

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

**COMMENTARY NUMBER 568**  
**September Industrial Production**

**October 28, 2013**

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**Production Jump Was Due to Irregular Surge in Utilities Usage**  
**Economy Remains in Stagnation/Renewed Downturn**

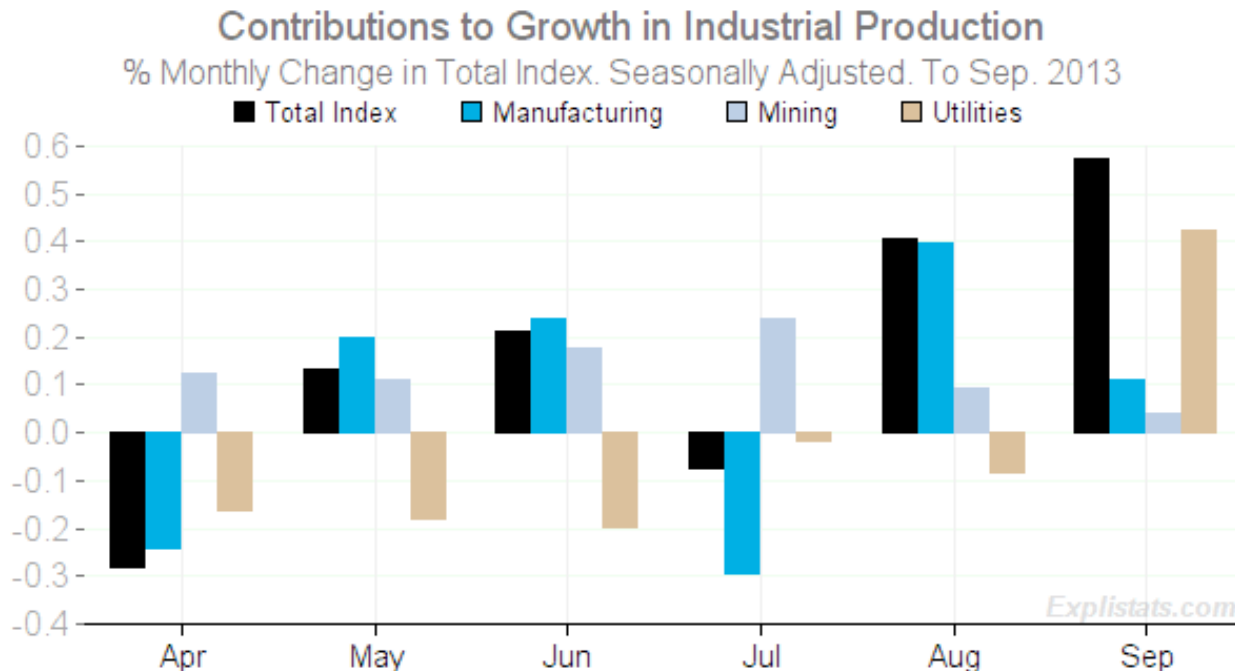
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*PLEASE NOTE: The next regular Commentary is scheduled for tomorrow, Tuesday, October 29th, covering retail sales and the PPI, with a subsequent Commentary on October 30th, covering the CPI, real retail sales and earnings.*

*Best wishes to all — John Williams*

**OPENING COMMENTS AND EXECUTIVE SUMMARY**

**The U.S. Economy Continued to Weaken.** Despite the stronger-than-expected headline monthly gain of 0.6% (0.57-percentage point at the second decimal point) in September 2013 industrial production, the broad-production picture remained weak, as in “pre-recession,” if viewed in the context of normal economic times. Unusual utility usage accounted for 74% (0.42-percentage point) of the headline growth number, net of which manufacturing (0.11-percentage point) and mining (0.04-percentage point)—including gas and oil production—accounted for the balance of the monthly gain.



The accompanying graph is courtesy of our affiliate operation [www.ExpliStats.com](http://www.ExpliStats.com), with further detail on the official reporting of industrial production found [here](#). See the discussion about ExpliStats in [Commentary No. 566](#).

The economic comments today (October 28th) are limited to the industrial production release. Tomorrow's (October 29th) *Commentary* will update the latest available detail on consumer liquidity conditions, in conjunction with the September retail sales release. The subsequent October 30th *Commentary* will review the released economic data for September 2013, and the third-quarter, in the context of the broad-economic outlook.

**Industrial Production—September 2013.** In the context of the utility-usage distortions, the headline 0.6% September production gain remained well within normal volatility of the series and, accordingly, was consistent with the ongoing stagnation or pending, renewed downturn in broad business activity, that has been indicated in recent months. Allowing for the unusual utility usage and the year-ago dampening impact of Hurricane Isaac on oil and gas production, annual growth in production has slowed to levels—not otherwise seen in slowing activity—since the early months of the formal 2007 recession.

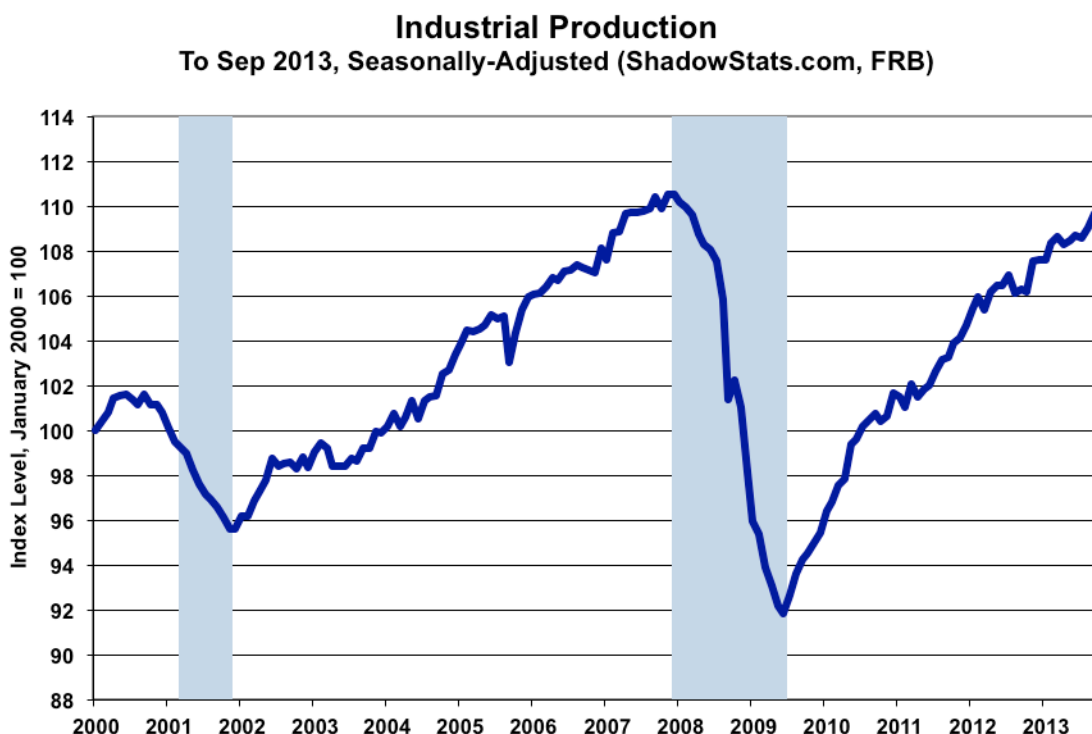
Along with minor upside revisions to the prior six months of production activity (the period open to revision), headline monthly September production activity was up by 0.6% (0.57% at the second decimal point), up by 0.69% before prior-period revisions. The September gain was against an unrevised 0.40% gain in August, and a revised 0.07% monthly decline in July.

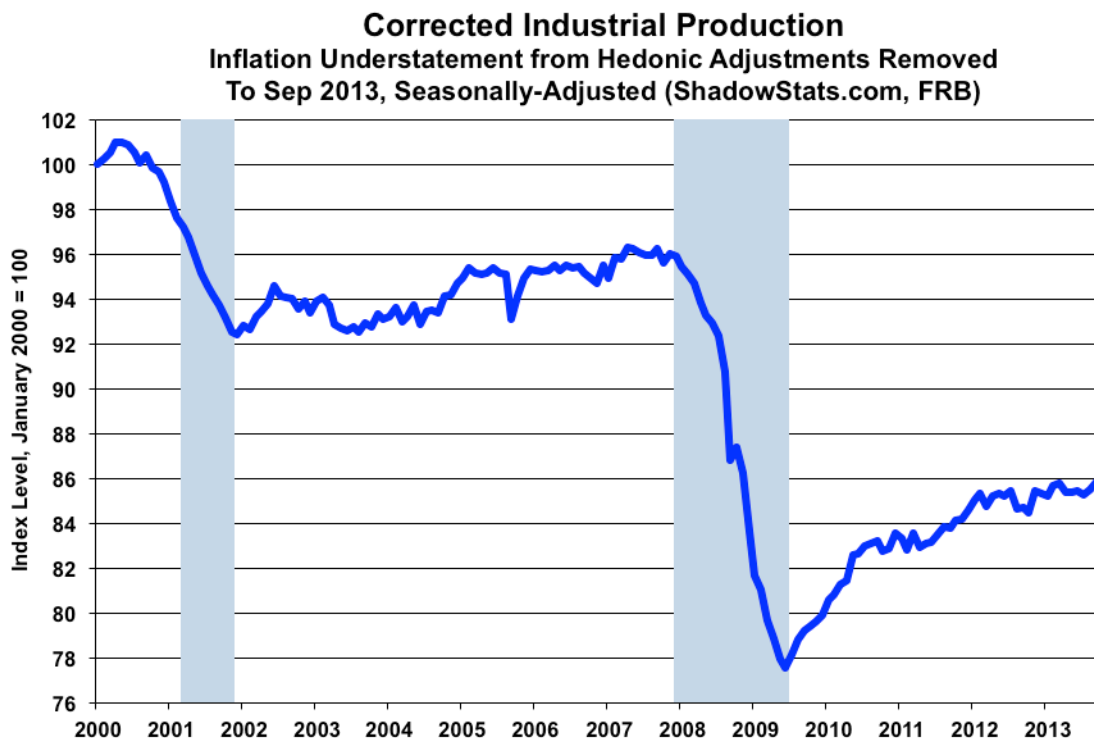
The headline 0.6% increase in aggregate September production activity reflected a 0.1% gain in manufacturing, which was against a downwardly revised 0.5% gain in August manufacturing. Headline

mining activity, including oil and gas activity, gained 0.2% for the month, following an upwardly revised monthly 0.6% increase in August, while ever-unstable utility activity soared by 4.4% in September, after a negatively revised 1.9% decline in August. Again, the unstable surge in utilities accounted for 74% of the aggregate growth in September production.

Year-to-year growth in September 2013 rose to 3.19% (2.77% ex-utility distortion), versus a revised 2.78% (previously 2.66%) in August. The higher year-to-year growth rates in both September and August reflected depressed activity in the year-ago period from the impact of Hurricane Isaac. The August annual growth rate followed a revised 1.55% in July 2013. Allowing for the special factors in the comparative September and August 2012 numbers, annual growth has slowed to levels last seen during the mid-2008 economic collapse, and it remains consistent with annual growth patterns usually seen going into a recession.

Graphs showing the headline production levels and year-to-year changes in production are found in the *Reporting Detail*. The following graphs also show the official level of production activity (first graph) as well as the official data, net of inflation distortions, as corrected by ShadowStats (second graph).





**Corrected Industrial Production.** Hedonic quality adjustments understate the inflation used in calculating some components of industrial production, with the effect of overstating the inflation-adjusted growth reported in the headline industrial production series (see [Special Commentary \(No. 485\)](#) and [Public Comment on Inflation](#)). The two preceding graphs address that issue. The first reflects official industrial production reporting, indexed to January 2000 = 100, instead of the Fed’s index that is set at 2007 = 100. The 2000 indexing is used simply to provide for some consistency in this series of revamped graphics. The second graph is a corrected version of the first, with estimated hedonic-inflation adjustments backed-out of the official deflator.

The “corrected” graph does show some growth in the period following the official June 2009 near-term trough in production activity. Yet, that upturn has been far shy of the full recovery and the renewed expansion reported in official GDP estimation. Corrected production levels have not regained pre-recession highs (even uncorrected September 2013 activity, though closing in, still is shy of the pre-recession peak by 0.8%) but, instead, entered a period of protracted low-level stagnation in 2012, with quarterly contractions in third-quarter 2012, second-quarter 2013 and with continued stagnation in third-quarter 2013.

*[For further detail on September industrial production, see the Reporting Detail section.]*

## HYPERINFLATION WATCH

**Summary Hyperinflation Outlook.** The *Hyperinflation Outlook* was partially rewritten in the last *Commentary* (repeated here without change), along with some detail on the pending publication of *Hyperinflation 2014—The End Game*, which will be a fully-updated version of [Hyperinflation 2012](#), see [Commentary No. 567](#) for detail.

This summary is intended as guidance for both new and existing subscribers, who are looking for a brief version of the broad outlook on the economic, systemic and inflation crises that face the United States in the year or so ahead.

**Recommended Background Material.** [Commentary No. 559](#) (September 2013) and [No. 527: Special Commentary](#) (May 2013) supplemented [No. 485: Special Commentary](#) (November 2012), which reviewed 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 use here also are [No. 500: Special Commentary](#) on GAAP-based federal deficit reality and 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 or recent months, other than events keep moving towards the circumstance of a domestic U.S. hyperinflation by the end of 2014. Nonetheless, a fully-updated *Hyperinflation 2014—The End Game* is planned by the end of November, again, as discussed in [Commentary No. 567](#).

***Hyperinflation Timing, Set for 2019 Back in 2004, Advanced to 2014 in Aftermath of 2008 Panic.***

While the U.S. government has lived excessively beyond its means for decades, it was not until the December 2003 (federal government's 2004 fiscal year) enactment of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 that the United States was set solidly on a course for eventual hyperinflation. Back in 2004, ShadowStats began forecasting a hyperinflation by 2019; that forecast was advanced to 2014 as a result of the nature of, and the official handling of the 2008 panic and near-collapse of the domestic financial system. The hyperinflation forecast for 2014 remains in place, with 90% odds estimated in favor of its occurrence.

The initial unfunded liabilities for the Medicare overhaul, alone, added nearly \$8 trillion in net-present-value unfunded liabilities to the fiscal-2004 federal deficit, based on generally accepted accounting principles (GAAP accounting), exceeding the total \$7.4 trillion gross federal debt of the time. When approached by ShadowStats as to how this circumstance likely would lead to an eventual domestic hyperinflation, the response from a member of the Bush Administration was “that is too far into the future to worry about.”

That future has come too quickly. Adjusted for one-time events, GAAP-based federal deficits have averaged \$5 trillion per year for the last seven years, with government spending and financial commitments exploding out of control. As of fiscal-2012 the GAAP-based annual federal deficit was an uncontrollable and uncontrollable \$6.6 trillion, with gross federal debt at \$16.2 trillion and total federal obligations (net present value) in excess of \$85 trillion, more than five-times the level of annual GDP and deteriorating at an annual pace in excess of \$6 trillion per year. Details can be found in [\*No. 500: Special Commentary\*](#).

On a GAAP-basis, the United States faces long-range insolvency. The global financial markets know it, and so do the miscreants currently controlling the U.S. government. Yet, as just demonstrated in the crisis negotiations surrounding the federal-government shutdown and debt ceiling, there is no controlling, political will in Washington to address the long-term solvency issues. The still-fester budget crisis and recent negotiations reflect no more than the formal, continued posturing and political delay of the same issues and crisis that nearly collapsed the U.S. dollar in August and September of 2011, that then were pushed beyond the 2012 election, and then pushed again to the just-postponed negotiations of October 2013.

The chances of the United States actually not paying its obligations or interest are nil. Instead, typically a country which issues its debt in the currency it prints, simply prints the cash it needs, when it can no longer can raise adequate funds through what usually become confiscatory tax rates, and when it can no longer sucker the financial markets and its trading partners into funding its spending. That results in inflation, eventual full debasement of the currency, otherwise known as hyperinflation. The purchasing power of the current U.S. dollar will drop effectively to zero.

Therein lies the root of a brewing crisis for the U.S. dollar (all “dollar” references here are to the U.S. dollar unless otherwise specified). Global financial markets have wearied in the extreme of the political nonsense going on in Washington. No one really wants to hold dollars to or hold investments in dollar-denominated assets, such as U.S. Treasury securities.

Due to ongoing solvency issues within the U.S. banking system, that Federal Reserve is locked into a liquidity trap of flooding the system with liquidity, with no resulting surge in the money supply. Yet, the Fed’s quantitative easings have damaged the dollar, which in turn has triggered sporadic inflation from the related boosting of oil prices. The overhang of dollars in the global markets—outside the formal U.S. money supply estimates—is well in excess of \$10 trillion. As those funds are dumped in the global markets, the weakening dollar will trigger dumping of U.S. Treasury securities and general flight from the U.S. currency. As the Fed moves to stabilize the domestic financial system, the early stages of a currency-driven inflation will be overwhelmed by general flight from the dollar, and a resulting surge the domestic money supply. Intensifying the crisis, and likely coincident with heavy flight from the dollar, odds also are high of the loss of the dollar’s global-reserve-currency status.

These circumstances can unfold at anytime, with little or no warning. Irrespective of short-lived gyrations, the dollar should face net, heavy selling pressure in the months ahead from a variety of factors, including, but certainly not limited to: (1) a lack of Fed reversal on QE3; (2) a lack of economic recovery and renewed downturn; (3) concerns of increased quantitative easing by the Fed; (4) inability/refusal of those controlling the government to address the long-range sovereign-solvency issues of the United States; (5) declining confidence in, and mounting scandals involving the U.S. government.

It is the global flight from the dollar—which increasingly should become a domestic flight from the dollar—that should set the early stages of the domestic hyperinflation.

***Approaching the End Game.*** As previously summarized, 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, but that appears to have been more of an intellectual exercise aimed at placating Fed critics, than it was an actual intent to “taper” QE3. The tapering or cessation of QE3 was contingent upon the U.S. economy performing in line with deliberately, overly-optimistic economic projections provided by the Fed.

Manipulated market reactions and verbal and physical interventions have been used to prop stocks and the dollar, and to pummel gold.

Underlying economic reality remains much weaker than Fed projections. As actual economic conditions gain broader recognition, market sentiment even could shift from what now is no imminent end to QE3, to an expansion of QE3. The markets and the Fed are stuck with underlying economic reality, and, increasingly, they are beginning to recognize same. Business activity remains in continued and deepening trouble, and the Federal Reserve 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.

The same systemic problems will face incoming Fed Chairman Janet Yellin. She will face the same quandaries and issues addressed by current Chairman Ben Bernanke. Where she also has been involved actively in formulating current Fed policies, no significant shifts in Fed policy are likely. QE3 should continue for the foreseeable future.

At the same time, deteriorating expectations for domestic political stability reflect government scandals and conflicting policy actions, 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. These factors, in combination, show the end game to be at hand.

This still-forming great financial tempest has cleared the horizon; its early ill winds are being felt with increasing force; and 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 precedents established in 2008, likely reactions from the government and the Fed would be to throw



increasingly worthless money at the intensifying crises, hoping to push the problems even further into the future. Such attempts to save the system, however, all have exceptional inflationary implications.

The global financial markets appear to have begun to move beyond the forced patience with U.S. policies that had been induced by the financial terror of the 2008 panic. Again, the dollar faces likely extreme and negative turmoil in the months ahead. A domestic hyperinflationary environment should evolve from something akin to these crises before the end of 2014.

***Still Living with the 2008 Crisis.*** Despite the happy news from headline GDP reporting that the recession ended in 2009 and the economy is full recovery, there never has been an actual recovery following the economic crash 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. Indeed, 2012 household income data from the Census Bureau showed no recovery whatsoever.

What followed the economic crash 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. 552](#)). 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](#) 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. As of the government shutdown, the Fed had monetized in excess of 100% of the net issuance of U.S. Treasury debt, since the beginning of calendar-year 2013.

The Fed's unconscionable market manipulations and games playing in fueling speculation over the future of quantitative easing clearly were used to move the U.S. dollar (the purpose of initial quantitative easing was U.S. dollar debasement). QE3 and continuing efforts at dollar-debasement are not about to go away. 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. The loss of some reserve status for the U.S. dollar is likely, as the crises break, and that would intensify both the dollar-selling and domestic U.S. inflationary pressures.

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 mounting global banking-system stress.

***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 extreme 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 move sustainably against the U.S. dollar, a movement that may have begun. As discussed earlier, a dollar-selling panic is likely in the next several months, 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.

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## REPORTING DETAIL

### INDEX OF INDUSTRIAL PRODUCTION (September 2013)

**September Industrial Production—No Recovery Here.** As noted in the *Opening Comments*, the headline monthly gain of 0.6% (0.57-percentage point at the second decimal point) in September 2013 industrial production still suggested a weak broad-production and economic picture. The pattern of activity remained “pre-recession,” if viewed in the context of normal economic times. Unusual utility usage accounted for 74% (0.42-percentage point) of the headline growth number, net of which, manufacturing (0.11-percentage point) and mining (0.04-percentage point), including gas and oil production, accounted for the balance of the monthly gain.

In the context of the utility-usage distortions, the headline 0.6% September gain remained well within the normal volatility of the series and, accordingly, was consistent with the ongoing stagnation or pending, renewed downturn in broad business activity that has been indicated for a number of months. Year-to-

year production growth slowed to a revised 1.55% in July 2013, a level last seen in slowing annual activity in mid-2008, which was well into the early stages of the formal 2007 recession. Although annual growth in August rebounded to a revised 2.78%, and September rose to 3.19% (2.77% net of the unusual surge in utility usage), in normal economic times, this pattern of low-level year-to-year activity would be consistent with a pending recession or one that already was underway.

***Industrial Production—September 2013.*** The Federal Reserve Board released its estimate of seasonally-adjusted, August 2013 industrial production this morning, October 28th. In the context of minor upside revisions to the prior six months of production activity (the period open to revision), headline monthly September production activity was up by 0.6% (0.57% at the second decimal point), up by 0.69% before prior-period revisions. The September gain was against an unrevised 0.40% gain in August, and a revised 0.07% monthly decline in July (previously a decline of 0.03%, initially a 0.04% monthly gain).

The headline 0.6% increase in aggregate September production activity reflected a 0.1% gain in manufacturing, which was against a downwardly revised 0.5% (previously 0.7%) gain in August manufacturing. Headline mining activity, including oil and gas activity, gained 0.2% for the month, following a revised monthly 0.6% (previously 0.3%) increase in August, while ever-unstable utility activity by 4.4% in September, after a revised 1.9% (previously 1.5%) decline in August. Again, the unstable surge in utilities accounted for 74% of the aggregate growth in September production.

Year-to-year growth in September 2013 rose to 3.19% (2.77% ex-utility distortion), versus a revised 2.78% (previously 2.66%) in August. The higher year-to-year growth rates in both September and August reflected depressed activity in the year-ago period from the impact of Hurricane Isaac. The August annual growth rate followed a revised 1.55% (previously 1.43%, initially 1.42%) in July 2013. Allowing for the special factors in the comparative September and August 2012 numbers, annual growth has slowed to levels last seen during the mid-2008 economic collapse, and it remains consistent with annual growth patterns usually seen going into recession.

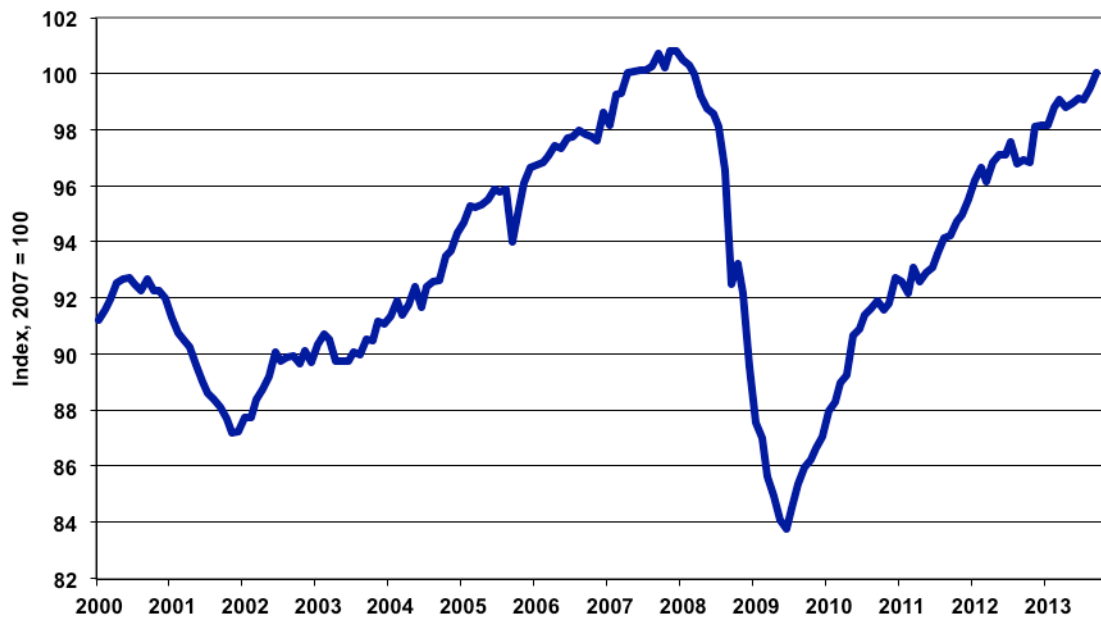
The “recovery” in industrial production is reflected in the following two sets of graphs. The first graph in the first set shows the monthly level of the production index, while the second graph shows the year-to-year or annual percentage change in the same series for recent historical detail, beginning January 2000.

The second set of graphs shows the same data in historical context since World War II.

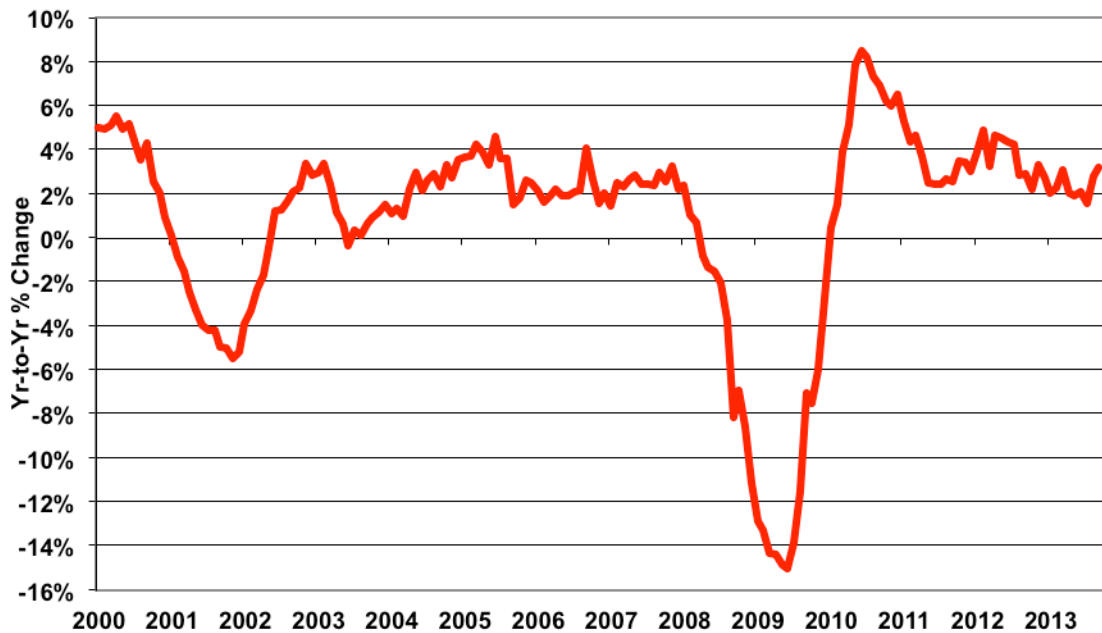
As shown more clearly in the first set of graphs, current year-to-year activity has dipped lower, with annual growth hitting levels last seen in a slowing-growth pattern in the first two quarters of the formal 2007 recession. Annual growth remains well off the recent relative peak for the series, which was 8.50% in June 2010, going against the official June 2009 trough of the economic collapse. Indeed, as shown in the second set of graphs, the year-to-year contraction of 15.02% in June 2009, at the end of second-quarter 2009, was the steepest annual decline in production since the shutdown of war-time production following World War II.

Although official production levels have moved higher since the June 2009 trough, the headline series, although closing in, still remains 0.8% shy of a full recovery and appears to be turning down or stalling, anew, allowing for the one-time factors, unlike the dubious data in the GDP, which show full recovery as of second-quarter 2011, with continuous, new expansion ever since.

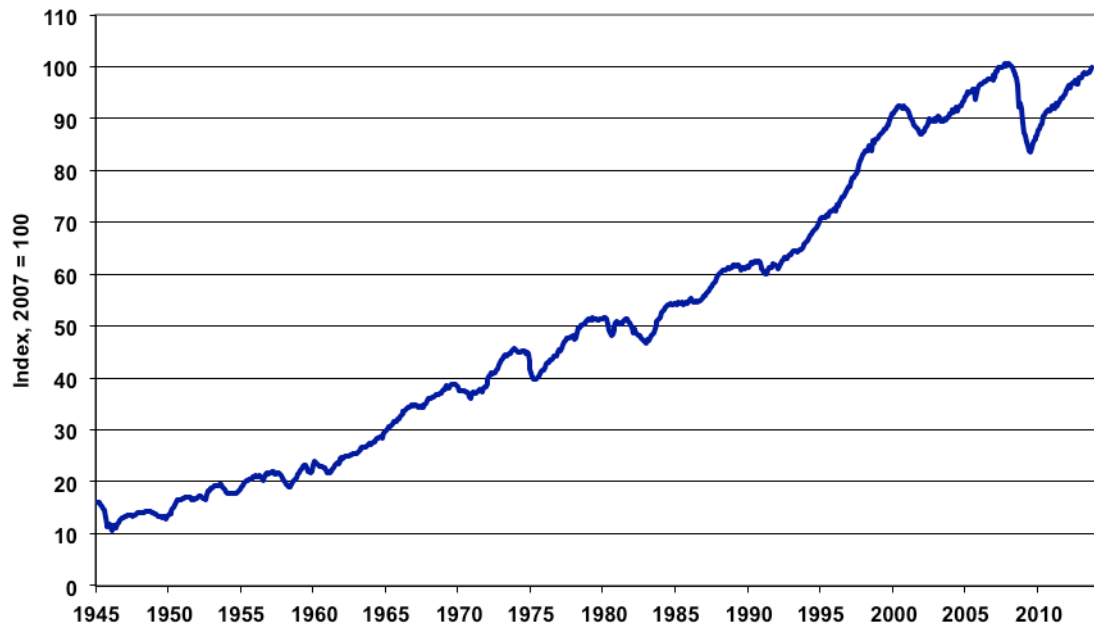
**Index of Industrial Production**  
To Sep 2013, Seasonally-Adjusted (FRB)



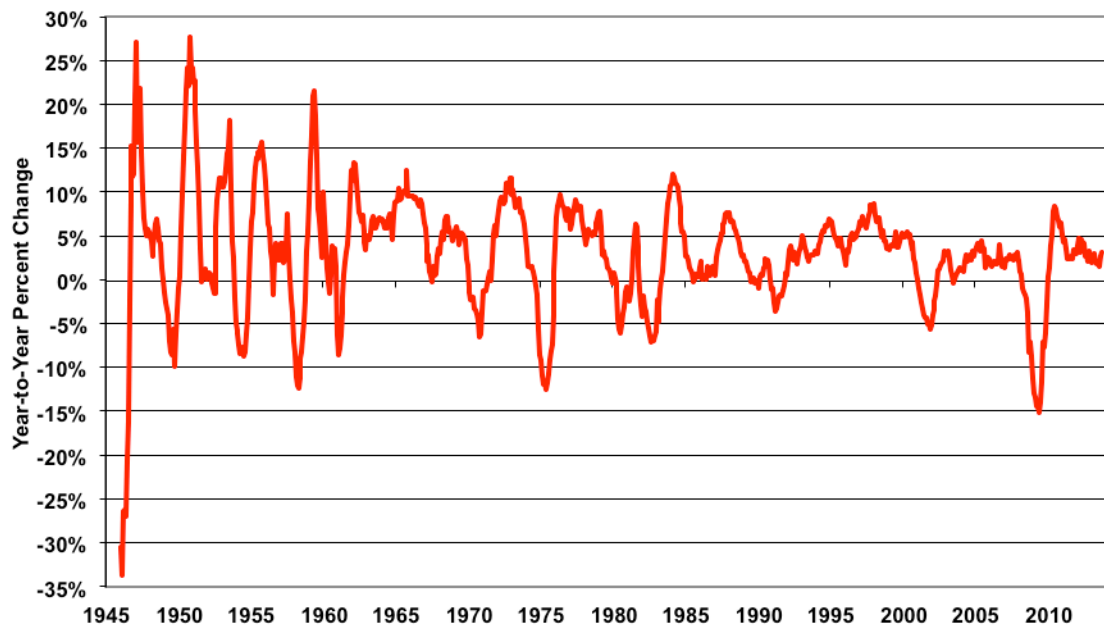
**Industrial Production Year-to-Year % Change**  
Jan 2000 to Sep 2013, Seasonally-Adj. (ShadowStats, FRB)



**Index of Industrial Production**  
To Sep 2013, Seasonally-Adjusted (ShadowStats, FRB)



**Index of Industrial Production (Yr/Yr %)**  
To Sep 2013, Seasonally-Adjusted (ShadowStats, FRB)



Corrected for the understatement of inflation used in deflating portions of the industrial production index, the series has shown more of a bottom-bouncing and recent-downturn pattern, since 2009, where it appears to have topped out coming into 2012, with a renewed downturn likely in process. The corrected production series is discussed and graphed in the *Opening Comments*. Please note also that the index base for those graphs showing production levels, both the corrected graph and the accompanying graph based on official reporting, is January 2000 = 100, instead of the Federal Reserve's official 2007 = 100, used in the graphs here.

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## WEEK AHEAD

**Weaker-Economic and Stronger-Inflation Reporting Likely in the Months Ahead.** See the [schedule](#) for the latest detail on the rescheduling of the delayed September and October economic reporting in the post-government shutdown period. *[Other than elimination of detail of the just-released production data covered elsewhere in this Commentary, and references added as to “tomorrow,” the Week Ahead section is unchanged from Commentary No. 567 of October 25th.]*

Despite continuing downside adjustments to consensus expectations on the domestic economy, the markets still are overly optimistic. That circumstance, and underlying fundamentals that are suggestive of deteriorating business activity, mean that weaker-than-consensus economic reporting should remain the general trend. Inflation likely will be higher than market expectations.

In terms of monthly inflation reporting, energy-inflation-related seasonal-adjustment factors are on the plus-side through the end of the year. That, combined with likely stable or higher oil and gasoline prices, means stronger-than-expected headline CPI and PPI are a good bet for at least the next four months, and beyond. Upside pressure on oil-related prices should reflect intensifying impact from a weakening U.S. dollar in the currency markets, and from ongoing political instabilities in the Middle East. The dollar faces pummeling from continuing QE3, and the soon-to-resurface fiscal-crisis/debt-ceiling debacle (see opening comments and the *Hyperinflation Outlook* section). Particularly in tandem with the likely weakened dollar, inflation reporting in the year ahead generally should reflect much higher-than-expected inflation (see also [No. 527: Special Commentary](#)).

**A Note on 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.

#### **PENDING RELEASES:**

***Retail Sales (September 2013).*** The September 2013 retail sales estimate was rescheduled for release tomorrow, Tuesday, October 29th, by the Census Bureau. With the structural liquidity issues increasingly constraining consumer activity, once again, odds favor the headline retail sales reporting to come in below market expectations. An outright month-to-month sales contraction is a good possibility, even before adjustment for consumer inflation.

***Producer Price Index—PPI (September 2013).*** The September 2013 PPI also was rescheduled for release tomorrow, Tuesday, October 29th, by the Bureau of Labor Statistics (BLS). For September, PPI energy prices face relatively positive seasonal factor biases. Given still-understated food inflation and ongoing upside “core” inflation, the headline PPI should come in on the plus-side.

Depending on the oil contract followed, oil prices, on average, were up or down by 0.3% for the month of September, with average retail gasoline prices down by 1.1% for the second month. Accordingly, with positive seasonal adjustments to energy prices, a small monthly gain in PPI again is a good bet.

***Consumer Price Index—CPI (September 2013).*** The release by the Bureau of Labor Statistics (BLS) of the August 2013 CPI numbers has been rescheduled for Wednesday, October 30th. The headline CPI is a fair bet to come in around the market consensus of about 0.1% to 0.2%.

Average gasoline prices eased month-to-month in September 2013 by 1.1 percentage point, on a not-seasonally-adjusted basis, per the Department of Energy. The BLS seasonal adjustments, however, should offset the nominal monthly decline in gasoline prices. As last revised, an unadjusted monthly 2.2% gain in September 2012 gasoline prices was widened to a 4.1% gain, with upside seasonal adjustments. Similar effects in the September 2013 number would push the unadjusted monthly gasoline price contraction to the plus-side, contributing roughly 0.1 percentage point to the aggregate headline CPI-U number. Given likely upside inflation pressures from food prices and core inflation, a small headline gain in September 2013 CPI-U is a reasonable expectation.

Year-to-year, CPI-U inflation would increase or decrease in September 2013 reporting, dependent on the seasonally-adjusted monthly change, versus an adjusted 0.52% increase in monthly inflation reported for September 2012. The adjusted change is used here, since that is how consensus expectations are expressed. To approximate the annual unadjusted inflation rate for September 2013, the difference in September’s headline monthly change (or forecast of same), versus the year-ago monthly change, should be added to or subtracted directly from the August 2013 annual inflation rate of 1.52%.

For example, if the headline September CPI-U inflation were 0.1%, annual inflation would slow to approximately 1.1%.