by the Fed, and Mr. Bernanke's press conference following the June 19th FOMC meeting, the underlying and deteriorating financial-system and economic instabilities have self-trapped the Fed into an expanding-liquidity or easing role that likely will not be escaped until the ultimate demise of the U.S. dollar.

Further complicating the circumstance for the U.S. currency is the increasing tendency of major U.S. trading partners to move away from using the dollar in international trade, such as seen most recently in the developing relationship between France and China (see *No. 527: Special Commentary*).

The Fed's recent and ongoing liquidity actions themselves suggest a signal of deepening problems in the financial system. Mr. Bernanke admits that the Fed can do little to stimulate the economy, but it can create systemic liquidity and inflation. Accordingly, the Fed's continuing easing moves appear to have been primarily an effort to prop-up the banking system and also to provide back-up liquidity to the U.S. Treasury, under the political cover of a "weakening economy." Mounting signs of intensifying domestic banking-system stress are seen in soft annual growth in the broad money supply, despite a soaring pace of annual growth in the monetary base, and in global banking-system stress that followed the crisis in Cyprus and continuing, related aftershocks.

Still Living with the U.S. Government's Fiscal Crisis. Again, as covered in *No. 527: Special Commentary*, the U.S. Treasury still is in the process of going through extraordinary accounting gimmicks, at present, in order to avoid exceeding the federal-debt ceiling. Early-September appears to be the deadline for resolving the issues tied to the debt ceiling, including—in theory—significant budget-deficit cuts.

Both Houses of Congress have put forth outlines of ten-year budget proposals that still are shy on detail. The ten-year plan by the Republican-controlled House proposes to balance the cash-based deficit as well as to address issues related to unfunded liabilities. The plan put forth by the Democrat-controlled Senate does not look to balance the cash-based deficit. Given continued political contentiousness and the use of unrealistically positive economic assumptions to help the budget projections along, little but gimmicked numbers and further smoke-and-mirrors are likely to come out of upcoming negotiations. There still appears to be no chance of a forthcoming, substantive agreement on balancing the federal deficit.

Indeed, ongoing and deepening economic woes assure that the usual budget forecasts—based on overly-optimistic economic projections—will fall far short of fiscal balance and propriety. Chances also remain nil for the government fully addressing the GAAP-based deficit that hit $6.6 trillion in 2012, let alone balancing the popularly-followed, official cash-based accounting deficit that was $1.1 trillion in 2012 (see *No. 500: Special Commentary*).

Efforts at delaying meaningful fiscal action, including briefly postponing conflict over the Treasury's debt ceiling, bought the politicians in Washington minimal time in the global financial markets, but the time has run out and patience in the global markets is near exhaustion. The continuing unwillingness and political inability of the current government to address seriously the longer-range U.S. sovereign-solvency issues, only pushes along the regular unfolding of events that eventually will trigger a domestic hyperinflation, as discussed in *Commentary No. 491*.

U.S. Dollar Remains Proximal Hyperinflation Trigger. The unfolding fiscal catastrophe, in combination with the Fed's direct monetization of Treasury debt, eventually (more likely sooner rather than later) will savage the U.S. dollar's exchange rate, boosting oil and gasoline prices, and boosting money supply growth and domestic U.S. inflation. Relative market tranquility has given way to mounting instabilities, and severe market turmoil likely looms, despite the tactics of delay by the politicians and ongoing obfuscation by the Federal Reserve.

This should become increasingly evident as the disgruntled global markets begin to move sustainably against the U.S. dollar. As discussed earlier, a dollar-selling panic is likely this year—still of reasonably high risk in the next month or so—with its effects and aftershocks setting hyperinflation into action in 2014. Gold remains the primary and long-range hedge against the upcoming debasement of the U.S. dollar, irrespective of any near-term price gyrations in the gold market.

The rise in the price of gold in recent years was fundamental. The intermittent panicked selling of gold has not been. With the underlying fundamentals of ongoing dollar-debasement in place, the upside potential for gold, in dollar terms, is limited only by its inverse relationship to the purchasing power of the U.S. dollar (eventually headed effectively to zero). Again, physical gold—held for the longer term—remains as a store of wealth, the primary hedge against the loss of U.S. dollar purchasing power.

REPORTING DETAIL

U.S. TRADE BALANCE (June 2013)

Sharp Improvement in June Trade Deficit Likely Reflected Heavy and Unusual Distortions. The $9.9 billion improvement in the headline monthly trade deficit for June 2013, was not credible; it was distorted heavily by uncommon circumstances. The narrowed deficit reflected a $4.1 billion increase in exports, in combination with a $5.8 billion monthly decline in imports.

As discussed in the *Opening Comments*, computer-system problems, at one of the world's largest handlers of cargo containers, have triggered major delays in the flow of goods through Port of New York and New Jersey. Where the issues started in June, the June trade reporting most likely was affected. Further, unusual seasonal factors (see the oil-related section) likely have added to the monthly distortions. Accordingly, there should be some catch-up reporting in the months ahead of what are temporary disruptions to the normal flow of trade.

Given the "narrowed" deficit in June, and a resulting narrowing of the estimated real monthly deficit and the deficit in the second-quarter net export account, the Bureau of Economic Analysis (BEA) most certainly will use the "improved" trade numbers to boost the headline growth in the "first revision" of second-quarter GDP, due on August 29th.

Nominal (Not-Adjusted-for-Inflation) Trade Deficit. The BEA and the Census Bureau reported this morning, August 6th, that the nominal, seasonally-adjusted monthly trade deficit in goods and services for June 2013, on a balance-of-payments basis, narrowed to $34.2 billion from a revised $44.1 (previously $45.0 billion) in May. The June 2013 deficit also narrowed against the $42.4 billion deficit of June 2012. Of some note, the June import increase included a large $1.4 billion in carryover for a second month, following a May carryover of $1.7 billion. Carryover reflects the current month's reporting of imports or exports that had not been reported previously in the proper month. Where part of the reduction in imports was due to oil-related factors, such was not the case before seasonal adjustments.

Crude Oil and Energy-Related Petroleum Products. Indeed, despite the drop in seasonally-adjusted, oil-related numbers, the unadjusted data showed an increase in imports. For the month of June 2013, the not-seasonally-adjusted average price of imported oil inched higher to $96.93 per barrel, from $96.84 in May, but it was down from an average of $100.13 in June 2012. Further, not-seasonally-adjusted, physical oil import volume in June 2013 averaged 7.811 million barrels per day, up from 7.759 million in May, but down from 8.781 million barrels per day in June 2012.

Cautions on Data Quality. Potentially heavy distortions in headline data continue from seasonal adjustments, much as has been seen in other economic releases, such as retail sales and payrolls, where the headline number reflects month-to-month change. As has been discussed frequently (see Hyperinflation 2012 *for example), the extraordinary length and depth of the current business downturn have disrupted regular seasonality patterns. Accordingly, the markets should not rely heavily on the accuracy of the monthly headline data.*

Real (Inflation-Adjusted) Trade Deficit. Adjusted for seasonal factors and net of oil-price swings and other inflation (2009 chain-weighted dollars, as is used for the new deflation base in the GDP), the June 2013 merchandise trade deficit (no services) narrowed to $43.1 billion from a revised $51.9 (previously $52.3) billion in May 2013, and narrowed from a $46.5 billion deficit in June 2012.

The BEA used the initial April and May real trade data to estimate, at least partially, the net-export component of the first reporting of second-quarter 2013 GDP, on July 31st. Where the initial April-May deficits annualized out to a $597.7 billion, versus a $573.1 billion deficit estimated for first-quarter 2013, the net deterioration in the quarterly trade deficit indeed translated into a negative contribution to the first-estimate of the second-quarter GDP growth rate.

As a net-negative contributor, the net-export account reduced the headline second-quarter GDP growth by 0.81%, leaving aggregate headline growth at 1.67% (see *Commentary No. 546)*. As a result of today's June reporting, which completes the initial trade reporting for second-quarter 2013, the second-quarter deficit now appears to have narrowed slightly, instead of having deteriorated, versus the first quarter. That should have a significant upside potential for the "first revision" to second-quarter 2013 GDP growth, scheduled for release on August 29th, irrespective of reporting problems with the June data.

As the numbers currently stand, the annualized, real merchandise trade deficit for full reporting of second-quarter 2013 is $569.3 billion (initially estimated at $597.7 billion, based on April and May reporting), versus a revised $575.2 (previously 573.1) billion in first-quarter 2013.

WEEK AHEAD

Weaker-Economic and Stronger-Inflation Data Are Likely in the Month and Months Ahead. Given underlying economic activity that continues to appear weaker than overly-optimistic market expectations, and given underlying fundamentals that are suggestive of deteriorating business activity, weaker-than-consensus economic reporting should be the continuing trend.

Separately, given that energy-inflation-related seasonal-adjustment factors now are on the plus-side for a couple of months, combined with stable or higher oil and gasoline prices, higher headline CPI and PPI reporting is likely in next week, and in the months ahead.

Reflecting the still-likely negative impact on the U.S. dollar in the currency markets, pending from continuing QE3, and the still-festering fiscal crisis/debt-ceiling debacle (see *Hyperinflation Outlook* section), reporting in the ensuing months and year ahead generally should reflect much higher-than-expected inflation (see *No. 527: Special Commentary*).

Where market expectations for economic data in the months and year ahead should begin to soften, weaker-than-expected economic results remain likely, given the still-intensifying structural liquidity constraints on the consumer, as discussed in the *Opening Comments* section of *Commentary No. 546*.

[Except for detail on the specific releases in the week ahead, the balance of this Week Ahead *section is unchanged from the prior* Commentary.*]*

Reporting Quality Issues and Systemic Reporting Biases. Significant reporting-quality problems remain with most major economic series. Headline reporting issues are tied largely to systemic distortions of seasonal adjustments. The data instabilities were induced by the still-ongoing economic turmoil of the last six-to-seven years, which has been without precedent in the post-World War II era of modern economic reporting. These impaired reporting methodologies provide particularly unstable headline economic results, where concurrent seasonal adjustments are used (as with retail sales, durable goods orders, employment and unemployment data), and they have thrown into question the statistical-significance of the headline month-to-month reporting for many popular economic series.

With an increasing trend towards downside surprises in near-term economic reporting, recognition of an intensifying double-dip recession should continue to gain. Nascent concerns of a mounting inflation threat, though muted, increasingly have been rekindled by the Fed's monetary policies. Again, though, significant inflation shocks are looming in response to the fiscal crisis and a likely, severely-negative response in the global currency markets against the U.S. dollar.

The political system and Wall Street would like to see the issues disappear, and the popular media do their best to avoid publicizing unhappy economic news, putting out happy analyses on otherwise negative numbers. Pushing the politicians and media, the financial markets and their related spinmeisters do their best to hype anything that can be given a positive spin, to avoid recognition of serious problems for as long as possible. Those imbedded, structural problems, though, have horrendous implications for the markets and for systemic stability, as discussed in *Hyperinflation 2012*, *No. 485: Special Commentary* and *No. 527: Special Commentary*.

Retail Sales (July 2013). Scheduled for release on Tuesday, August 13th, by the Census Bureau, the headline July 2013 retail sales number likely, once again, will come in below developing expectations for a strong month-to-month gain. In turn, continued consumer inflation should account for the better part, if not all of any nominal (not-adjusted-for-inflation) sales gain.

Downside reporting surprises to upside market expectations should be tied directly to the effects of continuing structural stresses on consumer liquidity, including lack of real income growth, rising taxes, and constrained credit (see the *Opening Comments* of *Commentary No. 546*). Both July 2013 nominal and real (inflation-adjusted) retail sales will be addressed in the Thursday, August 15th *Commentary*, along with the detail on the July 2013 CPI-U.

Producer Price Index—PPI (July 2013). The July 2013 PPI is scheduled for release on Wednesday August 14th, by the Bureau of Labor Statistics (BLS). With higher energy prices amplified in the context of positive energy-price related seasonal factors, and with upside food and "core" inflation, the headline July PPI should show another solid upside aggregate price movement.

Depending on the oil contract followed, oil prices, on average, were up by 4.8% or 11.5% for the month of July, with average retail gasoline prices down by 0.4%. Accordingly, with upside seasonal adjustments to energy prices, positive seasonally-adjusted energy inflation should put a positive base under the headline PPI finished goods number. The result likely will be near a developing positive consensus.

Consumer Price Index—CPI (July 2013). The release by the Bureau of Labor Statistics (BLS) of the July 2013 CPI numbers is scheduled for Thursday, August 15th. The headline CPI is a fair bet to come in at or above a developing, positive, market consensus.

Average gasoline prices eased month-to-month in July 2013 by 0.4 percentage point, on a not-seasonally-adjusted basis, per the Department of Energy. The BLS seasonal adjustments, however, should boost that to a monthly gain. As last revised, an unadjusted monthly 2.7% decline in July 2012 gasoline prices was narrowed to a 1.4% decline by upside seasonal adjustments. Similar effects in the July 2013 number would push the unadjusted monthly contraction into an adjusted monthly gain. Given likely upside inflation pressures from food prices and core inflation, a modest headline gain in July 2013 CPI-U is a reasonable expectation.

Year-to-year, CPI-U inflation would increase or decrease in July 2013 reporting, dependent on the seasonally-adjusted monthly change, versus an adjusted 0.04% decline in monthly inflation reported for July 2012. The adjusted change is used here, since that is how consensus expectations are expressed. To approximate the annual unadjusted inflation rate for July 2013, the difference in July's headline monthly change (or forecast of same), versus the year-ago monthly change, should be added to or subtracted directly from the June 2013 annual inflation rate of 1.75%. For example, if the headline July CPI-U monthly gain were 0.2%, the annual inflation rate would rise from the current 1.75% to roughly 2.0%.

Index of Industrial Production (July 2013). The July 2013 index of industrial production also is scheduled for release on Thursday, August 15th, by the Federal Reserve Board (FRB). With inventories still too high for existing demand, an outright monthly contraction in production remains possible. Reporting below developing positive expectations is likely for July.

Extraordinarily large swings—particularly in the positive movement of the production component—in the July 2013 purchasing managers manufacturing survey (ISM), have to be suspect in terms of seasonal adjustments or other reporting distortions. Assuming that the unusual factors do not flow through to the Fed's production series, positive market expectations likely will prove to be overblown.

Residential Construction (July 2013). On Friday, August 16th, the Census Bureau will publish its estimate of July 2013 housing starts activity. Despite continual market expectations for strengthening activity in housing starts, reported month-to-month change likely will continue to be statistically-insignificant, with ongoing stagnation seen in the aggregate series, as well as particularly for single-unit housing starts.

In the wake of a 75% collapse in aggregate activity from 2006 through 2008, and an ensuing four-year pattern of housing starts stagnation at historically low levels, little has changed. There remains no chance of a near-term, sustainable turnaround in the housing construction market, unless there is a fundamental upturn in consumer and banking liquidity conditions. That has not happened and still does not appear to be in the offing.

