John Williams'

Shadow Government Statistics

Analysis Behind and Beyond Government Economic Reporting

COMMENTARY NUMBER 627
April CPI, PPI, Industrial Production, Real Retail Sales and Earnings

May 15, 2014

Headline Reporting Showed Weakening Economy with Rising Inflation

April 2014 Production Plunged 0.6%, Real Retail Sales Fell 0.2%,
Real Earnings Down 0.1%

Production Drop Reflected Some Reporting Catch Up

Soft Sales and Earnings Pummeled by Inflation

April Annual Inflation: 2.0% (CPI-U), 2.0% (CPI-W), 9.7% (ShadowStats)

PLEASE NOTE: The next regular Commentary *is scheduled for tomorrow, Friday, May 16th, covering April housing starts and a review of recent, key April reporting.*

Best wishes to all — John Williams

OPENING COMMENTS AND EXECUTIVE COMMENTARY

Pattern of Rising Inflation and Weakening Economic Activity Has Started to Develop. Today's missive focuses on the reporting of April PPI and CPI inflation, industrial production, and real retail sales and earnings. None of the news was good, and the unfolding headline trends were not happy ones for the economy or for the purchasing power of the U.S. dollar, as reported officially. Circumstances are meaningfully worse when viewed net of the various reporting gimmicks used by the federal government in boosting headline business numbers and in suppressing headline inflation rates, as discussed in *2014 Hyperinflation Report—The End Game Begins – First Installment Revised*, and *2014 Hyperinflation Report—Great Economic Tumble – Second Installment*. A review of the major economic reporting for April will be included in tomorrow's May 16th *Commentary No. 628*, otherwise covering April housing starts.

PPI—April 2014—Inflation Jumped for Both Goods and Services. For the first time in the four months of headline reporting for the new PPI series, inflation surged in both goods and services, up month-to-month by 0.63% in aggregate, and up by 2.21% year-to-year, the highest annual inflation rate in the formal history of the series; otherwise it was the highest inflation level since March 2012 based on experimental, *pro forma* reporting.

The month's headline hard-inflation gains were dominated by rising food prices. The hard numbers here—tied to commodities and production—have some meaning. The soft numbers—tied to services—have minimal, real-world application.

April 2014 Headline PPI Detail. The seasonally-adjusted, month-to-month, headline producer price index (PPI) for April 2014 "total final demand" rose by 0.63%, versus a 0.46% gain in March. On a not-seasonally-adjusted basis (all annual growth rates are unadjusted), year-to-year headline PPI inflation was 2.21% in April 2014, versus 1.37% in March. The April annual inflation reading was at a 25-month high.

In terms of the three major PPI subcategories for April 2014 "final demand," headline monthly "final demand goods" was up by 0.61%, "final demand services" was up by 0.65%, and "final demand construction" was up by 0.36%.

Final Demand Goods. Running somewhat in parallel with the old "finished goods" PPI series, headline monthly "final demand goods" in April gained 0.61%, versus "unchanged" in March. Year-to-year inflation was 2.49% in April 2014, versus 1.06% in March. By major component, the headline monthly change for "foods" was plus 2.67% (plus 1.10% March), for "energy" was a negligible 0.08% gain (a 1.17% contraction in March), and for "less foods and energy" was plus 0.27% (plus 0.09% March).

Final Demand Services. Headline monthly "final demand services" rose by 0.65% for the second month, in April. Year-to-year inflation was 1.96% in April 2014, versus 1.59% in March. By major component, the April headline monthly change for "services less trade, transportation and warehousing" was plus

0.28% (plus 0.37% March), for "transportation and warehousing" was plus 0.78% (plus 0.52% March), and for "trade" was plus 1.38% (plus 1.40% March).

Final Demand Construction. Headline monthly "final demand construction" was up by 0.36% in April, versus "unchanged" in March. Year-to-year inflation was 3.18% in April 2014, versus 3.20% in March.

CPI-U—April 2014—Headline Inflation Jumped Month-to-Month and Year-to-Year. Despite four months of headline CPI-U monthly inflation being suppressed by unstable seasonal adjustments, including depressed energy and "core" (net of food and energy) numbers in April, headline monthly inflation rose by 0.3% in April, reflecting a broad-based upturn in prices. More importantly, depending on the particular CPI measure followed, the year-to-year pace of inflation is accelerating anew. Independent of the vagaries of seasonal adjustments, annual consumer inflation has risen by 82-to-98 basis points, nearly a full percentage point, in the last two months.

CPI-U. The headline, seasonally-adjusted CPI-U for April 2014 rose month-to-month by 0.3% (by 0.26% at the second decimal point, and by 0.33% on an unadjusted basis). The March CPI-U had increased by an adjusted 0.20% by (0.64% unadjusted), with February up an adjusted 0.10% (by 0.37% unadjusted).

Major CPI Groups. Encompassed by the headline April 2014 CPI-U gain of 0.3% (up by 0.3% unadjusted), aggregate energy inflation in April was up by an adjusted 0.3% (up by an unadjusted 0.9%) for the month. In the other major CPI sectors, adjusted food inflation was up by 0.4% for the month (up by 0.4% unadjusted), while "core" inflation rose by an adjusted 0.2% (up by 0.3% unadjusted).

Year-to-Year CPI-U. Not seasonally adjusted, April 2014 year-to-year inflation for the CPI-U was a gain of 1.95%, versus 1.51% in March and 1.13% in February, a gain of 82-basis points in two months.

Core CPI-U. Seasonally-adjusted April 2014 "core" CPI-U (net of food and energy inflation) rose by 0.24% (0.25% unadjusted), versus an adjusted increase of 0.20% (0.35% unadjusted) in March, and an adjusted 0.12% (0.30% unadjusted) gain in February. Year-to-year "core" inflation was 1.83% in April 2014, versus 1.66% in March and 1.57% in February.

CPI-W. The April 2014 headline, seasonally-adjusted CPI-W, which is a narrower series and has greater weighting for gasoline than does the CPI-U, rose by 0.29% (up by 0.38% unadjusted), versus an adjusted 0.19% gain (up by 0.73% unadjusted) in March, and an adjusted 0.05% gain in February (up by 0.36% unadjusted). Unadjusted, April 2014 year-to-year CPI-W inflation jumped to 1.96%, up from 1.41% in March and 0.98% in February, a gain of 98-basis points in two months.

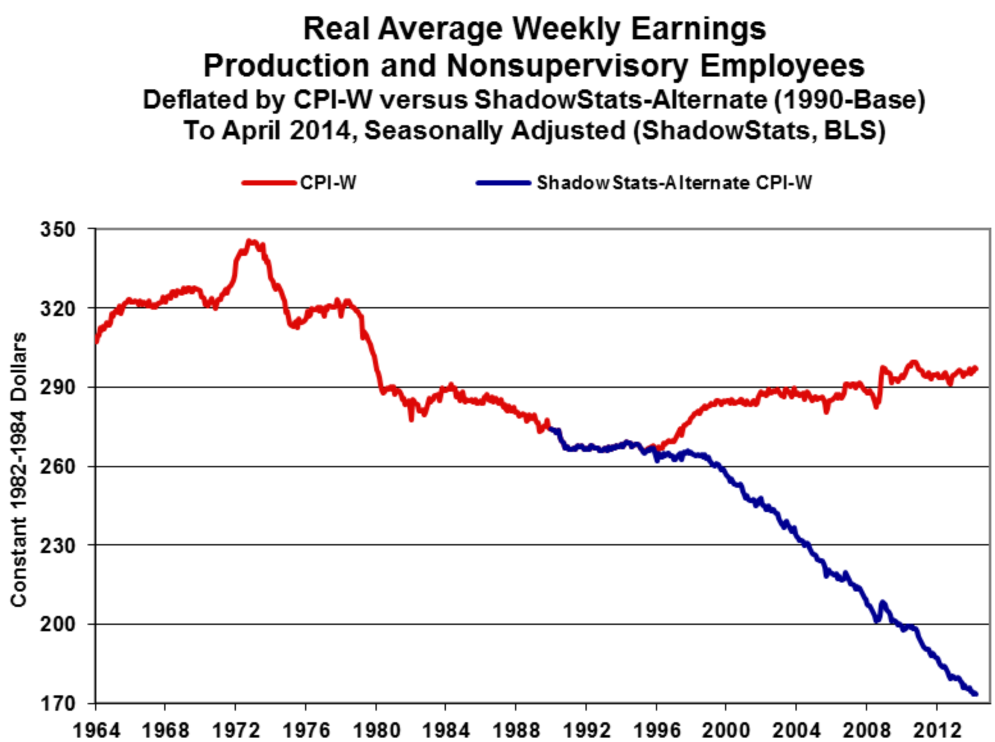
Chained-CPI-U. Initial reporting of unadjusted year-to-year inflation for the April 2014 C-CPI-U was 1.80%, up from 1.36% in March and 0.97% in February, a gain of 83-basis points in two months.

Alternate Consumer Inflation Measures. The ShadowStats-Alternate Consumer Inflation Measure (1990-Base) annual inflation was roughly 5.5% in April 2014, up from 5.1% in March 2014. The ShadowStats-Alternate Consumer Inflation Measure (1980-Base), which reverses gimmicked changes to official CPI reporting methodologies back to 1980, rose to about 9.7% in April, versus 9.2% in March.

Real Average Weekly Earnings—April 2014—Down for the Month. Amongst production and nonsupervisory employees—the only series for which there is a meaningful history—headline real average weekly earnings (deflated by the CPI-W) fell by 0.14%, versus an unrevised 0.61% gain in March and an unrevised 0.16% decline in February.

Year-to-year, April 2014 real average weekly earnings rose by 0.32%, versus a 0.50% gain in March and a 0.29% gain in February. Both the monthly and annual fluctuations in this series are irregular, but current reporting remains well within the normal bounds of volatility. Prior-period revisions usually are due to the instabilities in the BLS monthly surveys.

The accompanying graph plots the earnings as officially deflated by the BLS (red-line), and as adjusted for the ShadowStats-Alternate CPI Measure, 1990-Base (blue-line). When inflation-depressing methodologies of the 1990s began to kick-in, the artificially-weakened CPI-W (also used in calculating Social Security cost-of-living adjustments) helped to prop up the reported real earnings. Official real earnings today still have not recovered their inflation-adjusted levels of the early-1970s, and, at best, have been flat for the last decade. Deflated by the ShadowStats measure, real earnings have been in fairly regular decline for the last four decades, which is much closer to common experience than the pattern suggested by the CPI-W. See *Public Commentary on Inflation Measurement* for further detail.



Real Retail Sales—April 2014—Headline Monthly Decline of 0.2%. In nominal terms, before adjustment for inflation, headline monthly retail sales rose by 0.09% in April, 1.55% in March and 0.85% in February (see *Commentary No. 626*). Based on today's reporting of a 0.26% headline gain in the April 2014 CPI-U, and in the context of prior March and February CPI-U reporting, seasonally-adjusted real (inflation-adjusted) monthly retail sales fell by 0.17% in April, following revised gains of 1.34% in March and 0.75% in February. All the calculated changes and graphs reflect, and are in the context of, the annual benchmark revision to retail sales published on April 30th (see *Commentary No. 624* for details, including graphics).

Year-to-year change in April 2014 real retail sales was a gain of 2.05%, versus revised annual gains of 2.35% in March and 0.53% in February. Along with historical sales levels, annual growth rates for the series are shown in the graphs in the *Reporting Detail* section. In normal economic times, annual real growth falling below 2.0% would signal a pending recession. That signal had been given recently and was approached anew in April. In the current circumstance, the signal likely will serve as an indicator of a renewed downturn in broad economic activity.

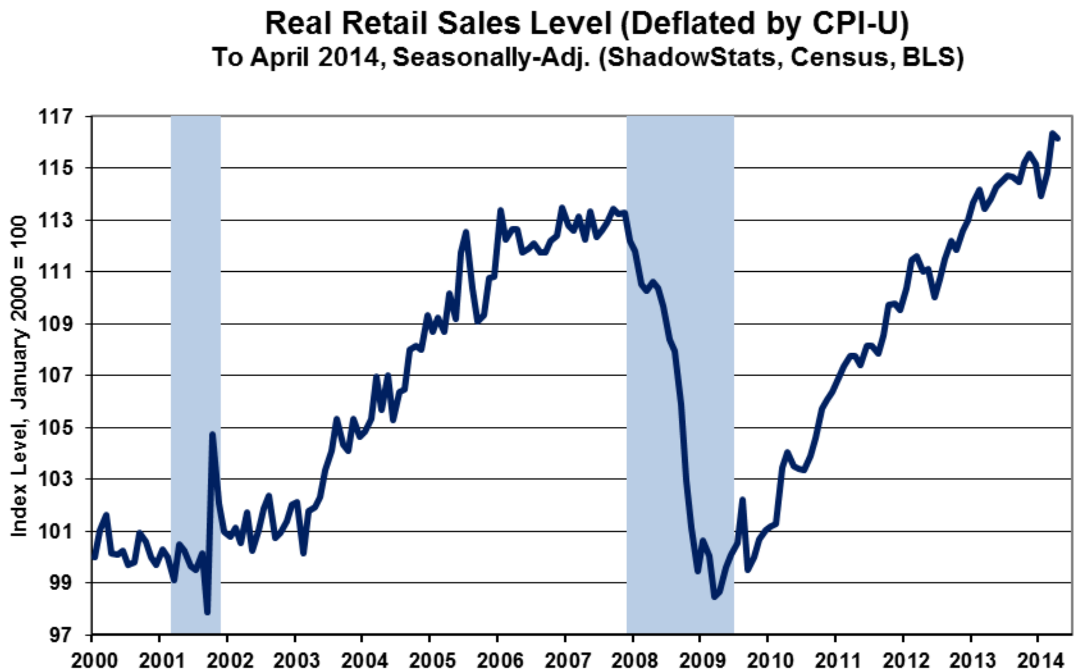
Separate graphs of headline retail sales as reported, and as corrected for the understatement of the inflation series used in deflating nominal retail sales, follow here.

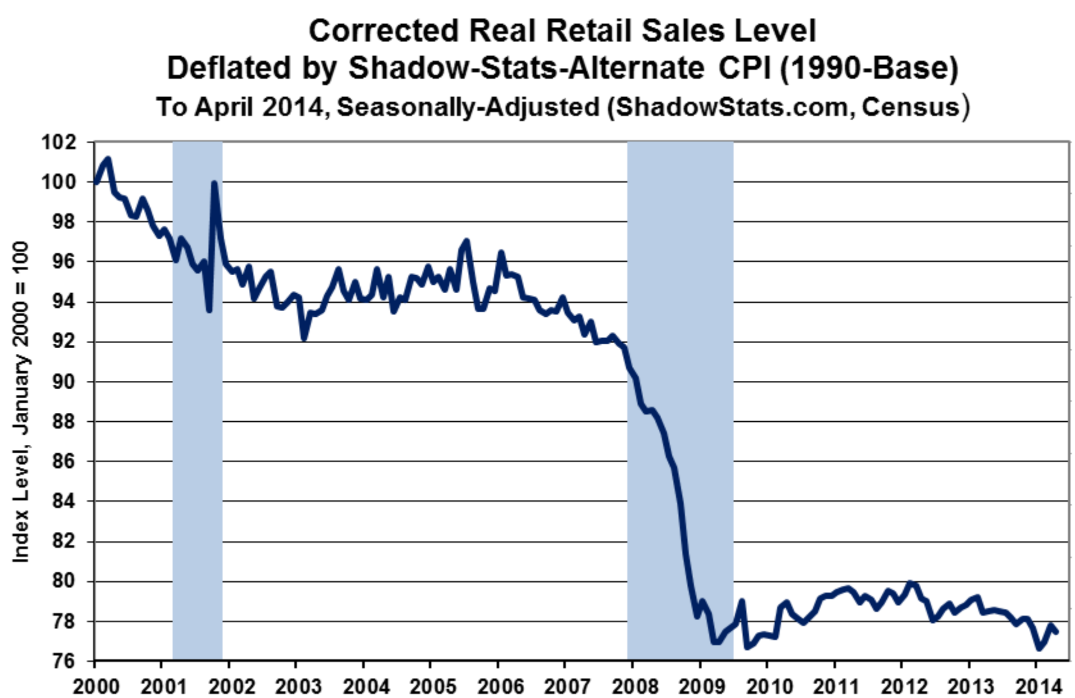
The apparent "recovery" in headline real retail sales series, in headline industrial production (see next section), and as shown in the GDP, is due to the understatement of the rate of inflation used in deflating the retail sales and the other series. As discussed more fully in *Chapter 9* of *2014 Hyperinflation Report—Great Economic Tumble* – *Second Installment*, deflation by too-low an inflation number (such as the CPI-U) results in the deflated series overstating inflation-adjusted economic growth.

Separately, as discussed in *Commentary No. 626*, there has been no change in the underlying consumer-liquidity fundamentals. There is nothing that would support a sustainable turnaround in retail sales, personal consumption, housing or general economic activity. There never was a broad economic recovery, and there is no recovery underway, just general bottom-bouncing that is turning down anew.

Corrected Retail Sales. The first graph following reflects real retail sales as usually reported by the St. Louis Fed, deflated by the CPI-U, but it is indexed to January 2000 = 100. ShadowStats did the deflation using the April 2014 CPI-U and nominal retail sales releases. As seen in the first graph, official real retail sales recently recovered its pre-recession high, hit a new post-recession high in March, pulling back in April. That headline recovery, though, is a statistical illusion. Even so, the first-quarter 2014 headline real retail sales activity contracted versus fourth-quarter 2013. That said, where the CPI-U understates inflation (see the *Public Comment on Inflation*), its use in calculating real retail sales has the effect of overstating actual inflation-adjusted activity.

Instead of being deflated by the CPI-U, the "corrected" real retail sales numbers in the second graph, use the ShadowStats-Alternate Inflation Measure (1990-Base) for deflation. With the higher inflation of the ShadowStats measure, the revamped numbers show a pattern of plunge and stagnation and renewed downturn, consistent with patterns seen in real median household income, consumer confidence measures, unemployment and housing statistics. A topping out in late-2011 and early-2012 reverted to renewed decline in second-quarter 2012 in this series, which had been bottom-bouncing along a low-level plateau of economic activity since the economic collapse from 2006 into 2009. The renewed contraction has deepened, so far, in 2014.


Real Retail Sales Level (Deflated by CPI-U)
To April 2014, Seasonally-Adj. (ShadowStats, Census, BLS)
Index Level, January 2000 = 100
117
115
113
111
109
107
105
103
101
99
97
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014


Corrected Real Retail Sales Level
Deflated by Shadow-Stats-Alternate CPI (1990-Base)
To April 2014, Seasonally-Adjusted (ShadowStats.com, Census)
Index Level, January 2000 = 100
102
100
98
96
94
92
90
88
86
84
82
80
78
76
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014

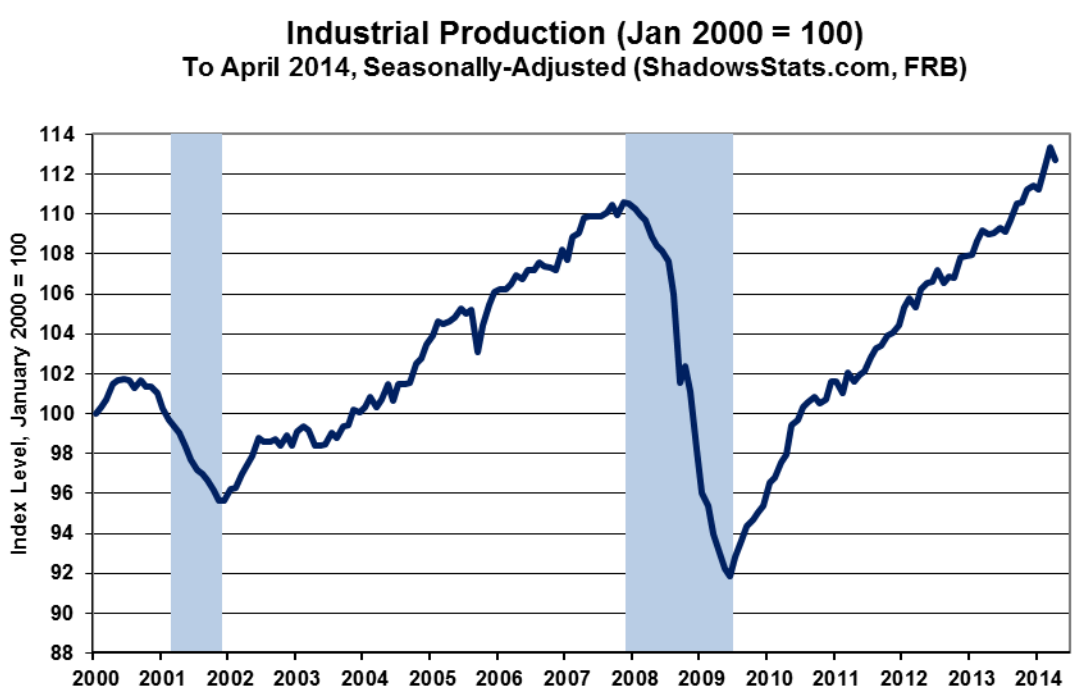
Industrial Production—April 2014—Downside Catch Up from Overstated First-Quarter Growth. The headline 0.6% monthly drop in April industrial-production activity included a much-overdue 5.3% corrective monthly plunge in utility usage, which had been and remained severely bloated by the effects of unseasonable weather for some months back. The production fall off also encompassed a 0.4% decline in manufacturing. The one major industry group on the upside for month was mining, which includes oil and gas production.

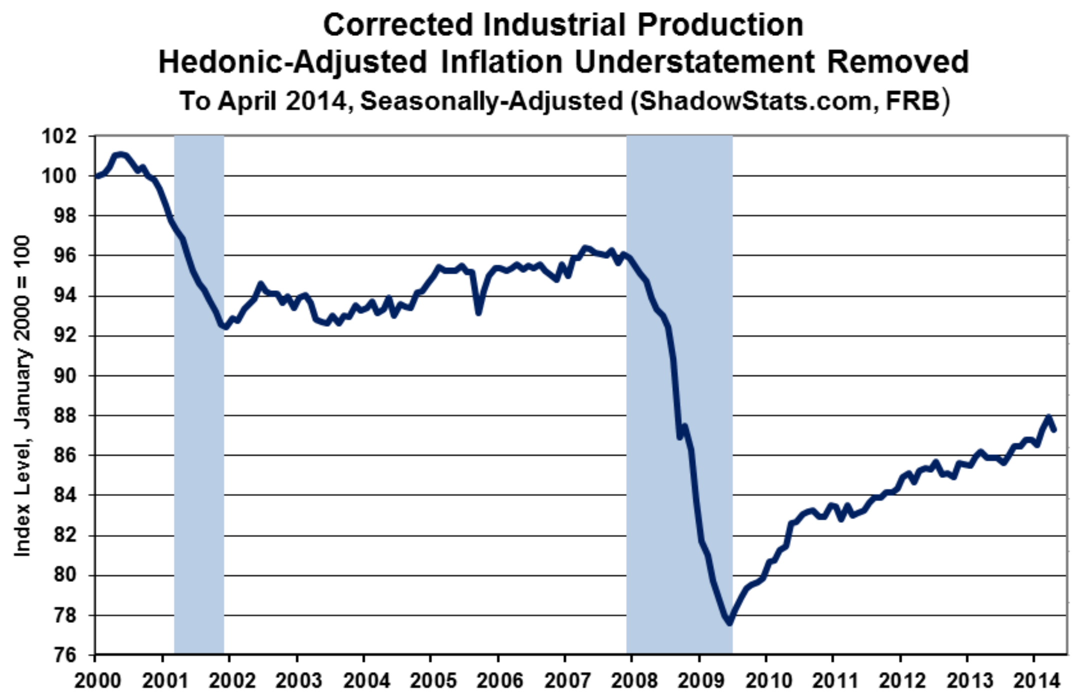
Reported through March 2014, real (inflation-adjusted) new orders for durable goods fell at an annualized quarterly pace of 8.7% in first-quarter 2014. Those orders tend to lead industrial production activity and are suggestive of developing downside pressure on industrial production, which was up at an annualized quarterly pace of 4.5% in the first-quarter. That positive gain in quarterly production, though, generally was not seen in other major economic series that directly support GDP reporting. Again, some of the downside potential simply is corrective.

Industrial Production—April 2014. In the context of an upside revision to March activity and a downside revision to February, headline monthly April production fell by 0.6% (0.57% at the second decimal point); April production was down by 0.48% net of prior-period revisions. April's monthly drop followed a revised 0.89% gain in March and a revised 1.06% gain in February.

Year-to-year growth in April production eased to 3.46%, from a revised 3.86% gain in March, and versus a revised 3.41% gain in February.

Industrial production activity in terms of level and year-to-year change is graphed in the *Reporting Detail* section. Graphs follow of an index of the headline production level, and as corrected for the understatement of the inflation used in deflating certain components of industrial production.





Corrected Industrial Production. Hedonic quality adjustments to inflation understate the inflation used in deflating some components of industrial production. That has the effect of overstating the resulting inflation-adjusted growth in the headline industrial production series (see *Public Comment on Inflation* and the discussion in *Chapter 9* of *2014 Hyperinflation Report—Great Economic Tumble*).

The two preceding graphs address that issue. The first reflects official industrial production reporting, indexed to January 2000 = 100, instead of the Fed's formal index that is set at 2007 = 100. The 2000 indexing is used simply to provide for some consistency in this series of revamped graphics; it does not affect the appearance of the graph or reported growth rates. The second graph is a version of the first that has been corrected for the understatement of the inflation rate used in deflating the production index, with estimated hedonic-inflation adjustments backed-out of the official industrial-production deflator.

The "corrected" second 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 recovered pre-recession highs. Instead, corrected production entered a period of protracted low-level stagnation in 2012, with quarterly contractions in third-quarter 2012, second-quarter 2013, with stagnation in third-quarter 2013, and some upturn in the fourth-quarter 2013 and first-quarter 2014, with April 2014 showing some downside catch up in reporting.

[For further detail on April CPI, PPI, industrial production, real retail sales and earnings, see the* Reporting Detail *section]

HYPERINFLATION WATCH

Hyperinflation Summary Outlook. The hyperinflation and economic outlooks were updated with the publication of *2014 Hyperinflation Report—The End Game Begins – First Installment Revised*, on April 2nd, and publication of *2014 Hyperinflation Report—Great Economic Tumble – Second Installment*, on April 8th. A basic summary of the broad outlook is found in the *Opening Comments* and *Overview and Executive Summary* in the *First Installment Revised*. The broad outlook for a hyperinflationary great depression beginning this year has not changed—only evolved—with various details continuing to fall into place. A formal and more-condensed summary of the extraordinarily-difficult times ahead will take over this section, soon. What follows here is detail on the evolving economic outlook—with negligible language change from prior *Commentary No. 625*—to be incorporated into that summary.

Economy Turns Down Anew. Consistent with the above *Special Commentaries*, a renewed U.S. business slowdown/downturn was evident in the initial headline estimate of first-quarter 2014 GDP, with an annualized headline growth of 0.11% (*Commentary No. 623*). As the patterns of headline growth in economic reporting continue to slow and to turn down, financial-market expectations increasingly should shift towards renewed or deepening recession. That circumstance, in turn, in confluence with other fundamental issues, should place mounting and massive selling pressure on the U.S. dollar, as well as potentially resurrect elements of the 2008-Panic.

The fundamental issues threatening the dollar, again, include, but are not limited to: the U.S. government not addressing its long-term solvency issues; monetary malfeasance by the Federal Reserve seeking to provide liquidity to a troubled banking system, and to the U.S. Treasury, with a current pace of 70% monetization of effective net issuance of public federal debt; a mounting domestic and global crisis of confidence in a dysfunctional U.S. government; mounting global political pressures contrary to U.S. interests; and a severely damaged U.S. economy, which never recovered post-2008 and is turning down anew (including a widening trade deficit).

The reporting of the March 2014 trade data, confirmed the steep deterioration in the first-quarter trade deficit, sharply reducing the chances for a major change to initial, headline first-quarter GDP growth in the pending two regular revisions. Watch out, though, for the annual benchmarking on July 30th.

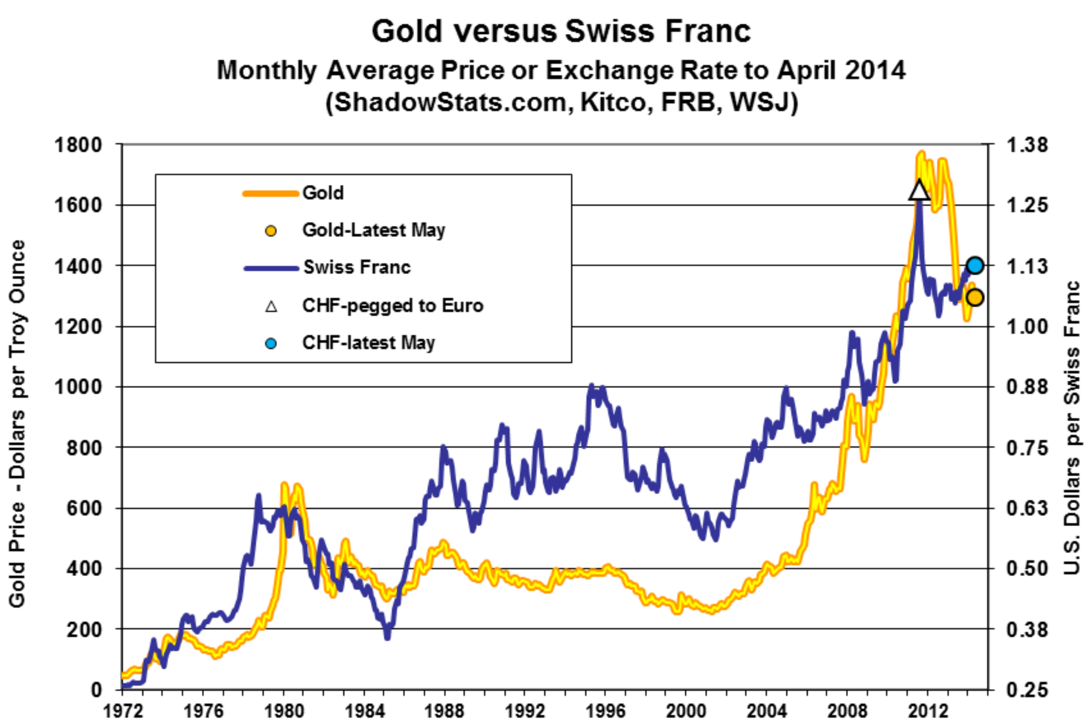
Generally reflecting weaker data in revisions to underlying data, downside revisions to recent GDP reporting are likely in the annual benchmark revisions. Specifically, underlying current economic activity actually is deteriorating and weak enough that the benchmark GDP revision likely will show a contracting first-quarter 2014 GDP, coincident with the initial reporting of a contraction in second-quarter 2014 GDP (also July 30th). That quickly should gain formal recognition as a new recession.

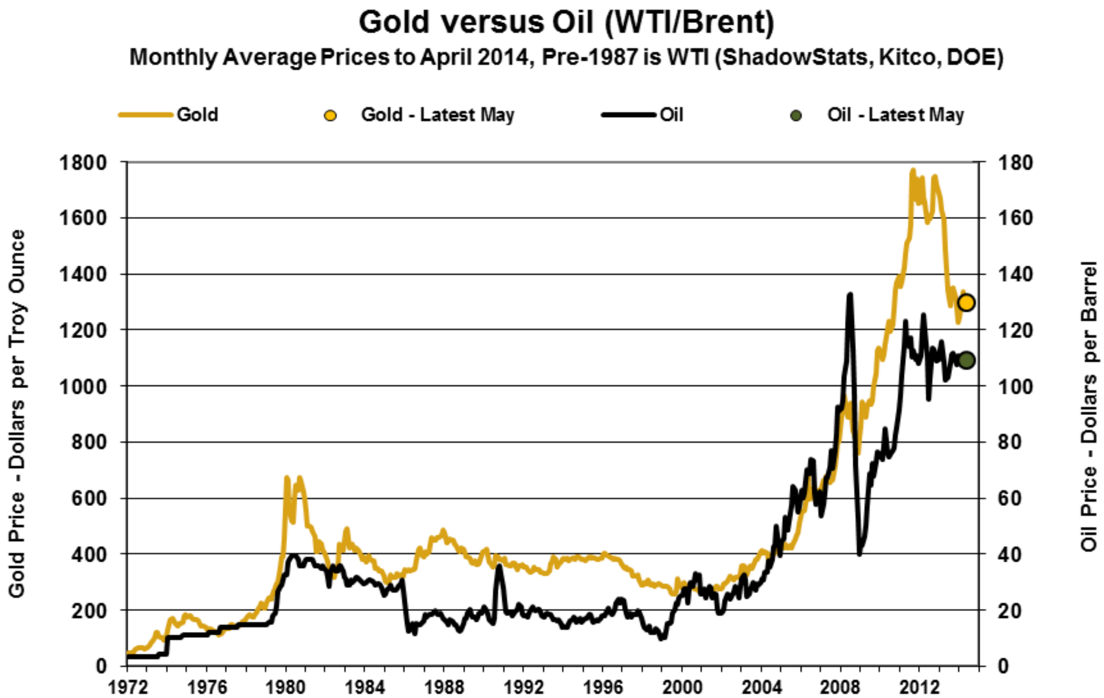
Despite the unstable, questionable and otherwise horrendous unemployment reporting for April 2014 (see *Commentary No. 624*), the subsequent headline downturns in April industrial production and real retail sales, and the headline upturns in the CPI and PPI, even weaker economic data and stronger inflation are likely in the months ahead. If those patterns continue, market expectations—and related financial-market reactions—should move into the "renewed recession" camp, before or coincident with the July 30th annual revisions to GDP.

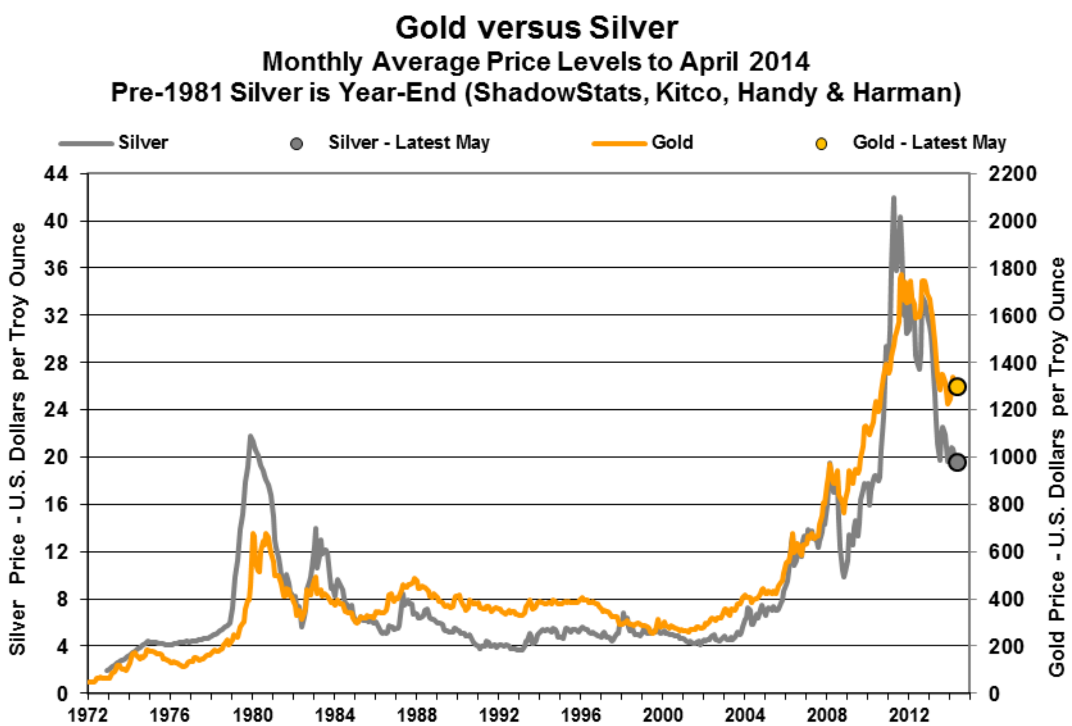
Monthly Gold Graphs. Following are the regular graphs of gold prices versus the Swiss franc, oil prices and silver prices that usually accompany the *Commentary* on the monthly CPI release. Volatile markets continue, amidst continuing global political tensions, a rapidly weakening U.S. economy and nascent recognition of rising inflation. Related market fears also center on worsening fiscal and monetary instabilities, and deteriorating domestic political circumstances. All these issues have sharply negative implications for the U.S. dollar, which remains a good bet to be an early casualty. Precious metals and oil prices should benefit.

As discussed in the two installments of the *2014 Hyperinflation Report*, linked above, the underlying fundamentals could not be much weaker for the U.S. dollar, and they could not be stronger for gold and silver, irrespective of unusual price volatility in the last year or two. More-recent oil price volatility has reflected shifting global circumstances, but oil prices also face significant, further upside pressure as the U.S. dollar comes under heavier selling pressure.

The "latest May" points in the following graphs reflect approximate conditions as of late-afternoon New York time, May 15th.




Gold versus Oil (WTI/Brent)
Monthly Average Prices to April 2014, Pre-1987 is WTI (ShadowStats, Kitco, DOE)
Gold
Gold - Latest May
Oil
Oil - Latest May
Gold Price - Dollars per Troy Ounce
Oil Price - Dollars per Barrel
1800
1600
1400
1200
1000
800
600
400
200
0
180
160
140
120
100
80
60
40
20
1972
1976
1980
1984
1988
1992
1996
2000
2004
2008
2012


Gold versus Silver
Monthly Average Price Levels to April 2014
Pre-1981 Silver is Year-End (ShadowStats, Kitco, Handy & Harman)
Silver
Silver - Latest May
Gold
Gold - Latest May
Silver Price - U.S. Dollars per Troy Ounce
Gold Price - U.S. Dollars per Troy Ounce
44
40
36
32
28
24
20
16
12
8
4
0
2200
2000
1800
1600
1400
1200
1000
800
600
400
200
1972
1976
1980
1984
1988
1992
1996
2000
2004
2008
2012

REPORTING DETAIL

CONSUMER PRICE INDEX—CPI (April 2014)

April Headline Inflation Jumped Month-to-Month and Year-to-Year. Despite four months of headline CPI-U month-to-month inflation being suppressed by unstable seasonal adjustments, including depressed energy and "core" (net of food and energy) numbers in the April CPI, headline inflation rose by 0.3%, reflecting a broad-based upturn in prices. More importantly, depending on the particular CPI measure followed, the year-to-year pace of inflation is accelerating anew. Independent of the vagaries of seasonal adjustments, annual consumer inflation has risen by 82-to-98 basis points, nearing a full percentage point, in the last two months.

Going forward, and as discussed in *2014 Hyperinflation Report—The End Game Begins – First Installment Revised*, risks of a massive flight from the U.S. dollar threaten upside energy and global-commodity inflation, which would drive headline consumer inflation much higher. The nascent dollar problems could accelerate at any time, with little warning. Renewed financial-market turmoil surrounding deteriorating global and domestic political, fiscal and monetary instabilities, and rapidly worsening economic activity, all should pummel the U.S. dollar. Ongoing economic and financial-system-liquidity crises still threaten systemic instabilities that, as with their 2008 Panic precursors, cannot be contained without further, official actions that have serious inflation consequences.

As a separate issue, inflation—generally perceived by the public from the standpoint of personal income or investment use—continues to run well above any of the government's rigged price measures. Related methodological changes to the CPI series in recent decades were designed to understate the government's reporting of consumer inflation, as discussed in the *Public Comment on Inflation Measurement*.

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Notes on Different Measures of the Consumer Price Index

The Consumer Price Index (CPI) is the broadest inflation measure published by the U.S. Government, through the Bureau of Labor Statistics (BLS), Department of Labor:

The ***CPI-U (Consumer Price Index for All Urban Consumers)*** *is the monthly headline inflation number (seasonally adjusted) and is the broadest in its coverage, representing the buying patterns of all urban consumers. Its standard measure is not seasonally adjusted, and it never is revised on that basis except for outright errors.*

*The **CPI-W (CPI for Urban Wage Earners and Clerical Workers**) covers the more-narrow universe of urban wage earners and clerical workers and is used in determining cost of living adjustments in government programs such as Social Security. Otherwise, its background is the same as the CPI-U.*

*The **C-CPI-U (Chain-Weighted CPI-U)** is an experimental measure, where the weighting of components is fully substitution based. It generally shows lower annual inflation rate than the CPI-U and CPI-W. The latter two measures once had fixed weightings—so as to measure the cost of living of maintaining a constant standard of living—but now are quasi-substitution-based.* Since it is fully substitution based, the series tends to reflect lower inflation than the other CPI measures. Accordingly, the C-CPI-U is the "new inflation" measure being considered by Congress and the White House as a tool for reducing Social Security cost-of-living adjustments by stealth.

*The **ShadowStats Alternative CPI-U Measures** are attempts at adjusting reported CPI-U inflation for the impact of methodological change of recent decades designed to move the concept of the CPI away from being a measure of the cost of living needed to maintain a constant standard of living. There are two measures, where the first is based on reporting methodologies in place as of 1980, and the second is based on reporting methodologies in place as of 1990.*

CPI-U. The Bureau of Labor Statistics (BLS) reported this morning, May 15th, that the headline, seasonally-adjusted CPI-U for April 2014 rose month-to-month by 0.3% (0.26% at the second decimal point. On a not seasonally-adjusted basis, the April CPI-U rose by 0.33%. The March CPI-U had increased by 0.2% (0.20% at the second decimal point). On a not-seasonally-adjusted basis, the March CPI-U rose by 0.64%. The February CPI-U had increased by 0.1% (0.10% at the second decimal point), and was up by 0.37% on a not-seasonally-adjusted basis. For the fourth straight month, seasonal adjustments suppressed the headline CPI-U monthly inflation rate.

Monthly Gasoline Prices. The BLS used a gain of 3.6% in not-seasonally-adjusted gasoline prices, the same as that indicated by the more-comprehensive, industry-based surveying of the Department of Energy. With negative seasonal adjustments, the unadjusted gain in gasoline prices was lowered a seasonally-adjusted 2.3% monthly increase. Seasonal adjustments were neutral for monthly food inflation, but they were negative for the headline "core" inflation, net of food and energy.

Major CPI Groups. Encompassed by the headline April 2014 CPI-U gain of 0.3% (up by 0.3% unadjusted), aggregate energy inflation in April was up by an adjusted 0.3% (up by an unadjusted 0.9%) for the month. In the other major CPI sectors, adjusted food inflation was up by 0.4% for the month (up by 0.4% unadjusted), while "core" inflation rose by an adjusted 0.2% (up by 0.3% unadjusted).

Year-to-Year CPI-U. Not seasonally adjusted, April 2014 year-to-year inflation for the CPI-U was a gain of 1.95%, versus 1.51% in March and 1.13% in February, a gain of 82-basis points in two months.

Year-to-year, CPI-U inflation would increase or decrease in next month's May 2014 reporting, dependent on the seasonally-adjusted monthly change, versus an adjusted 0.18% gain in the monthly inflation reported for May 2013. The adjusted change is used here, since that is how consensus expectations are expressed. To approximate the annual unadjusted inflation rate for May 2014, the difference in May's headline monthly change (or forecast of same), versus the year-ago monthly change, should be added to or subtracted directly from the April 2014 annual inflation rate of 1.95%.

Core CPI-U. Seasonally-adjusted April 2014 "core" CPI-U inflation (net of food and energy inflation) rose by 0.24% (0.25% unadjusted), versus an adjusted increase of 0.20% (0.35% unadjusted) in March, and an adjusted 0.12% (0.30% unadjusted) gain in February. Year-to-year "core" inflation was 1.83% in April 2014, versus 1.66% in March and 1.57% in February.

CPI-W. The April 2014 headline, seasonally-adjusted CPI-W, which is a narrower series and has greater weighting for gasoline than does the CPI-U, rose by 0.29% (up by 0.38% unadjusted), versus an adjusted 0.19% (up by 0.73% unadjusted) in March, and an adjusted 0.05% gain in February (up by 0.36% unadjusted). Unadjusted, April 2014 year-to-year CPI-W inflation jumped to 1.96%, up from 1.41% in March and 0.98% in February.

Chained-CPI-U. Initial reporting of unadjusted year-to-year inflation for the April 2014 C-CPI-U was 1.80%, up from 1.36% in March and 0.97% in February.

[The balance of the C-CPI-U discussion is unchanged from the prior Commentary *covering the CPI.]* The recent, two-year budget deficit agreement (see *Commentary No. 581*) cut cost-of-living adjustments (COLA) for certain military retirees by one-percent. The Congressional negotiators did not use the Chained-CPI as had been threatened otherwise for Social Security, etc., where the idea had been that the chained series would cut COLAs by about one-percent on an annual basis, versus existing calculations. The approach taken is more open about what is being done, as opposed to the prior subterfuge of trying to pass off a fully-substitution-based CPI as a legitimate COLA measure.

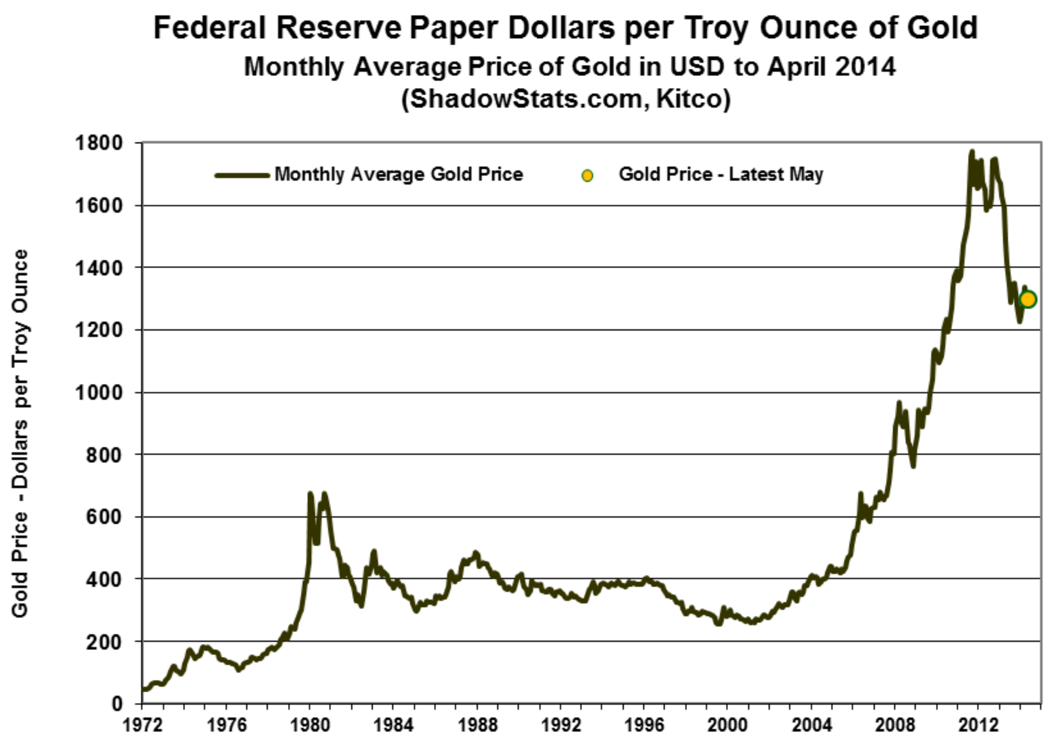
The Chained-CPI-U currently is not designed as a benchmark cost-of-living indicator, with the series subject to revisions for two years, before the inflation-rate reduction is realized fully. Despite White House and Congressional considerations of making the chained index the new cost-of-living-adjustment (COLA) measure for programs such as Social Security, the system cannot be made workable as a concept for using a substitution-based CPI measure as a COLA, without the new index becoming even more of a sham than it already is. For further detail, see the *Public Commentary on Inflation Measurement and Chained-CPI*), and the C-CPI material posted on the BLS site, apparently in anticipation possible political uses for the measure: Chained CPI.

Alternate Consumer Inflation Measures. Adjusted to pre-Clinton methodologies—the ShadowStats-Alternate Consumer Inflation Measure (1990-Base)—annual inflation was roughly 5.5% in April 2014, up from 5.1% in March 2014. The ShadowStats-Alternate Consumer Inflation Measure (1980-Base), which reverses gimmicked changes to official CPI reporting methodologies back to 1980, rose to about 9.7% (9.69% for those using the second decimal point) in April, versus 9.2% in March.

[The balance of the text in this Alternate Consumer Inflation Measures *sub-section is unchanged from the prior CPI* Commentary.*]*

Note: The ShadowStats-Alternate Consumer Inflation Measure largely has been reverse-engineered from the BLS's CPI-U-RS series, which provides an official estimate of historical inflation, assuming that all current methodologies were in place going back in time. The ShadowStats estimates effectively are adjusted on an additive basis for the cumulative impact on the annual inflation rate of various methodological changes made by the BLS (the series is not recalculated).

Over the decades, the BLS has altered the meaning of the CPI from being a measure of the cost of living needed to maintain a constant standard of living, to something that neither reflects the constant-standard-of-living concept nor measures adequately what most consumers view as out-of-pocket expenditures. Roughly five percentage points of the additive ShadowStats adjustment reflect the BLS's formal estimate of the annual impact of methodological changes; roughly two percentage points reflect changes by the BLS, where ShadowStats has estimated the impact not otherwise published by the BLS. (See Public Commentary on Inflation Measurement and Chained-CPI *for further details.)*



Gold and Silver Highs Adjusted for CPI-U/ShadowStats Inflation. Despite the September 5, 2011 historic-high gold price of $1,895.00 per troy ounce (London afternoon fix), and despite the multi-decade-high silver price of $48.70 per troy ounce (London fix of April 28, 2011), gold and silver prices have yet to re-hit their 1980 historic levels, adjusted for inflation. The earlier all-time high of $850.00 (London afternoon fix, per Kitco.com) for gold on January 21, 1980 would be $2,590 per troy ounce, based on April 2014 CPI-U-adjusted dollars, and $10,993 per troy ounce, based on April 2014 ShadowStats-Alternate-CPI (1980-Base) adjusted dollars (all series not seasonally adjusted).

In like manner, the all-time high nominal price for silver in January 1980 of $49.45 per troy ounce (London afternoon fix, per silverinstitute.org), although approached in 2011, still has not been hit since 1980, including in terms of inflation-adjusted dollars. Based on April 2014 CPI-U inflation, the 1980 silver-price peak would be $151 per troy ounce and would be $640 per troy ounce in terms of April 2014 ShadowStats-Alternate-CPI (1980-Base) adjusted dollars (again, all series not seasonally adjusted).

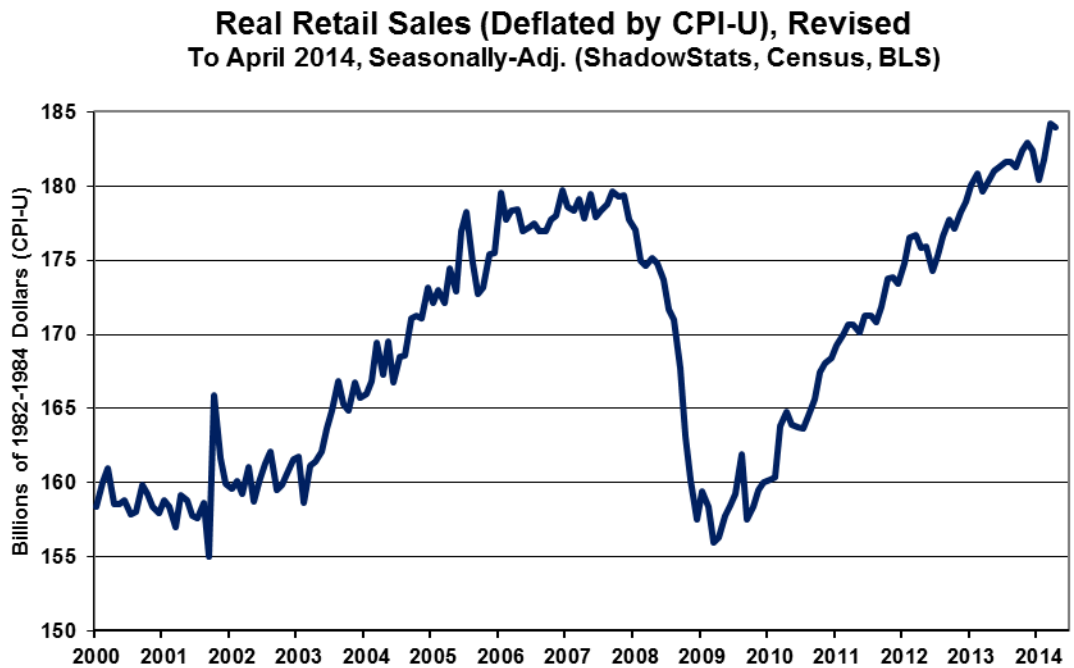
As shown in Table 1, on page 31 of *2014 Hyperinflation Report—The End Game Begins – First Installment Revised*, over the decades, the increases in gold and silver prices have compensated for more than the loss of the purchasing power of the U.S. dollar as reflected by CPI inflation, while they effectively have come close to fully compensating for the loss of purchasing power of the dollar based on the ShadowStats-Alternate Consumer Price Measure (1980-Methodologies Base).

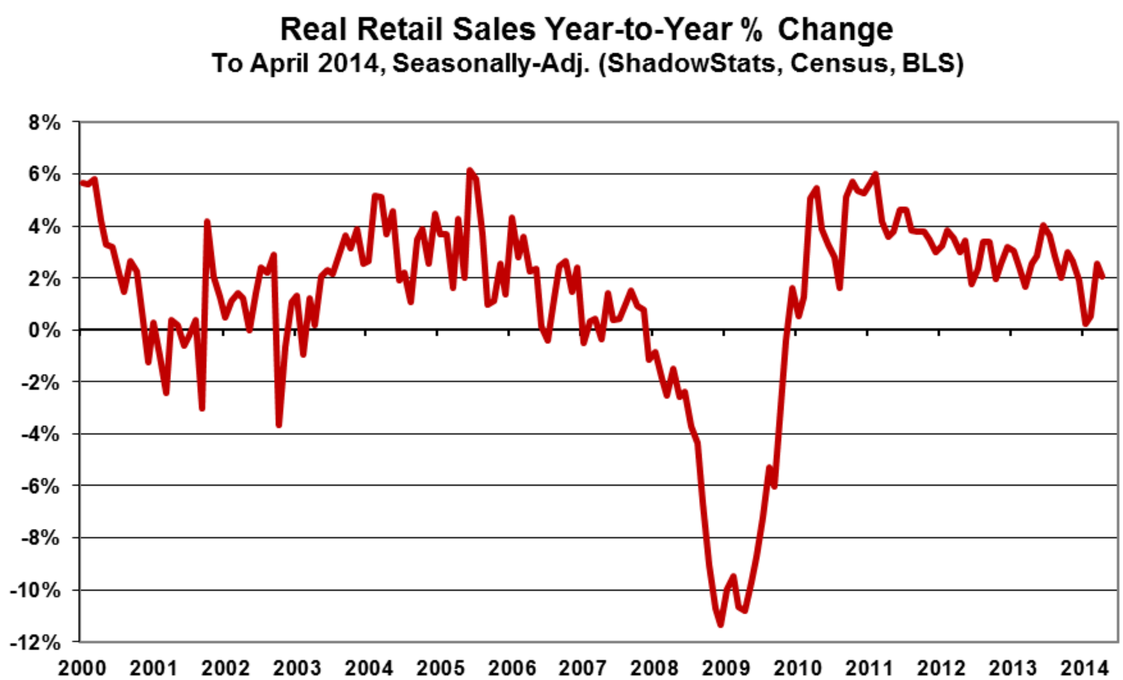
Real (Inflation-Adjusted) Retail Sales—April 2014. In nominal terms, before adjustment for inflation, headline monthly retail sales rose by 0.09% in April, 1.55% in March and 0.85% in February (see *Commentary No. 626*). Based on today's reporting of a 0.26% headline gain in the April 2014 CPI-U, and in the context of prior March and February CPI-U reporting, seasonally-adjusted real (inflation-adjusted) monthly retail sales fell by 0.17% in April, following revised gains of 1.34% in March and 0.75% in February. All the calculated changes and graphs reflect, and are in the context of, the annual benchmark revision to retail sales published on April 30th (see *Commentary No. 624* for details, including graphics).

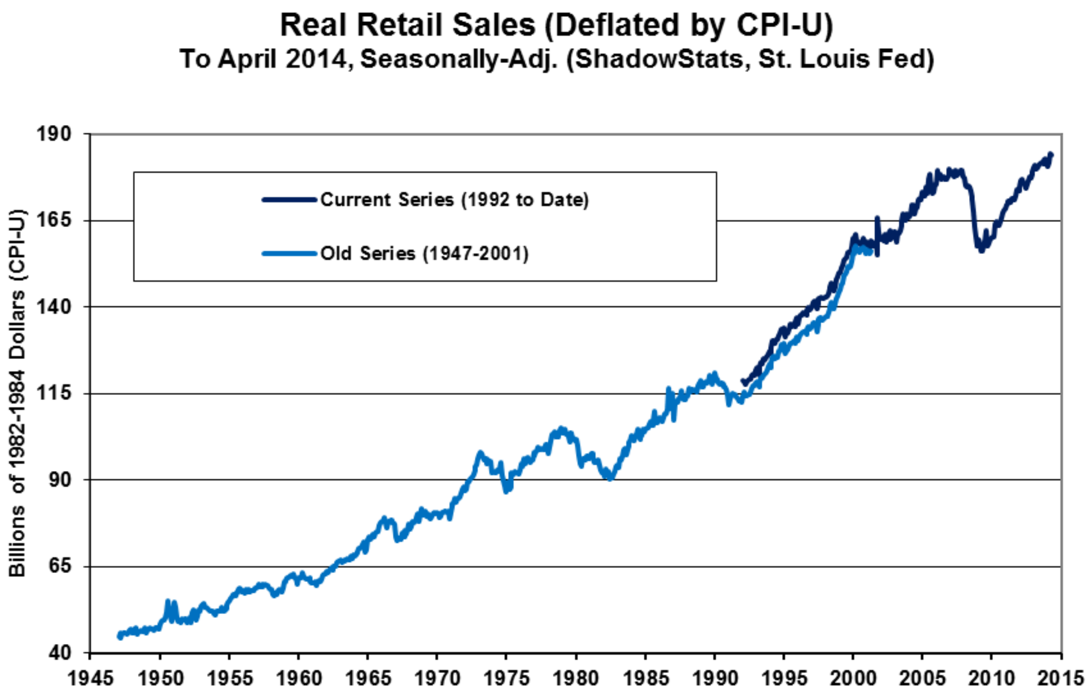
Year-to-year change in April 2014 real retail sales was a 2.05% gain, versus revised annual gains of 2.35% in March and 0.53% in February, as shown in the second and fourth graphs following. In normal economic times, annual real growth falling below 2.0% would signal a pending recession. That signal had been given recently and was approached anew in April. In the current circumstance, the signal likely will serve as an indicator of a renewed downturn in broad economic activity.

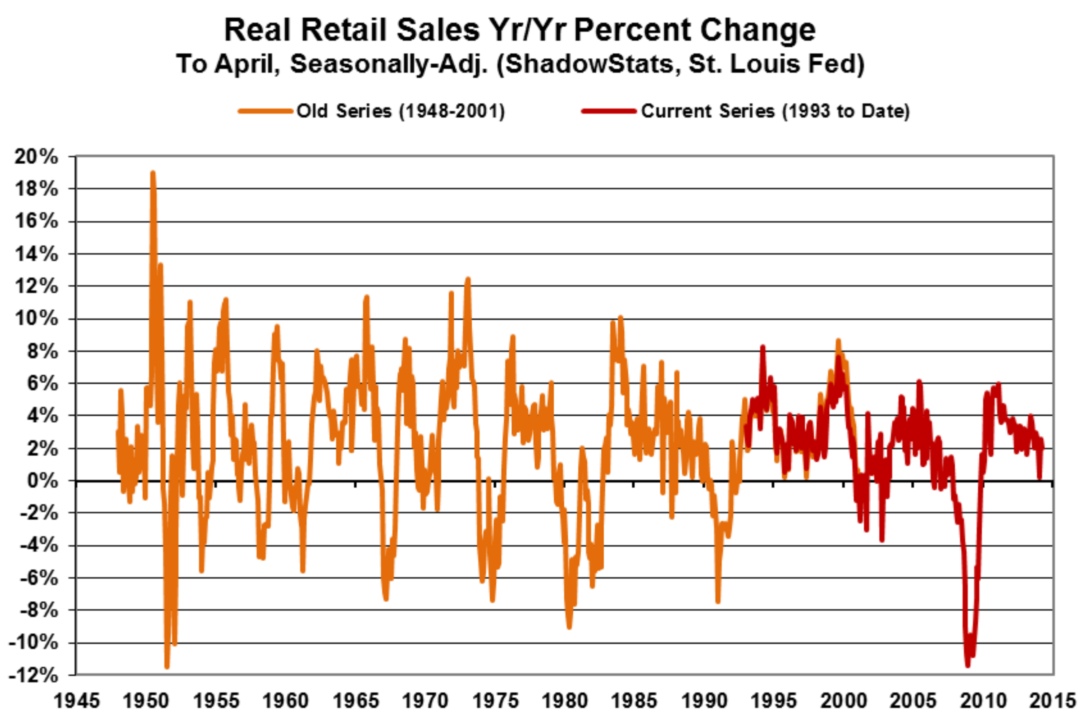
Real Retail Sales Graphs. The first of the four graphs following shows the level of real retail sales activity (deflated by the CPI-U) since 2000; the second graph shows year-to-year percent change for the same period. The level of monthly activity turned down sharply in December 2013 and January 2014 with a bounce-back in February and March and renewed downturn in April. Year-to-year activity, which had plunged to a near-standstill in January and February, also bounced back some in March, but has pulled back again in April. The third and fourth graphs show the level of and annual growth in real retail sales (and its predecessor series) in full post-World War II detail.

The gross domestic product (GDP) expanded beyond pre-recession levels twelve quarters ago, starting in second-quarter 2011, and it has kept rising, well beyond the reported activity of any other series, including real retail sales and industrial production. There is no other major economic series showing the GDP's pattern of both official, full recovery and extensive new growth. While real retail sales tend to lead the GDP, the "recovery" in retail reporting lagged the purported GDP recovery by two years. In like manner, the industrial production measure—a coincident GDP indicator—broke above its pre-recession high in November 2013 reporting, but has fluttered since, still holding above pre-recession levels.


Real Retail Sales (Deflated by CPI-U), Revised
To April 2014, Seasonally-Adj. (ShadowStats, Census, BLS)
Billions of 1982-1984 Dollars (CPI-U)
185
180
175
170
165
160
155
150
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014


Real Retail Sales Year-to-Year % Change
To April 2014, Seasonally-Adj. (ShadowStats, Census, BLS)
8%
6%
4%
2%
0%
-2%
-4%
-6%
-8%
-10%
-12%
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014


Real Retail Sales (Deflated by CPI-U)
To April 2014, Seasonally-Adj. (ShadowStats, St. Louis Fed)
Current Series (1992 to Date)
Old Series (1947-2001)
Billions of 1982-1984 Dollars (CPI-U)
190
165
140
115
90
65
40
1945 1950 1955 1960 1965 1970 1975 1980 1985 1990 1995 2000 2005 2010 2015


Real Retail Sales Yr/Yr Percent Change
To April, Seasonally-Adj. (ShadowStats, St. Louis Fed)
Old Series (1948-2001)
Current Series (1993 to Date)
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
-6%
-8%
-10%
-12%
1945 1950 1955 1960 1965 1970 1975 1980 1985 1990 1995 2000 2005 2010 2015

The apparent "recovery" in the real retail sales series and industrial production (as well as in the GDP) is due to the understatement of the rate of inflation used in deflating retail sales and other series. As discussed more fully in *Chapter 9* of *2014 Hyperinflation Report—Great Economic Tumble – Second Installment*, deflation by too-low an inflation number (such as the CPI-U) results in the deflated series overstating inflation-adjusted economic growth.

As shown in the latest "corrected" real retail sales graph, in the *Opening Comments*, with the deflation rates corrected for understated inflation, the recent pattern of real sales activity has turned increasingly negative. The corrected graph shows that the post-2009 period of protracted stagnation ended, and a period of renewed contraction began in second-quarter 2012. The corrected real retail sales numbers use the ShadowStats-Alternate Inflation Measure (1990-Base) for deflation instead of the CPI-U.

Also discussed in *Commentary No. 626*, there has been no change in the underlying consumer-liquidity fundamentals. There is nothing that would support a sustainable turnaround in retail sales, personal consumption, housing or general economic activity. There never was a broad economic recovery, and there is no recovery underway, just general bottom-bouncing that is turning down anew.

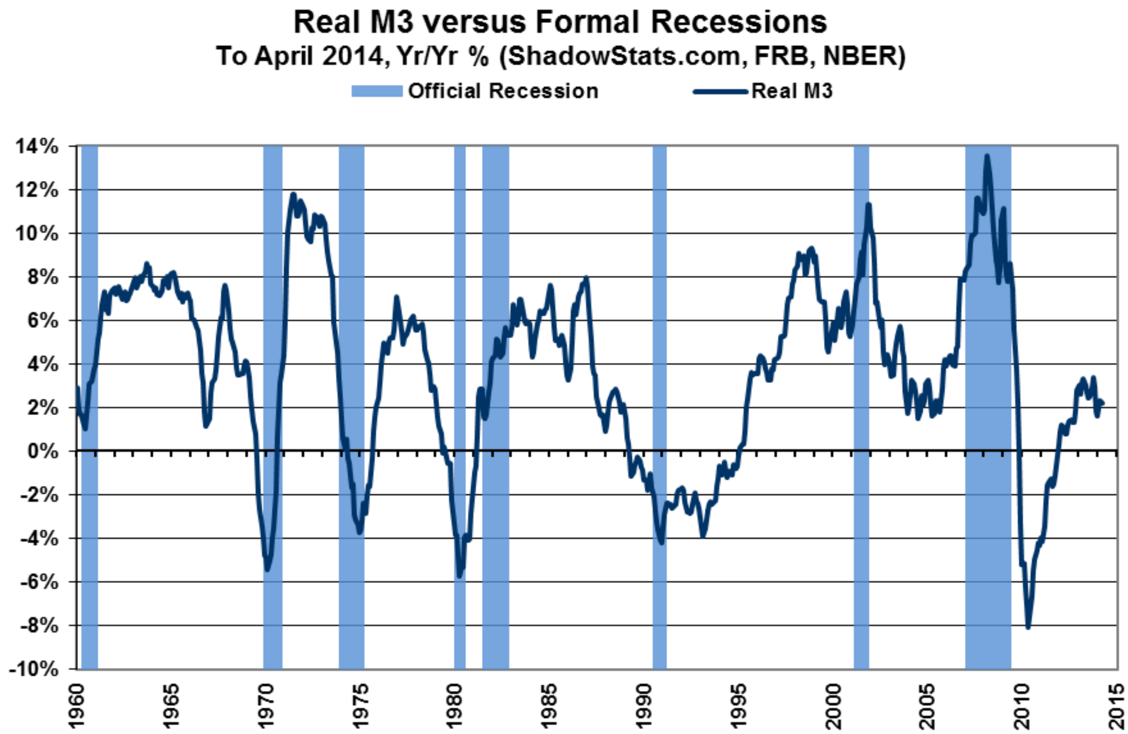
As official consumer inflation continues its upturn in the months ahead, and as overall retail sales continue to suffer from the ongoing consumer liquidity squeeze—reflected partially by continued real earnings difficulties, discussed in the next section—these data should continue to trend meaningfully lower, in what rapidly should gain recognition as a formal new or double-dip recession.

Real (Inflation-Adjusted) Average Weekly Earnings—April 2014. Coincident with today's April 2014 CPI-W release, the BLS also published real average weekly earnings for April. In the production and nonsupervisory employees series—the only series for which there is a meaningful history—headline real average weekly earnings (deflated by the CPI-W) fell by 0.14%, versus an unrevised 0.61% gain in March and an unrevised 0.16% decline in February.

Year-to-year, April 2014 real average weekly earnings rose by 0.32%, versus a 0.50% gain in March and a 0.29% gain in February. Both the monthly and annual fluctuations in this series are irregular, but current reporting remains well within the normal bounds of volatility. Prior-period revisions usually are due to the instabilities in the BLS monthly surveys.

The regular graph of this series is in the *Opening Comments* section. As shown there, the graph plots the earnings as officially deflated by the BLS (red-line), and as adjusted for the ShadowStats-Alternate CPI Measure, 1990-Base (blue-line). When inflation-depressing methodologies of the 1990s began to kick-in, the artificially-weakened CPI-W (also used in calculating Social Security cost-of-living adjustments) helped to prop up the reported real earnings. Official real earnings today still have not recovered their inflation-adjusted levels of the early-1970s, and, at best, have been flat for the last decade. Deflated by the ShadowStats measure, real earnings have been in fairly regular decline for the last four decades, which is much closer to common experience than the pattern suggested by the CPI-W. See *Public Commentary on Inflation Measurement* for further detail.

Real Money Supply M3—April 2014. The signal for a double-dip or ongoing recession, based on annual contraction in the real (inflation-adjusted) broad money supply (M3), remains in place and continues, despite real annual M3 growth holding in positive territory. As shown in the accompanying graph—based on April 2014 CPI-U reporting and the latest ShadowStats-Ongoing M3 Estimate—annual inflation-adjusted growth in M3 for April 2014 notched lower to 2.2% from an unrevised 2.3% in March. The slight slowing in the April annual growth rate for real M3 reflected a somewhat stronger gain in annual headline CPI-U inflation versus the increase in annual M3 growth.



The signal for a downturn or an intensified downturn is generated when annual growth in real M3 first turns negative in a given cycle; the signal is not dependent on the depth of the downturn or its duration. Breaking into positive territory does not generate a meaningful signal one way or the other for the broad economy. The current downturn signal was generated in December 2009, even though there had been no upturn since the economy hit bottom in mid-2009. The broad economy tends to follow in downturn or renewed deterioration roughly six-to-nine months after the signal. Weaknesses in a number of series continued into 2011 and 2012, with significant new softness in recent reporting. Actual post-2009 economic activity has remained at low levels—in protracted stagnation.

A renewed downturn in official data may be underway, and that eventually could lead to official recognition of a "new" or double-dip recession. Reality remains that the economic collapse into 2009 was followed by a plateau of low-level economic activity—no upturn or recovery, no end to the official 2007 recession—and the unfolding renewed downturn remains nothing more than a continuation and re-intensification of the downturn that began unofficially in 2006. Further discussion of this issue is found in *Chapter 8* of the *2014 Hyperinflation Report—Great Economic Tumble – Second Installment*.

PRODUCER PRICE INDEX—PPI (April 2014)

Both Hard Goods and Soft Services Showed Surging Wholesale Inflation in April 2014. For the first time in the four months of headline reporting for the new PPI series, inflation surged in both goods and services, up month-to-month by 0.63% in aggregate, and up by 2.21% year-to-year, the highest annual inflation rate in the formal history of the series; otherwise it was the highest inflation level since March 2012 based on experimental, *pro forma* reporting.

The month's headline hard-inflation gains were dominated by rising food prices. The hard numbers—tied to commodities and production—have some meaning. The soft numbers—tied to services—have minimal, real-world application.

As discussed in *Commentary No. 591*, a new producer price index (PPI)—effective with January 2014 reporting—replaced the traditional headline monthly measure of wholesale inflation in "finished goods," with a headline monthly measure of wholesale "total final demand," composed of "final demand goods" (basically the old "finished goods" series), "final demand services" which tends to cap the goods inflation when oil prices are an issue, and "final demand construction."

In the new structure of the PPI series "final demand services" largely reflects problematic and questionable surveying of intermediate or quasi-wholesale profit margins in the services area. To the extent that profit margins shrink in the services sector, one could argue that the resulting lowered estimation of inflation actually is a precursor to higher inflation, as firms move to raise prices in an effort to regain more-normal margins. The new PPI series is an interesting concept, but likely limited as to its aggregate predictive ability versus general consumer inflation. There is not enough history available on the new series (just five years of post-2008-panic data) to establish any meaningful predictive relationship to general inflation, while the goods sector relationship has been established for many years.

April 2014 Headline PPI Detail. The Bureau of Labor Statistics (BLS) reported on May 14th, that the seasonally-adjusted, month-to-month, headline producer price index (PPI) for April 2014 "total final demand" rose by 0.63%, versus a 0.46% gain in March. On a not-seasonally-adjusted basis (all annual growth rates are unadjusted), year-to-year headline PPI inflation was 2.21% in April 2014, versus 1.37% in March. The April annual inflation reading was at a 25-month high.

In terms of the three major PPI subcategories for April 2014 "final demand," headline monthly "final demand goods" was up by 0.61%, "final demand services" was up by 0.65%, and "final demand construction" was up by 0.36%.

Final Demand Goods. Running somewhat in parallel with the old "finished goods" PPI series, headline monthly "final demand goods" in April gained 0.61%, versus "unchanged" in March. Year-to-year inflation was 2.49% in April 2014, versus 1.06% in March. By major component, the headline monthly change for "foods" was plus 2.67% (plus 1.10% March), for "energy" was a negligible 0.08% gain (a 1.17% contraction in March), and for "less foods and energy" was plus 0.27% (plus 0.09% March).

Final Demand Services. Headline monthly "final demand services" rose by 0.65% for the second month, in April. Year-to-year inflation was 1.96% in April 2014, versus 1.59% in March. By major component, the April headline monthly change for "services less trade, transportation and warehousing" was plus

0.28% (plus 0.37% March), for "transportation and warehousing" was plus 0.78% (plus 0.52% March), and for "trade" was plus 1.38% (plus 1.40% March).

Final Demand Construction. Headline monthly "final demand construction" was up by 0.36% in April, versus "unchanged" in March. Year-to-year inflation was 3.18% in April 2014, versus 3.20% in March.

Descriptive materials on the recently revamped PPI series remain available on the BLS Web site here: *New PPI Series*, with the latest detail in the April 2014-related *Press Release*.

INDEX OF INDUSTRIAL PRODUCTION (April 2014)

Some Downside Catch-Up Reporting, from Overstated First-Quarter Growth. The headline 0.6% drop in monthly industrial-production activity included a much-overdue 5.3% corrective monthly plunge in utility usage, which had been, and remained, severely bloated by unseasonable weather for some months back. The production decline also encompassed a 0.4% decline in manufacturing. The one industry group for month with positive growth was mining, which included oil and gas production.

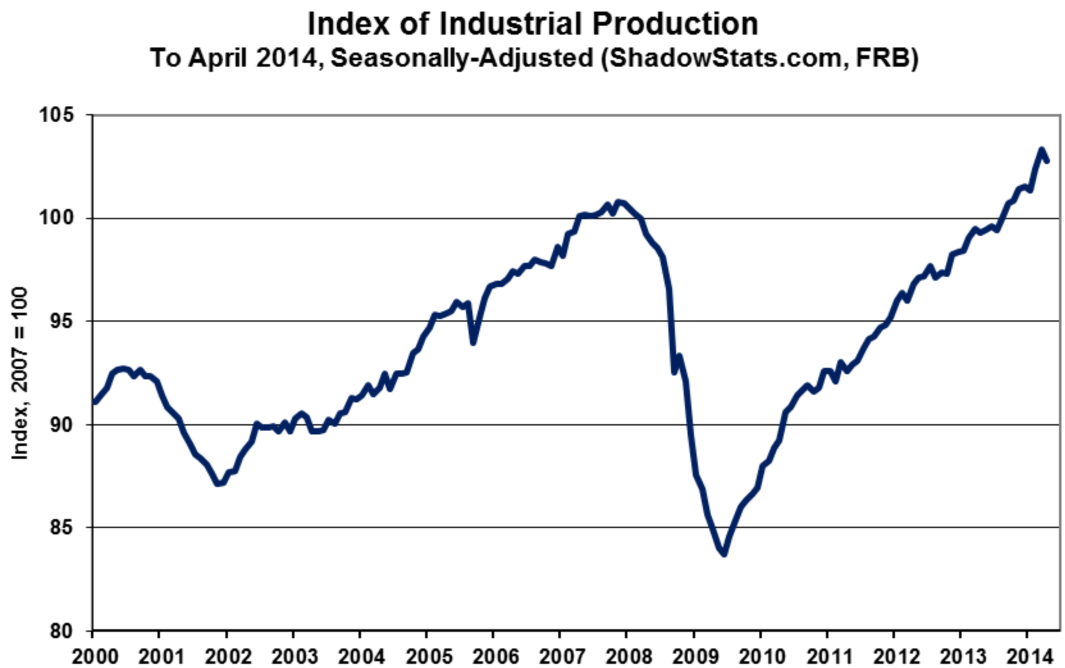
Reported through March 2014, real (inflation-adjusted) new orders for durable goods fell at an annualized quarterly pace of 8.7% in first-quarter 2014. Those orders tend to lead industrial production activity and are suggestive of developing downside pressure on industrial production, which was up at an annualized quarterly pace of 4.5% in the first-quarter. That positive gain in quarterly production generally, though, was not seen in other major economic series that directly support GDP reporting.

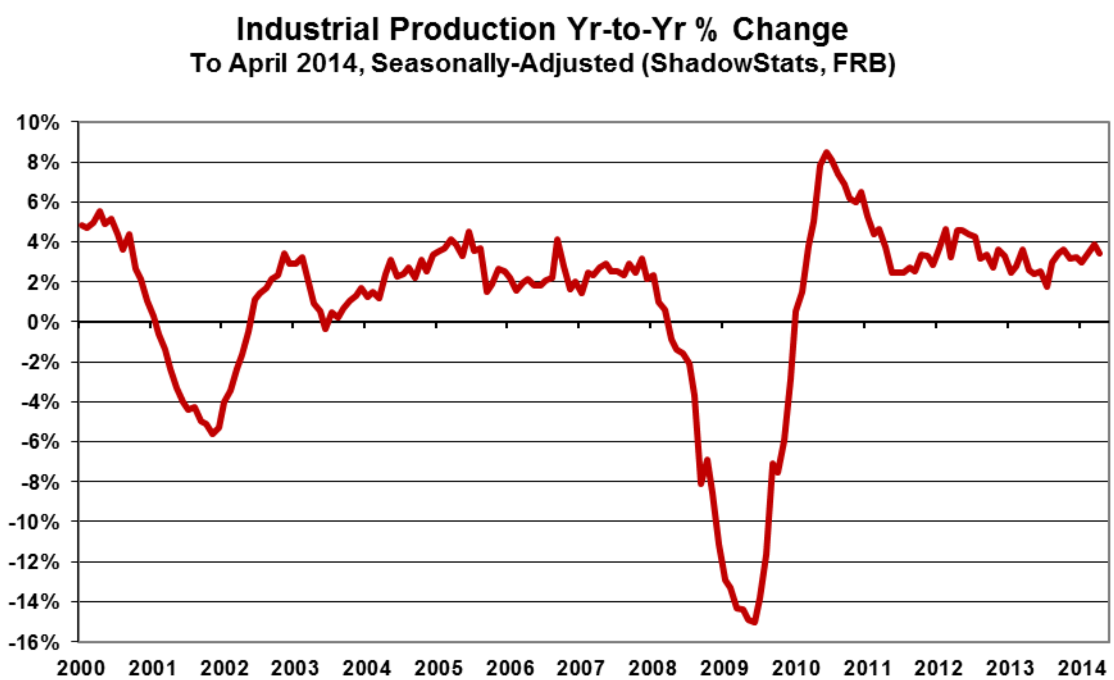
Production Series off Historic High, Still Inconsistent with the GDP. The headline production series had moved above its pre-recession high, for the first time, in November 2013. With the headline April 2014 production index level at 102.74 (Index = 100 in 2007), the production level remains marginally higher than the December 2007 pre-recession peak of 100.76. This "recovery" is not realistic, as discussed and graphed in *Corrected Industrial Production* in the *Opening Comments* section. The use of understated inflation in deflating certain components used in compiling the production index has resulted in overstated headline production growth.

Industrial Production—April 2014. The Federal Reserve Board released its estimate of seasonally-adjusted, April 2014 industrial production today, May 15th. In the context of an upside revision to March activity and a downside revision to February, headline monthly April production fell by 0.6% (0.57% at the second decimal point); April production was down by 0.48% net of prior-period revisions. April's drop followed a revised 0.89% (previously 0.73%) gain in March, and a revised 1.06% (previously 1.17%) gain in February.

The headline 0.6% April monthly decline (0.9% March gain) was composed of a 0.4% decline (0.7% March gain) in manufacturing, a 1.4% (2.0% March) gain in mining, and a 5.3% drop (0.6% March gain) in utilities.

Year-to-year growth in April production eased to 3.46% from a revised 3.86% (previously 3.77%) gain in March, and versus a revised 3.41% (previously 3.47%) in February.


Index of Industrial Production
To April 2014, Seasonally-Adjusted (ShadowStats.com, FRB)
Index, 2007 = 100
105
100
95
90
85
80
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014


Industrial Production Yr-to-Yr % Change
To April 2014, Seasonally-Adjusted (ShadowStats, FRB)
10%
8%
6%
4%
2%
0%
-2%
-4%
-6%
-8%
-10%
-12%
-14%
-16%
2000
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2004
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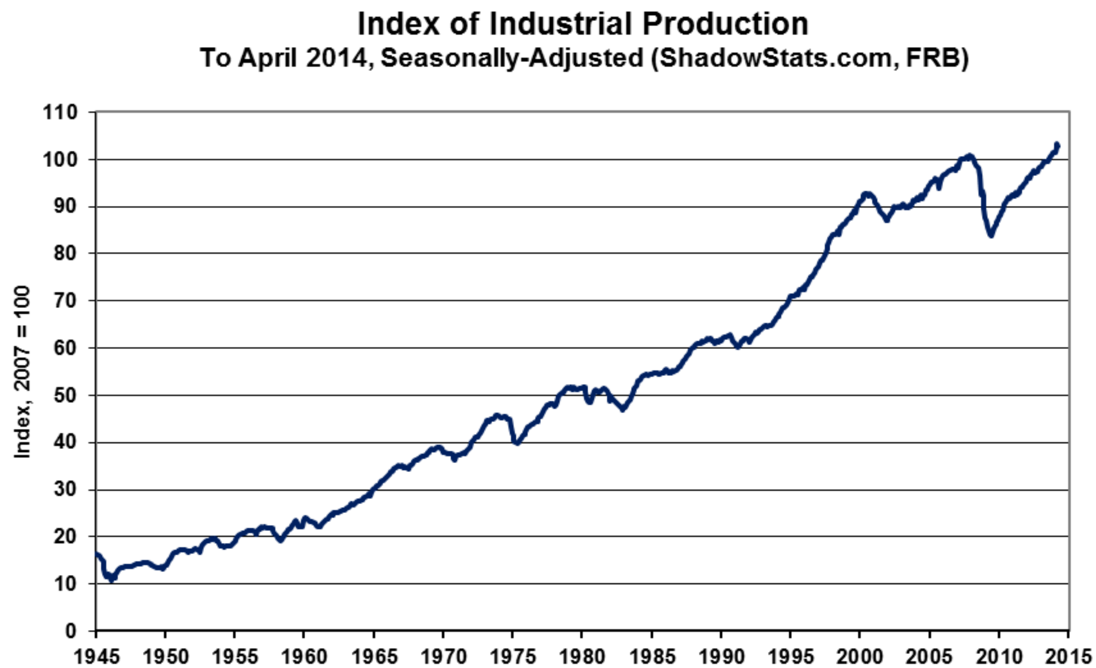
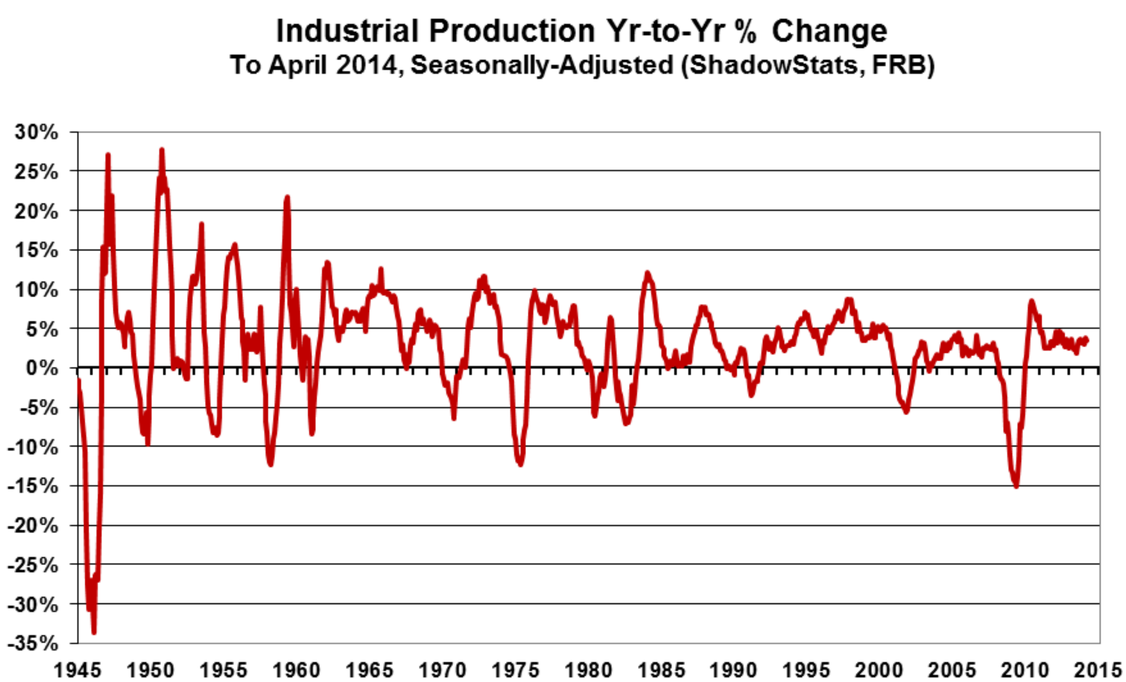
2010
2011
2012
2013
2014


Index of Industrial Production
To April 2014, Seasonally-Adjusted (ShadowStats.com, FRB)
Index, 2007 = 100
110
100
90
80
70
60
50
40
30
20
10
0
1945
1950
1955
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015


Industrial Production Yr-to-Yr % Change
To April 2014, Seasonally-Adjusted (ShadowStats, FRB)
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
-30%
-35%
1945
1950
1955
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015

Production Graphs. Industrial production activity is reflected in the preceding 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 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 recently dipped lower, with annual growth close to 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 8.49% 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 15.06% 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.

Official production levels have moved higher since the June 2009 trough, and the headline series is down from its all-time high in March 2014, but still above peak pre-recession activity. Corrected for the understatement of inflation used in deflating portions of the industrial production index, however, the series has shown more of a pattern of stagnation with a slow upside trend, since 2009, topping out into 2012, with a renewed upside trend into a recent, protracted period of inventory build-up. The corrected production series is discussed and graphed in the *Opening Comments*.

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WEEK AHEAD

Much-Weaker-Economic and Stronger-Inflation Reporting Likely in the Months and Year Ahead. Although shifting to the downside, market expectations generally still appear to be overly optimistic as to the economic outlook. Expectations should continue to be hammered, though, by ongoing downside corrective revisions and an accelerating pace of downturn in headline economic activity. The initial stages of that process have been seen in the recent headline reporting of many major economic series (see *2014 Hyperinflation Report—Great Economic Tumble* – *Second Installment*), including the initial estimate of first-quarter 2014 GDP.

Weakening, underlying economic fundamentals indicate deteriorating business activity. Accordingly, weaker-than-consensus economic reporting should become the general trend until such time as the unfolding “new” recession receives general recognition.

Stronger inflation reporting also remains likely. Upside pressure on oil-related prices should reflect intensifying impact from a weakening U.S. dollar in the currency markets, and from ongoing global political instabilities. Food inflation has started to pick up as well. The dollar faces pummeling from continuing QE3, the ongoing U.S. fiscal-crisis debacle, a weakening U.S. economy and deteriorating U.S. and global political conditions (see *Hyperinflation 2014—The End Game Begins (Updated) – First Installment*). Particularly in tandem with a weakened dollar, reporting in the year ahead generally should reflect much higher-than-expected inflation.

A Note on Reporting-Quality Issues and Systemic Reporting Biases. Significant reporting-quality problems remain with most major economic series. Ongoing headline reporting issues are tied largely to systemic distortions of seasonal adjustments. The data instabilities were induced by the still-evolving economic turmoil of the last eight 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:

Residential Construction—Housing Starts (April 2014). Tomorrow, Friday, May 16th, the Census Bureau will publish its estimate of April 2014 housing starts. The series has been in quarterly contraction for the last two quarters. Despite extreme monthly volatility in reporting and despite near-perpetual wishful market expectations for strengthening activity in housing starts, month-to-month change likely will remain in a pattern of statistical-insignificance, with ongoing stagnation and renewed downturn or downside revisions seen in the aggregate series, as well as particularly in single-unit housing starts. As usual, this series is subject to large prior-period revisions.

In the wake of a 75% collapse in aggregate activity from 2006 through 2008, and an ensuing five-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.

Existing- and New-Home Sales (April 2014). April 2014 existing-home sales are due for release on Thursday, May 22nd, from the National Association of Realtors, with the April new-home sales report from the Census Bureau due on Friday, May 23rd. With these highly volatile and unstable series, whether existing or new sales, a pattern of stagnation or intensifying downturn appears to be in play for both. In particular, a renewed downtrend has been unfolding in existing-home sales. While monthly changes in home-sales activity usually are not statistically-significant, still-unstable reporting and revisions (both likely to the downside) also remain a fair bet for the new-home sales series, which was so heavily disrupted as a result of the October shutdown of the federal government.

