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

COMMENTARY NUMBER 799
CPI, Real Retail Sales and Earnings, Gold and the U.S. Dollar

April 14, 2016

Dollar Selling Has Picked Up in Response to a Faltering Economy and a Befuddled Fed

Real Retail Sales Declined by 0.4% (-0.4%) in March 2016, with an Annualized Contraction of 0.2% (-0.2%) in the First-Quarter

Real Annual Sales Growth Fell to a 25-Month Low

March 2016 Annual Inflation Softened Across the Board: CPI-U at 0.9%, CPI-W at 0.5%, ShadowStats at 8.5%

Heavily Skewed by Bad Seasonals, Monthly and Annual Real Earnings Flattened Out

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PLEASE NOTE: The next regular Commentary, *scheduled for tomorrow, Friday, April 15th will cover March Industrial Production and a brief economic review.*

Best wishes to all — John Williams

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OPENING COMMENTS AND EXECUTIVE SUMMARY

Dollar Tumbles Against an Impotent Fed and a Renewed Economic Downturn. In the brief period since the Federal Reserve minimally hiked interest rates in December, the U.S. central bank repeatedly has backed off its announced intent to continue raising rates on a regular basis. Not only has the U.S. economy continued to weaken, but also a number of other major central banks have taken recent, unusual easing and monetary-policy actions, suggestive more of a global financial system in extraordinary crisis, than one that is moving forward on a happy and healthy basis. Discussed in the *Hyperinflation Watch*, circumstances appear ready to turn particularly negative against the U.S. dollar, with corresponding rallies likely in the prices for gold, silver and oil.

To be discussed in tomorrow's economic review (*Commentary No. 800*), decades of bad trade deals—embraced by the U.S. political establishment—have resulted in exporting significant U.S. productive wealth to the rest of the world. That impoverishing circumstance for the United States has gone so far as to impair domestic consumption—needed otherwise to support that global production outside the U.S.—helping to trigger a global economic slowdown. The evolving global trade system effectively has seriously wounded the proverbial goose that laid the golden egg.

Outlook for a First-Quarter 2016 GDP Downturn Just Deepened. Today's (April 14th) full reporting of first-quarter 2016 real retail sales showed a quarterly contraction, as expected, although headline monthly inflation was a notch below expectations. While the retail sales series is subject to meaningful annual benchmarking on April 30th, odds heavily favor net-negative, not net-positive revisions.

A first-quarter contraction in industrial production likely will be confirmed tomorrow (Friday, April 15th), and there remains a chance of a headline quarterly contraction in the highly-volatile housing starts series on April 19th. As noted yesterday, circumstances increasingly favor an outright quarterly contraction in headline first-quarter 2016 real GDP, with a possible shift in consensus expectations into negative territory before the pending "advance" GDP estimate on April 28th. Again, ShadowStats will update the general economic outlook in tomorrow's *Commentary No. 800* of April 15th.

Today's *Commentary* (April 14th). The balance of these *Opening Comments* provides summary coverage of the March 2016 Consumer Price Index (CPI-U) and related real Retail Sales and Earnings.

The *Hyperinflation Watch* includes the regular gold and dollar graphs that accompany the *CPI Commentaries*, updated for the latest market circumstance. The most recent *Hyperinflation Outlook Summary* is found in *Commentary No. 783*, again with *No. 777 Year-End Special Commentary* as background to currently unfolding financial circumstances.

The *Week Ahead* section previews tomorrow's reporting of the March 2016 Industrial Production release and next week's release on March Housing Starts.

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Consumer Price Index (CPI)—March 2016—Headline Inflation Still Depressed by Seasonal Adjustment Patterns. Seasonal adjustments early in the New Year continued to reduce aggregate month-to-month headline inflation, as seen in March 2016. Monthly CPI-U inflation increased by an adjusted 0.09% for the month, down from an unadjusted monthly gain of 0.43%. Discussed in last month's *Commentary No. 793*, it is the unadjusted, not the seasonally-adjust detail that tends to match consumer experience most closely, to the extent that these numbers come close to matching actual experience at all.

On an annual and unadjusted basis, headline March 2016 inflation continued to soften, dropping to 0.85%, down from 1.02% in February 2016 and from a ten-month high of 1.37% in January 2016. Separately, although official annual CPI-U inflation slowed to 0.9%, year-to-year inflation is not and has not been quite as soft as indicated, when considered in the context of traditional CPI reporting and common experience. The ShadowStats Alternate Inflation Measures showed annual inflation in March 2016 of 4.4%, based on 1990 methodologies, and 8.5%, based on 1980 methodologies.

Longer-Range Inflation Outlook. Discussed in the *Hyperinflation Watch*, high risk of extreme flight from the U.S. dollar—a massive dollar debasement—continues to threaten an increasingly rapid upturn in energy and global-commodity inflation, which would drive headline U.S. consumer inflation much higher. That process appears to be underway and should accelerate in tandem with renewed tumbling in U.S. economic activity.

CPI-U. The headline, seasonally-adjusted March 2016 CPI-U rose by 0.09% month-to-month, following a monthly contraction of 0.17% (-0.17%) in February. The adjusted headline March 2016 inflation gain was depleted by negative seasonal adjustments to the energy and "core" (net of food and energy) sectors, but otherwise received a relatively less-negative contribution from the foods sector. On an unadjusted basis, March 2016 CPI-U rose by 0.43%, following an unadjusted monthly gain of 0.08% in February.

Not seasonally adjusted, March 2016 year-to-year inflation for the CPI-U continued to soften, easing to 0.85%, versus 1.02% in February 2016.

On an annualized quarter-to-quarter basis, seasonally-adjusted CPI-U declined by 0.31% (-0.31%) in first-quarter 2016, having been up by 0.77% in fourth-quarter 2015, by 1.38% in third-quarter 2015, by 2.44% in second-quarter 2015 and down by 2.86% (-2.86%) in first-quarter 2015.

On an unadjusted, year-to-year basis, annual inflation by quarter was up by 1.08% in first-quarter 2016, by 0.47% in fourth-quarter 2015, by 0.11% in third-quarter 2015, and down in second-quarter 2015 by 0.04% (-0.04%), and by 0.06% (-0.06%) in first-quarter 2015.

CPI-W. The March 2016 seasonally-adjusted, headline CPI-W, which is a narrower series and has greater weighting for gasoline than does the CPI-U, rose month-to-month by 0.13%, following a monthly decline of 0.32% (-0.32%) in February. On an unadjusted basis, the monthly CPI-W rose by 0.54%, having declined by 0.04% (-0.04%) in February.

Unadjusted, March 2016 annual CPI-W rose by 0.50%, following an annual gain of 0.68% in February 2016.

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On an annualized quarter-to-quarter basis, the seasonally-adjusted CPI-W fell by 1.08% (-1.08%) in first-quarter 2016, having been up by 0.39% in fourth-quarter 2015, by 2.56% in third-quarter 2015, by 1.23% in the second-quarter 2015, and down by 4.21% (-4.21%) in first-quarter 2015.

On an unadjusted year-to-year basis, annual inflation by quarter was up by 0.79% in first-quarter 2016, up by 0.03% in fourth-quarter 2015, down by 0.41% (-0.41%) in third-quarter 2015, by 0.59% (-0.59%) in second-quarter 2015, and by 0.68% (-0.68%) in first-quarter 2015.

Chained-CPI-U. The headline C-CPI-U is not seasonally adjusted, with year-to-year inflation for the unadjusted March 2016 C-CPI-U at 0.41%, versus an annual gain of 0.54% in February 2016.

Alternate Consumer Inflation Measures. The ShadowStats-Alternate Consumer Inflation Measures are constructed on top of the unadjusted CPI-U series. The ShadowStats-Alternate Consumer Inflation Measure (1990-Base)—year-to-year annual inflation was roughly 4.4% in March 2016, versus 4.6% in February 2016. The March 2016 ShadowStats-Alternate Consumer Inflation Measure (1980-Base), which reverses gimmicked changes to official CPI reporting methodologies back to 1980, was about 8.5% year-to-year, versus 8.7% in February 2016.

Real Retail Sales—March 2016—First-Quarter Contracted at Annualized Pace of 0.23% (-0.23%). Although the headline March 2016 CPI-U monthly gain came in a notch below the expected 0.2% increase, first-quarter 2016 retail sales contracted in both nominal and real terms, both before and after adjustment for inflation. The last time the series contracted quarterly was in first-quarter 2015, and again that contraction was both in nominal and real terms. Quarterly declines in real terms usually are seen in periods of economic recession.

Not adjusted for inflation, headline nominal retail sales in March 2016 declined by 0.30% (-0.30%), in the context of an upside revision to February activity. Headline February sales showed a revised monthly gain of 0.03%. Headline January sales showed a minimally revised monthly decline of 0.39% (-0.39%), as detailed in *Commentary No. 798*.

Year-to-year nominal change in March 2016 retail sales was 1.75%, versus an upwardly revised annual gain of 3.65% in February 2016, and an upwardly revised 3.02% in January 2016.

Based on the headline seasonally-adjusted monthly CPI-U increase of 0.09% in March 2016, the decline of 0.17% (-0.17%) in February 2016 and the gain of 0.03% in January, March 2016 real retail sales fell by 0.39% (-0.39%) for the month, following a revised 0.20% gain in February, and a revised decline of 0.39% (-0.39%) in January.

Intense Signal of Recession in Annual Real Growth. During normal economic times, annual real growth in Retail Sales at or below 2.0% signals an imminent recession. That signal basically has been in play since February 2015 (the "new" recession likely will be timed from December 2014, based on industrial production, retail sales and other indicators), suggesting a deepening, broad economic downturn.

Year-to-year change in March 2016 real retail sales declined to a 25-month low of 0.87% from an upwardly revised 2.65% in February 2016, a minimally revised 2.66% annual gain in January 2016. With annual real growth in first-quarter 2016 at 1.72% and fourth-quarter 2015 at 1.50%, the recession signal is

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intense and consistent with an unfolding recession. *Graphs 11* and *13* in the *Reporting Detail* show the latest patterns of headline annual real growth.

First-Quarter 2016 Annualized Real Growth Turned Negative. Reflecting the latest revisions to the nominal retail sales detail, the annualized contraction in first-quarter 2015 real Retail Sales deepened to 1.08% (-1.08%). Second-quarter 2015 annualized real growth gained in revision to 3.65%. Third- and fourth-quarter 2015 annualized real growth rates held at unrevised respective gains of 3.10% and 0.42%.

Based on full headline detail, first-quarter 2016 real retail sales contracted at an annualized quarterly pace of 0.23% (-0.23%). Based on just January and February reporting it had been on track for a quarterly contraction of 0.32% (-0.32%). Based just on the initial reporting for January 2016, first-quarter activity had been on track for an annualized gain of 1.57%. Adjusted for realistic inflation (see *Graph 2*), real retail sales and the broad economy never truly recovered from the economic collapse into 2008 and 2009.

As official consumer inflation continues its upside climb in the year ahead, and as overall retail sales continue to suffer from the ongoing consumer liquidity squeeze—reflected partially by the general pattern of ongoing real earnings difficulties discussed in the next section—these data should continue trending meaningfully lower, in what should be recognized shortly as a formal "new" recession.

Corrected Real Retail Sales—March 2016**.** The apparent "recovery" of headline real retail sales shown in *Graph 1* (see also *Graph 10* in the *Reporting Detail*) generally continued into late-2014, although headline reporting turned down in December 2014, into first-quarter 2015, turned higher into the third-quarter 2015, slowed to a near-standstill in fourth-quarter 2015, and has just slumped anew in first-quarter 2016. Nonetheless, headline real growth in retail sales continues to be overstated heavily, due to the understatement of the rate of CPI-U inflation used in deflating the retail sales series. Discussed more fully in *Chapter 9* of *2014 Hyperinflation Report—Great Economic Tumble – Second Installment* and *Public Commentary on Inflation Measurement*, deflation by too-low an inflation number (such as the CPI-U) results in the deflated series overstating inflation-adjusted economic growth.

Both of the accompanying graphs are indexed to January 2000 = 100.0 to maintain consistency in the series of graphs related to corrected inflation-adjustment (including the regular plots of industrial production [see the next section], new orders for durable goods and GDP). The first graph reflects the official real retail sales series, except that it is indexed, instead of being expressed in dollars. The plotted patterns of activity and rates of growth are exactly same for the official series, whether the series is indexed or expressed in dollars, again, as is evident in a comparison of *Graph 1* with *Graph 10* in the *Reporting Detail* section.

Instead of being deflated by the CPI-U, the "corrected" real retail sales numbers—in *Graph 2*—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 consumer indicators like real average weekly earnings (see *Graph 3*), broad unemployment series and in most housing statistics (see respectively *Commentary No. 796* and *Commentary No. 793*). A topping out in late-2011 and early-2012 reverted to renewed decline in second-quarter 2012 in this series (*Graph 2*), which had been bottom-bouncing at a low-level plateau of economic activity since the economic collapse into 2009. The renewed contraction has trended into and deepened on a monthly basis throughout 2015, and now through first-quarter 2016, allowing for the occasional and temporary upside blips.

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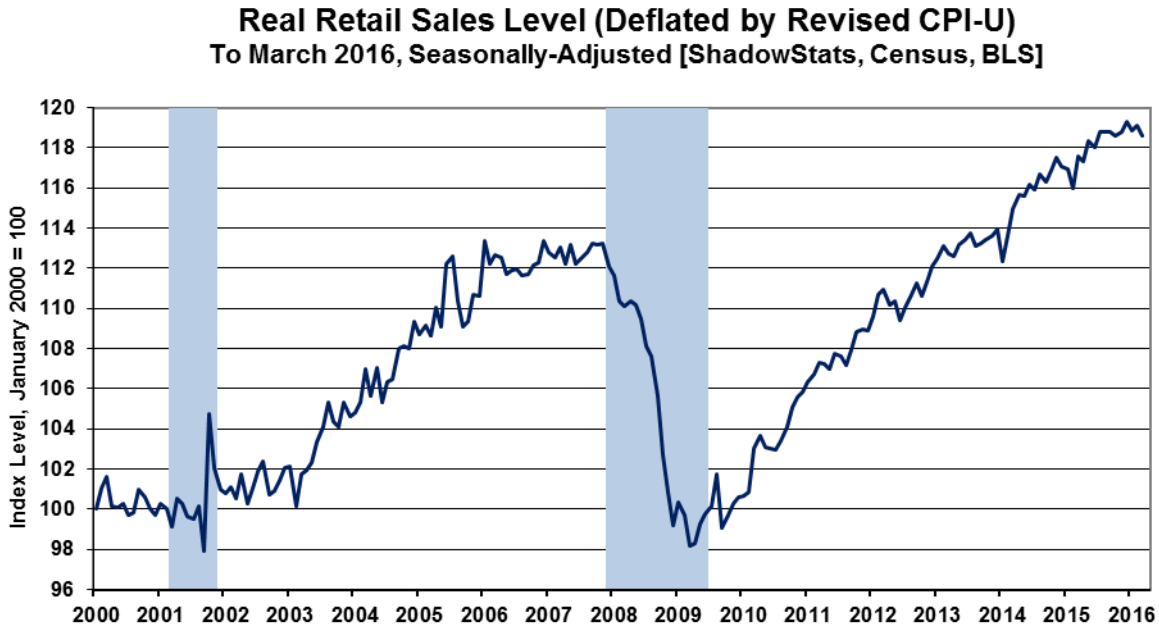
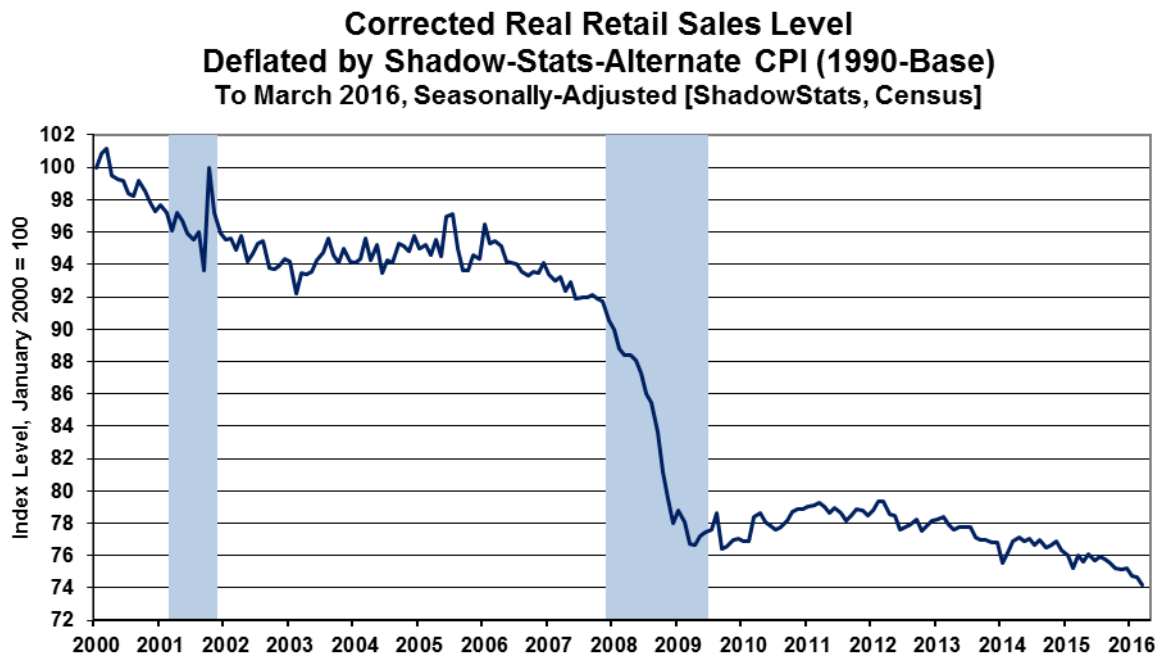
Graph 1: Headline Real Retail Sales Level, Indexed to January 2000 = 100



Graph 2: "Corrected" Real Retail Sales Level, Indexed to January 2000 = 100



Real Average Weekly Earnings—March 2016—Heavily Skewed by Bad Seasonals, Earnings Have Flattened Out . The BLS published its estimates for real average weekly earnings coincident with the release of the March 2016 CPI-W. In the production and nonsupervisory employees category—the only

series for which there is a meaningful history—headline real average weekly earnings rose month-to-month by 0.06% in March 2016, following an unrevised gain of 0.02% in February 2016 and a revised gain of 0.07% in January. Against December 2015, seasonally-adjusted March 2016 average real earnings effectively were flat, having increased by only 0.15% over the entire period.

For those not living in a seasonally-adjusted world, real average weekly earnings declined month-to-month by 0.37% (-0.37%) in March 2016, down by an unrevised 0.06% (-0.06%) in February, and down by a revised 0.48% (-0.48%) in January.

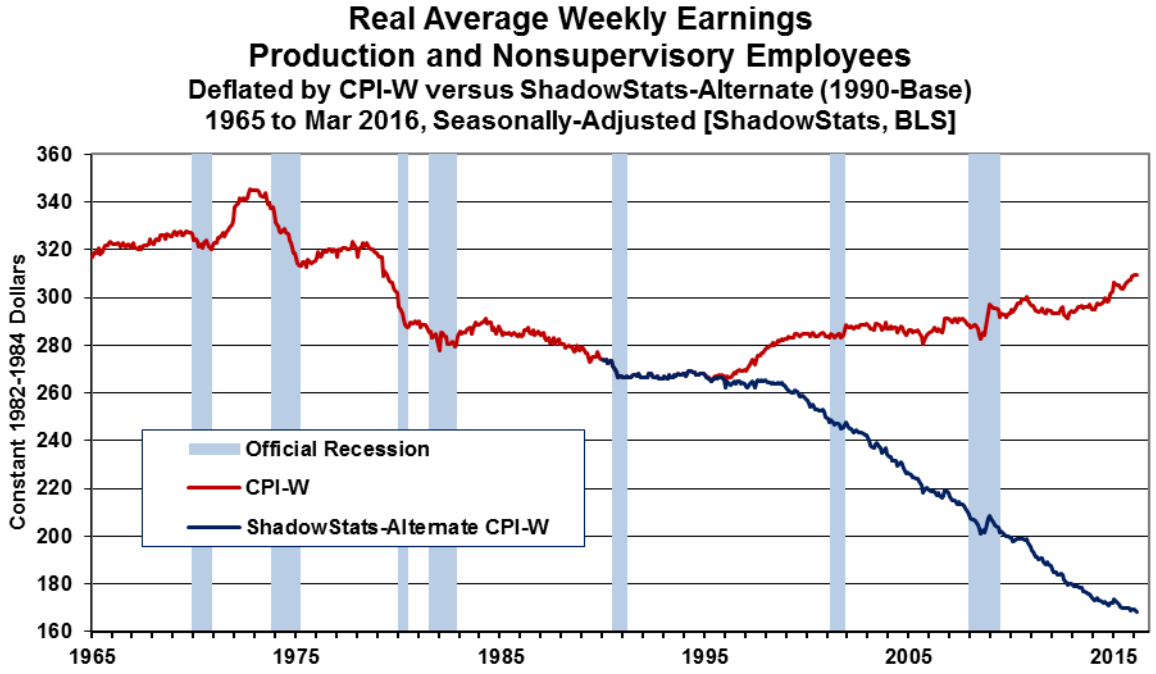
Often with BLS reporting tied to the nonfarm payrolls, headline seasonally-adjusted data are not comparable, due to reporting issues with concurrent seasonal factor adjustments (see *Headline Distortions from Shifting Concurrent-Seasonal Factors* on page 31 of *Commentary No. 796*). Such has become a painfully obvious issue with the earnings data.

Extraordinarily heavy distortions in the seasonally-adjusted BLS detail can be seen in comparisons of year-to-year growth, between the distorted seasonally-adjusted series and the relatively clean unadjusted series. Annual growth patterns should be virtually identical between the series. Again, the unadjusted series is the one that is not distorted.

Year-to-year growth, seasonally adjusted, real average weekly earnings: January 2015 was 1.02%, February 2016 was 1.18%, March 2019 was 1.46%.

Year-to-year growth, not seasonally adjusted, real average weekly earnings: January 2015 was 1.26%, February 2016 was 0.06%, March 2019 was 0.06%.

Graph 3: Real Average Weekly Earnings, Production and Nonsupervisory Employees, 1965-to-Date



The CPI-W-deflated reporting also is distorted versus the CPI-U-deflated series, where the CPI-W—more heavily weighted with gasoline prices—tends to have much deeper, negative headline inflation, with resulting stronger headline, inflation-adjusted growth than would be seen with the CPI-U, when gasoline

The preceding *Graph 3* plots this series, showing 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 in a minimal uptrend for the last two decades. Negative inflation from the collapsing gasoline prices, however, has helped to boost recent real earnings in the headline series.

Deflated by the ShadowStats measure, real earnings have been in fairly-regular decline for the last four decades, much closer to common experience than the pattern suggested by the CPI-W. See the *Public Commentary on Inflation Measurement* for further detail.

[The *Reporting Detail* section includes additional information on the CPI-U and graphs of related series.]

HYPERINFLATION WATCH

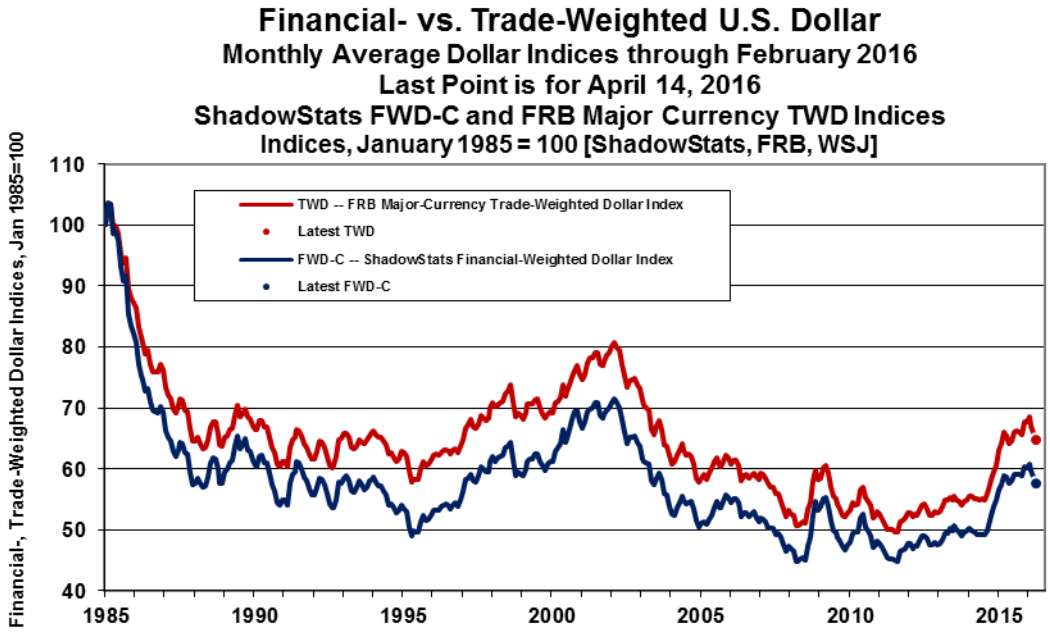
UPDATED GOLD AND U.S. DOLLAR GRAPHS AND CIRCUMSTANCES

Deteriorating U.S. Economic Circumstances Likely Will Accelerate Selling of the U.S. Dollar. Domestic financial markets should be assessing the U.S. economy in the context of a renewed and rapidly deteriorating economic contraction, within a month of the July 29th GDP benchmark revisions. Yet, that timing also could be as early as the end of April, subsequent to the "advance" estimate of a possible contraction in first-quarter 2016 GDP on April 28th, and what likely also will be a particularly negative retail sales benchmark revision on April 29th. The retail sales benchmarking will be catching up on some long-delayed negative detail in the retail census, and the later GDP revisions will feed off the retail sales and production revisions, among others.

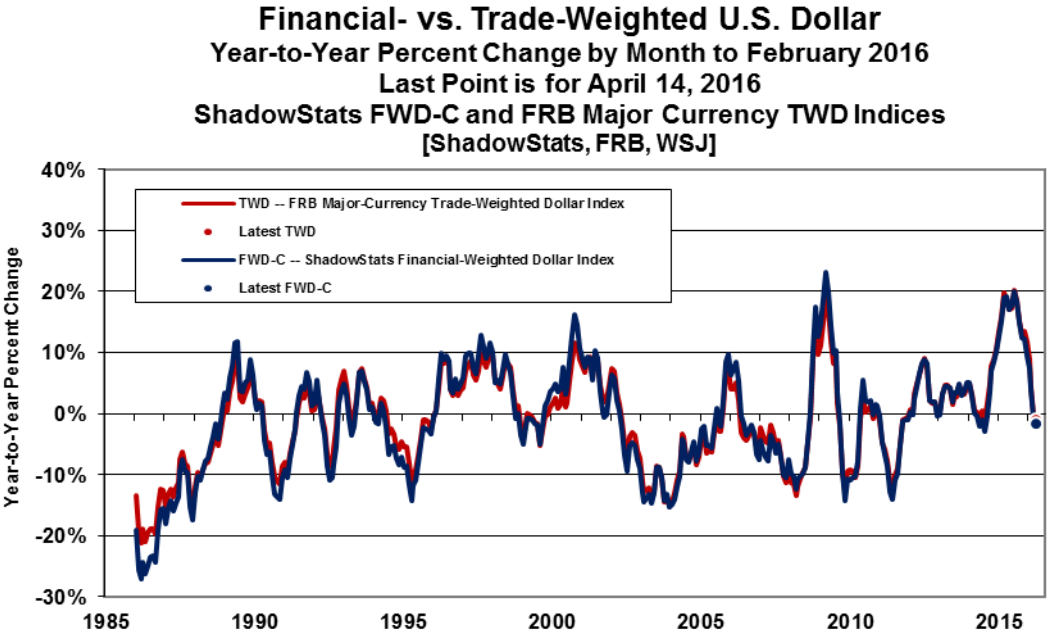
In response to variety factors led by a seriously troubled domestic economy, and exacerbated by the Fed and other central banks moving towards ever-expanding easing and currency debasement, risk of extreme flight from the U.S. dollar is high. A massive dollar debasement continues to threaten an increasingly

rapid, upturn in energy and global-commodity inflation, which would drive headline U.S. consumer inflation much higher. That process increasingly appears to be underway, and it should accelerate in tandem with the renewed tumbling in U.S. economic activity.

Graph 4: Financial- versus Trade-Weighted U.S. Dollar



Graph 5: Year-to-Year Change, Financial- versus Trade-Weighted U.S. Dollar



Along with the ongoing downturn in business activity, global markets increasing should be recognizing that the U.S. Federal Reserve and other major central banks have no idea as to how to boost economic

activity or to stabilize global banking-system solvency. Discussed previously in *No. 777 Year-End Special Commentary*, these issues will be reviewed in broad detail, shortly, in a new *Special Commentary*.

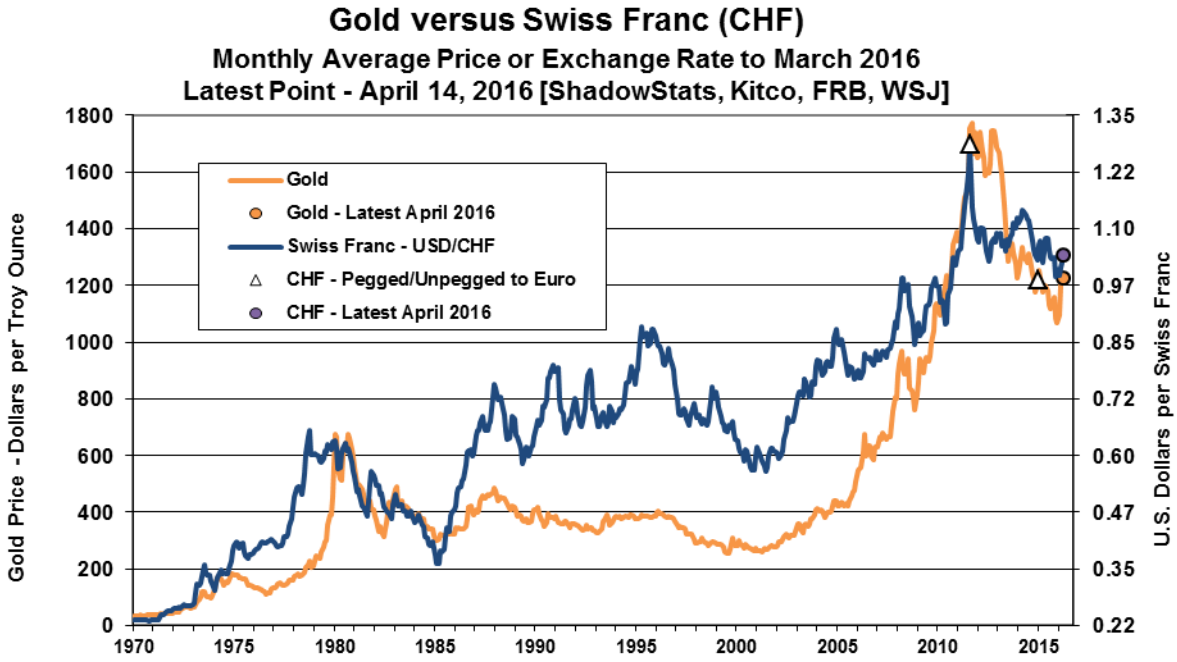
U.S. dollar selling pressure intensified as the Fed began its current round of waffling in early 2016. While annual change in the U.S. currency's value has turned negative year-to-year, in recent months, the sell-off still has a significant, massive downside path ahead it, one that should take the dollar to historic lows against other major currencies.

The monthly plots of the U.S. Dollar (*Graphs 4* and *5*) precede, while the three gold graphs (*Graphs 6*, *7* and *8*) that regularly accompany the CPI *Commentaries*, follow. The trade- and financial-weighted dollar measures have shown increased volatility, as global markets increasingly appear not to buy the concept that all is right with the U.S. financial system, economy and political system. The "Latest April" points in these graphs reflect mid-afternoon New York prices for April 14th.

Detailed in *Commentary No. 772*, the ShadowStats Financial-Weighted Dollar measure recently was expanded to incorporate that Chinese Yuan (CNY)/Renminbi (RMB).

Oil prices have begun to rebound—despite little if any relief from the oil glut—in response to the weakening U.S. dollar. Supply and demand issues aside, U.S. dollar-denominated oil prices have a negative correlation of eighty-percent with the trade- or financial-weighted dollar. That means that when the U.S. dollar declines, oil prices rally about eighty-percent of the time in response. In reverse, a dollar rally tends to depress oil prices.

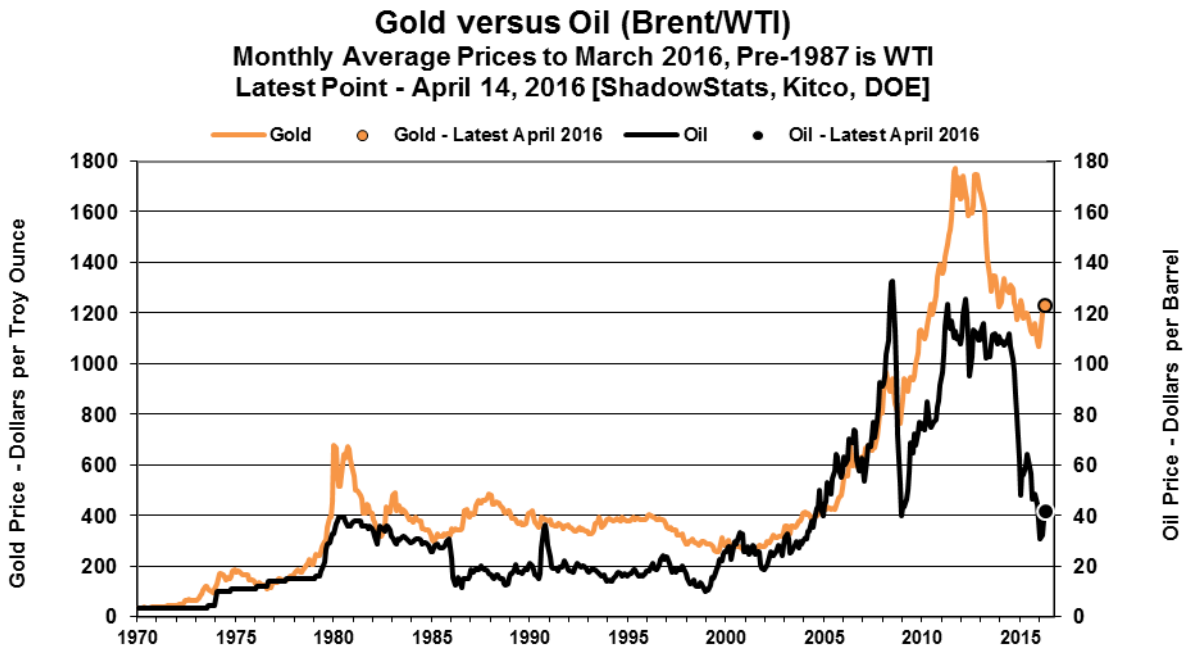
Graph 6: Gold versus the Swiss Franc



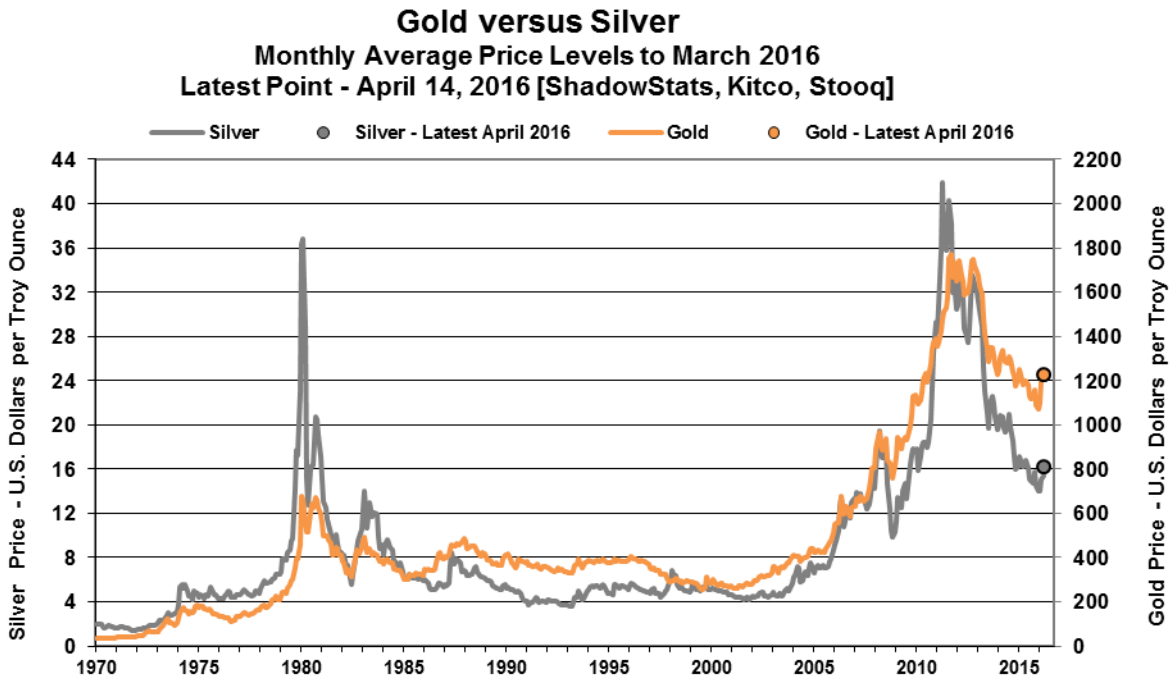
Heavy dollar selling threatens to rekindle headline U.S. inflation. As the U.S. dollar faces continued, fundamental debasement, holdings of physical gold and silver will continue to offer the strongest options

for preserving the purchasing power and desired liquidity for one's wealth and assets, through the difficult times ahead. To be effective, such protection needs to be held in place through the peak of the crisis.

Graph 7: Gold versus Oil



Graph 8: Gold versus Silver



REPORTING DETAIL

CONSUMER PRICE INDEX—CPI (March 2016)

Headline CPI-U Inflation Still Depressed by Seasonal Adjustment Patterns. *[These first three paragraphs largely are repeated from the* Opening Comments *section.]* In keeping with tradition, seasonal adjustments early in the New Year continued to reduce aggregate month-to-month headline inflation in March 2016. Monthly CPI-U inflation increased by an adjusted 0.09% for the month, down from an unadjusted monthly gain of 0.43%. Discussed in last month's *Commentary No. 793*, it is the unadjusted, not the seasonally-adjust detail that tends to match consumer experience most closely, to the extent that these numbers come close to matching actual experience at all.

On an annual and unadjusted basis, headline March 2016 inflation continued to soften, dropping to 0.85%, down from 1.02% in February 2016 and from a ten-month high of 1.37% in January 2016. Separately, although official annual CPI-U inflation may have slowed to 0.9%, year-to-year inflation is not and has not been quite as soft as indicated, when considered in the context of traditional CPI reporting and common experience. The ShadowStats Alternate Inflation Measures showed annual inflation in March 2016 of 4.4%, based on 1990 methodologies, and 8.5%, based on 1980 methodologies.

Longer-Range Inflation Outlook. Updated in today's *Hyperinflation Watch* and discussed more broadly in *No. 777 Year-End Special Commentary*, high risk of extreme flight from the U.S. dollar—a massive dollar debasement—continues to threaten an increasingly rapid, upturn in energy and global-commodity inflation, which would drive headline U.S. consumer inflation much higher. That process now appears to be underway, and it should accelerate in tandem with renewed tumbling in U.S. economic activity. Along with the ongoing downturn in business activity, global markets increasing should realize that the U.S. Federal Reserve and other major central banks have no effective idea as to how to boost current economic activity or to stabilize global banking-system solvency.

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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 proffered by Congress and the White House as a tool for reducing Social Security cost-of-living adjustments by stealth. Moving to accommodate the Congress, the BLS introduced changes to the C-CPI-U estimation process with the February 26, 2015 reporting of January 2015 inflation, aimed at finalizing the C-CPI-U estimates on a more-timely basis, and enhancing its ability to produce lower headline inflation than the traditional CPI-U.*

*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 BLS reported this morning, April 14th, that the headline, seasonally-adjusted March 2016 CPI-U rose by 0.1% month-to-month, up by 0.09% at the second decimal point. That followed a February monthly contraction of 0.2% (-0.2%), down by 0.17% (-0.17%) at the second decimal point.

The adjusted headline March 2016 inflation gain was depleted by negative seasonal adjustments to the energy and "core" (net of food and energy) sectors, but otherwise received a relatively less-negative contribution from the foods sector. On an unadjusted basis, March 2016 CPI-U rose by 0.43%, following an unadjusted monthly gain of 0.08% in February.

Seasonal adjustments for monthly gasoline inflation were sharply negative in March 2016, turning an unadjusted headline gain of 10.22% into an adjusted increase of just 2.19%. A headline, unadjusted monthly gain of 10.63% for the month had been estimated by the Department of Energy (DOE).

Major CPI-U Groups. Encompassed by the seasonally-adjusted gain of 0.09% in March 2016 [up by an unadjusted 0.43%], March food inflation declined by a seasonally-adjusted 0.20% (-0.20%) for the month [down by an unadjusted 0.33% (-0.33%], March energy inflation rose by a seasonally-adjusted 0.95% [up by an unadjusted 4.04%], while the adjusted "core" (ex-food and energy) inflation rate rose by 0.07% [up by 0.28% unadjusted] for the month.

Separately, core CPI-U inflation showed unadjusted year-to-year inflation of 2.19% in March 2016, somewhat softer than the 2.33% in February 2016.

Year-to-Year CPI-U. Not seasonally adjusted, March 2016 year-to-year inflation for the CPI-U continued to soften, easing to 0.9% (0.85% at the second decimal point), versus 1.0% (1.02% at the second decimal point) in February 2016.

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Year-to-year, CPI-U inflation would increase or decrease in next month's April 2016 reporting, dependent on the seasonally-adjusted monthly change, versus the adjusted, headline gain of 0.14% in April 2015 CPI-U. The adjusted change is used here, since that is how consensus expectations are expressed. To approximate the annual unadjusted inflation rate for April 2016, the difference in April's headline monthly change (or forecast of same), versus the year-ago monthly change, should be added to or subtracted directly from the March 2016 annual inflation rate of 0.85%. For example, a seasonally-adjusted, headline monthly gain of 0.4%, which appears within reason for the April 2016 CPI-U, would boost the annual CPI-U inflation rate for April 2016 to about 1.1%, plus-or-minus, depending on rounding.

Quarterly CPI-U. On an annualized quarter-to-quarter basis, seasonally-adjusted CPI-U declined by 0.31% (-0.31%) in first-quarter 2016, having been up by 0.77% in fourth-quarter 2015, by 1.38% in third-quarter 2015, by 2.44% in second-quarter 2015 and down by 2.86% (-2.86%) in first-quarter 2015.

On an unadjusted, year-to-year basis, annual inflation by quarter was up by 1.08% in first-quarter 2016, by 0.47% in fourth-quarter 2015, by 0.11% in third-quarter 2015, and down in second-quarter 2015 by 0.04% (-0.04%), and by 0.06% (-0.06%) in first-quarter 2015.

CPI-W. The March 2016 seasonally-adjusted, headline CPI-W, which is a narrower series and has greater weighting for gasoline than does the CPI-U, rose month-to-month by 0.13%, following a monthly decline of 0.32% (-0.32%) in February. On an unadjusted basis, the monthly CPI-W rose by 0.54%, having declined by 0.04% (-0.04%) in February.

Year-to-Year CPI-W. Unadjusted, March 2016 annual CPI-W rose by 0.50%, following an annual gain of 0.68% in February 2016.

Quarterly CPI-W. On an annualized quarter-to-quarter basis, the seasonally-adjusted CPI-W fell by 1.08% (-1.08%) in first-quarter 2016, having been up by 0.39% in fourth-quarter 2015, by 2.56% in third-quarter 2015, by 1.23% in the second-quarter 2015, and down by 4.21% (-4.21%) in first-quarter 2015.

On an unadjusted year-to-year basis, annual inflation by quarter was up by 0.79% in first-quarter 2016, up by 0.03% in fourth-quarter 2015, down by 0.41% (-0.41%) in third-quarter 2015, by 0.59% (-0.59%) in second-quarter 2015, and by 0.68% (-0.68%) in first-quarter 2015.

Chained-CPI-U. The headline C-CPI-U is not seasonally adjusted, with year-to-year inflation for the unadjusted March 2016 C-CPI-U at 0.41%, versus an annual gain of 0.54% in February 2016. Where the headline index numbers for January and February 2016 were revised minimally higher, the respective annual growth rate revisions were not relevant until the third decimal point.

See discussions in the earlier CPI *Commentary No. 721* and in the opening notes in the *CPI Section* of *Commentary No. 699* as to recent changes in the series. More-frequent revisions and earlier finalization of monthly detail are designed to groom the C-CPI-U series as the new Cost of Living Adjustment (COLA) index of choice for the budget-deficit-strapped federal government, as discussed in the *Public Commentary on Inflation Measurement*.

Alternate Consumer Inflation Measures. The ShadowStats-Alternate Consumer Inflation Measures are constructed on top of the unadjusted CPI-U series. Adjusted to pre-Clinton methodologies—the

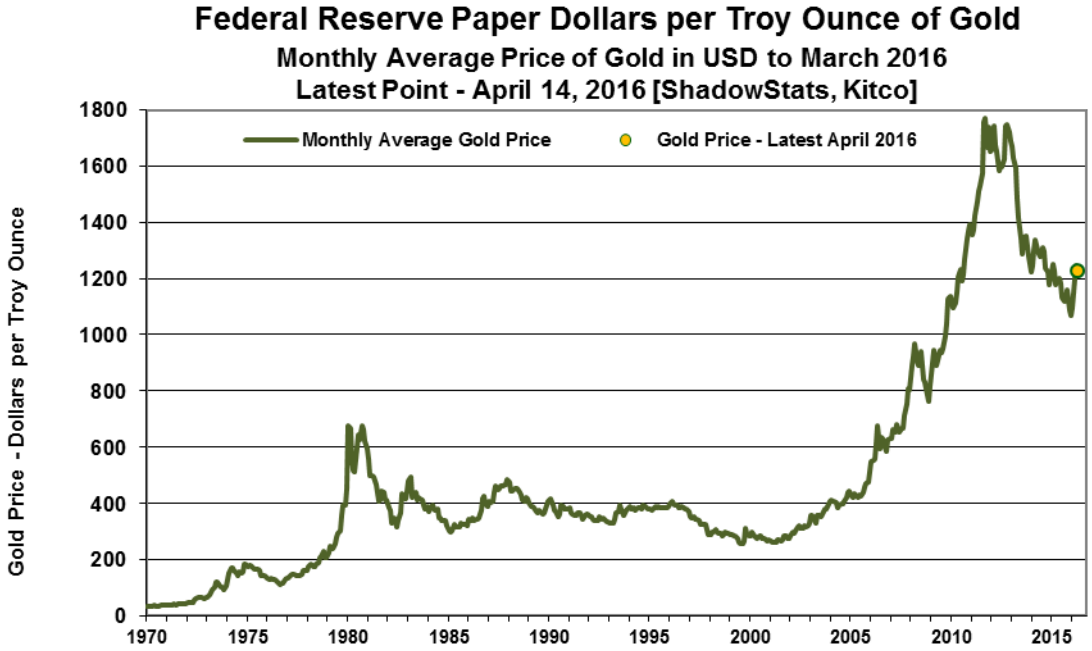
ShadowStats-Alternate Consumer Inflation Measure (1990-Base)—year-to-year annual inflation was roughly 4.4% in March 2016, versus 4.6% in February 2016.

The March 2016 ShadowStats-Alternate Consumer Inflation Measure (1980-Base), which reverses gimmicked changes to official CPI reporting methodologies back to 1980, was at about 8.5% (8.50% for those using a second decimal point) year-to-year, versus 8.7% in February 2016.

Note: The ShadowStats-Alternate Consumer Inflation Measures largely have been reverse-engineered from the components of the BLS's CPI-U-RS series. That series provides an official estimate of historical inflation, assuming that all current methodologies were in place going back in time. The changes reflected there are parallel with and of the same magnitude of change as estimated by the BLS, when a given methodology was changed. The ShadowStats estimates are adjusted on an additive basis for the cumulative impact on the annual inflation rate from the various BLS changes in methodology (reversing the net aggregate inflation reductions by the BLS). The series are adjusted by ShadowStats for those aggregate changes, but the series otherwise are 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 since 1980 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. For example, the BLS does not consider more-frequent weightings of the CPI series to be a change in methodology. Yet that change has had the effect of reducing headline inflation from what it would have been otherwise (See Public Commentary on Inflation Measurement *for further details.)*

Graph 9: Monthly Average Gold Price in Dollars (Federal Reserve Notes)



Gold and Silver Historic High Prices Adjusted for March 2016 CPI-U/ShadowStats Inflation—

CPI-U: GOLD at $2,602 per Troy Ounce, SILVER at $151 per Troy Ounce
ShadowStats: GOLD at $12,769 per Troy Ounce, SILVER at $743 per Troy Ounce

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 $2,602 per troy ounce, based on March 2016 CPI-U-adjusted dollars, and $12,769 per troy ounce, based on March 2016 ShadowStats-Alternate-CPI (1980-Base) adjusted dollars (all series here are 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 March 2016 CPI-U inflation, the 1980 silver-price peak would be $151 per troy ounce and would be $743 per troy ounce in terms of March 2016 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. They also 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—March 2016—First-Quarter Contracted at Annualized Pace of 0.23% (-0.23%). Although the headline March 2016 CPI-U monthly gain came in a notch below the expected 0.2% increase, first-quarter 2016 retail sales contracted in both nominal and real terms, both before and after adjustment for inflation. The last time the series contracted quarterly was in first-quarter 2015, and again that contraction was both in nominal and real terms. Quarterly declines in real terms usually are seen in periods of recognized recession.

Not adjusted for inflation, headline nominal retail sales in March 2016 declined by 0.30% (-0.30%), in the context of an upside revision to February activity. Headline February sales showed a revised monthly gain of 0.03% [previously down by 0.15% (-0.15%)]. Headline January sales showed a minimally revised monthly decline of 0.39% (-0.39%) [previously down by 0.40% (-0.40%), initially up by 0.18%], as detailed in yesterday's *Commentary No. 798*.

Year-to-year nominal change in March 2016 retail sales was 1.75%, versus an upwardly revised annual gain of 3.65% [previously up by 3.09%] in February 2016, and an upwardly revised 3.02% [previously up by 2.99%, initially up by 3.44%] in January 2016. The revised annual growth patterns largely reflected not-comparable, shifting seasonal adjustment patterns that were used to mute the magnitude of the headline decline in March 2016 (again, see *No. 798*).

Based on the headline seasonally-adjusted monthly CPI-U increase of 0.09% in March 2016, the decline of 0.17% (-0.17%) in February 2016 and the gain of 0.03% in January, March 2016 real retail sales fell by 0.39% (-0.39%) for the month, following a revised 0.20% [previously 0.02% (effectively flat)] gain in

February, and a revised decline of 0.39% (-0.39%) [previously down by 0.43% (-0.43%), initially up by 0.15%] in January.

Intense Signal of Recession in Annual Real Growth. During normal economic times, annual real growth in Retail Sales at or below 2.0% signals an imminent recession. That signal basically has been in play since February 2015 (the "new" recession likely will be timed from December 2014, based on industrial production, retail sales and other indicators), suggesting a deepening, broad economic downturn.

Year-to-year change in March 2016 real retail sales declined to a 25-month low of 0.87% from an upwardly revised 2.65% [previously 2.09%] in February 2016, a minimally revised 2.66% [previously 1.62%, initially 2.07%] annual gain in January 2016. With annual real growth in first-quarter 2016 at 1.72% and fourth-quarter 2015 at 1.50%, the recession signal is intense, consistent with an unfolding recession. *Graphs 11* and *13*, following, show the latest patterns of headline annual real growth.

First-Quarter 2016 Annualized Real Growth Turned Negative. Reflecting the latest revisions to the nominal retail sales detail, annualized contraction in first-quarter 2015 real Retail Sales deepened to 1.08% (-1.08%) [previously down by 0.83% (-0.83%), initially down by 1.44% (-1.44%)]. The changes in the first- and second-quarter growth rates here, again, are due solely to inconsistent seasonal-adjustment factor revisions used to boost headline February 2016 and March 2016 headline nominal detail (see discussions in *Commentary No. 792* and *No. 798*). Second-quarter 2015 annualized real growth gained in revision to 3.65% [previously 3.39%, initially 4.03%]. Third- and fourth-quarter 2015 annualized real growth rates held at unrevised respective gains of 3.10% and 0.42%.

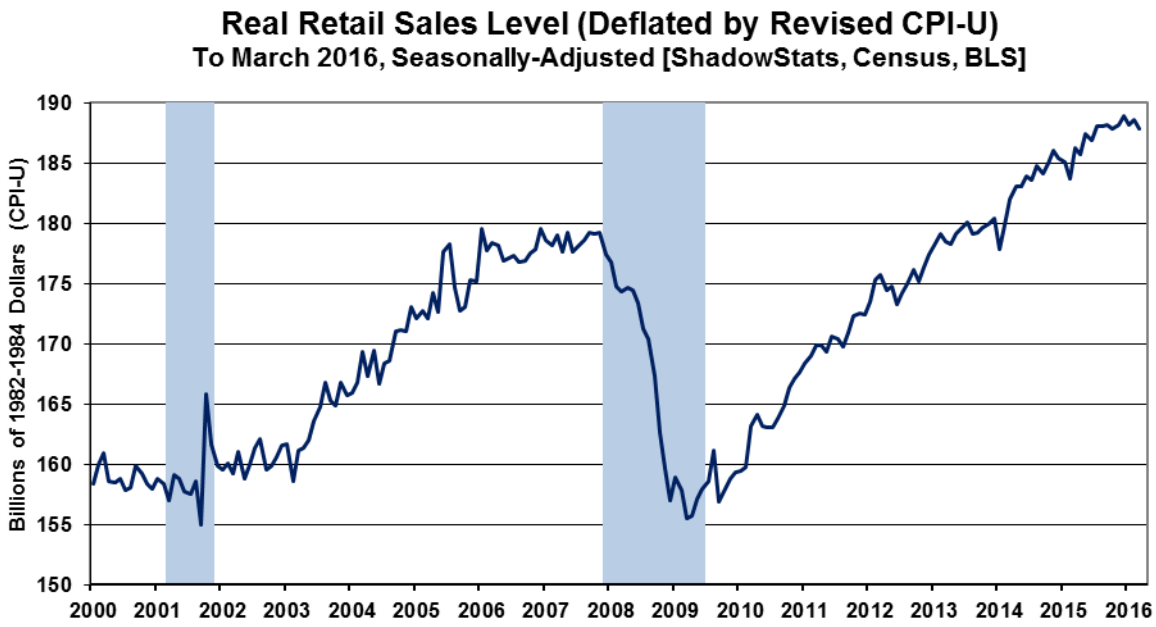
Based on full headline detail, first-quarter 2016 real retail sales contracted at an annualized quarterly pace of 0.23%. The trend, based on just January and February reporting had been for an annualized quarterly contraction of 0.32% (-0.32%). Based just on the initial reporting for January 2016, first-quarter activity had been on track for an annualized gain of 1.57%. Adjusted for realistic inflation (see *Graph 2* in the *Opening Comments*, *Commentary No. 789* and *No. 777 Year-End Special Commentary*), however, real retail sales and the broad economy never truly recovered from the economic collapse into 2008 and 2009.

Consumer Liquidity Problems Continue to Impair Retail Sales**.** Constraining retail sales and residential real estate activity, the consumer remains in an extreme liquidity bind, as updated briefly in yesterday's *Commentary No. 798* and as reviewed fully in *Commentary No. 796* and *No. 777 Year-End Special Commentary*. Without sustained growth in real income, and without the ability and/or willingness to take on meaningful new debt in order to make up for the income shortfall, the U.S. consumer is unable to sustain positive growth in domestic personal consumption, including retail sales, real or otherwise.

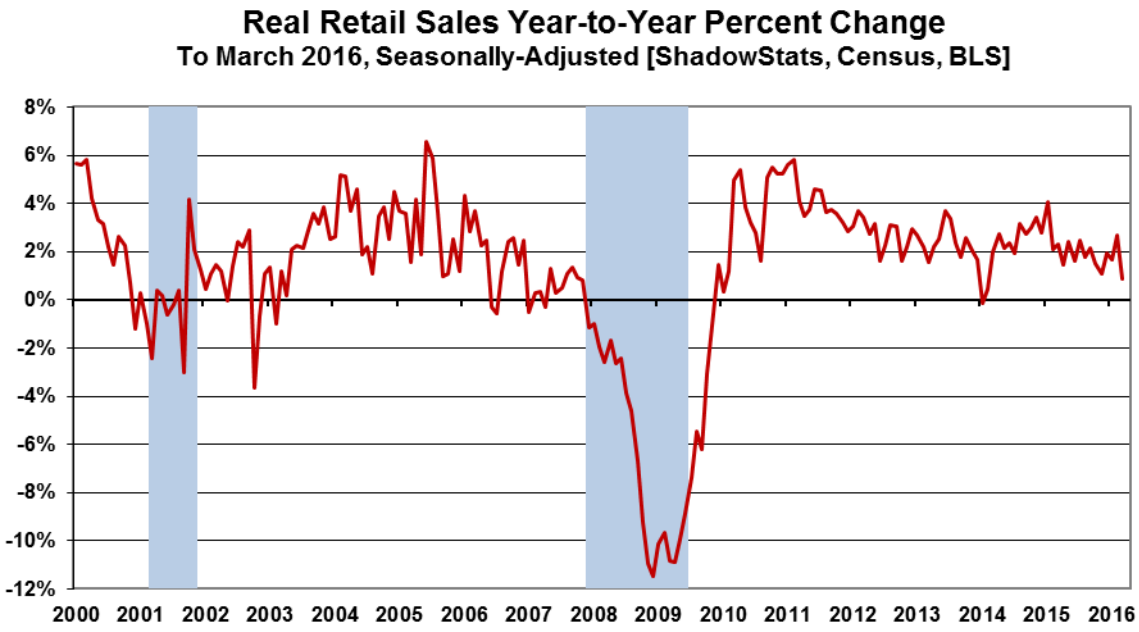
As official consumer inflation continues its upside climb in the year ahead, and as overall retail sales continue to suffer from the ongoing consumer liquidity squeeze—reflected partially by the general pattern of ongoing real earnings difficulties discussed in the next section—these data should continue trending meaningfully lower, in what should be recognized shortly as a formal "new" recession.

Real Retail Sales Graphs. *Graph 10*, the first of the four graphs following, shows the level of real retail sales activity (deflated by the CPI-U) since 2000; *Graph 11* shows the year-to-year percent change for the same period. Where the aggregate headline fourth-quarter 2015 growth largely had dissipated in various revisions, and flattened out, real first-quarter 2016 activity now has declined quarter-to-quarter.

Graph 10: Real Retail Sales (2000 to 2016)



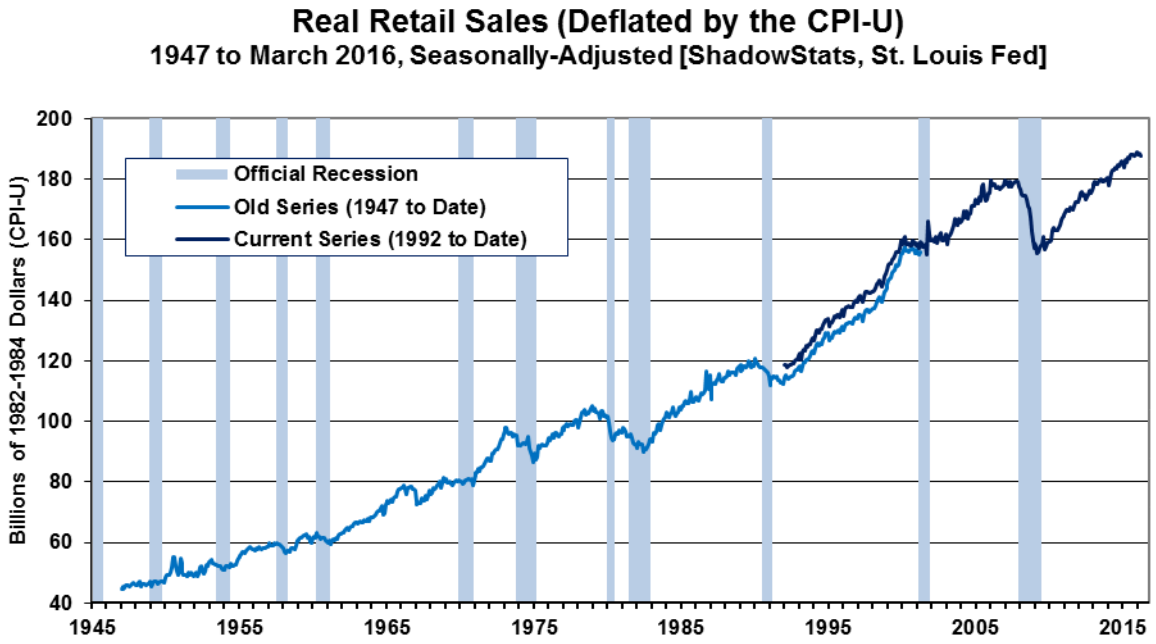
Graph 11: Real Retail Sales (2000 to 2016), Year-to-Year Percent Change



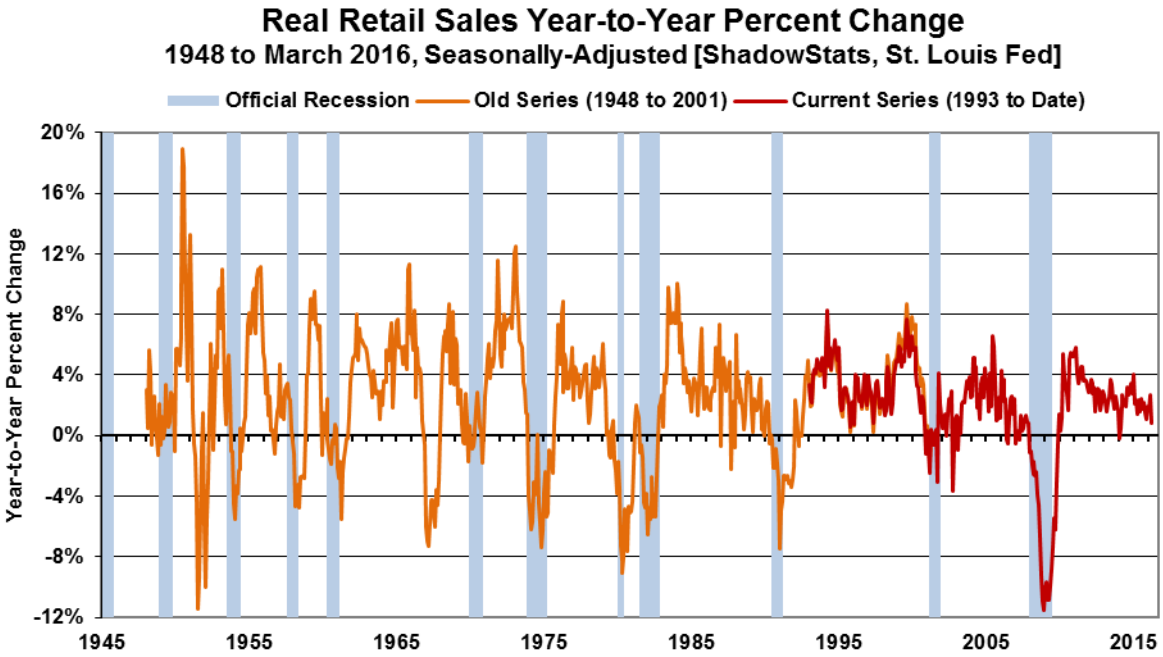
Annual real growth had slowed markedly into fourth-quarter 2015, and tumbled into a 25-month low of 0.87% in March 2016, the weakest showing since February 2014, generating an intense recession signal.

Graphs 12 and *13* show the level of, and annual growth in, real retail sales (and its predecessor series) in full post-World War II detail.

Graph 12: Real Retail Sales (1947 to 2016)



Graph 13: Real Retail Sales (1948 to 2016), Year-to-Year Percent Change



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The relative strength seen in the real retail series since the economic trough in 2009 largely has reflected the understatement of the rate of inflation used in deflating the series. 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, real economic growth.

Shown in the latest "corrected" real retail sales—*Graph 2* in the *Opening Comments* section—with the deflation rates corrected for the understated inflation reporting of the CPI-U, 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 and ongoing contraction began in second-quarter 2012 and continues to date. The corrected real retail sales numbers use the ShadowStats-Alternate Inflation Measure (1990-Base) for deflation instead of the CPI-U.

Real (Inflation-Adjusted) Average Weekly Earnings—March 2016—Heavily Skewed by Bad Seasonals. The BLS published its estimates for real average weekly earnings for March 2016, coincident with the release of the March 2016 CPI-W. In the production and nonsupervisory employees category—the only series for which there is a meaningful history—headline real average weekly earnings rose month-to-month by 0.06% in March 2016, following an unrevised gain of 0.02% in February 2016 and a revised gain of 0.07% [previously up by 0.32%, initially up by 0.31%] in January. Against December 2015, seasonally-adjusted March 2016 average real earnings effectively were flat, having increased by only 0.15% over the entire period.

For those not living in a seasonally-adjusted world, real average weekly earnings declined month-to-month by 0.37% (-0.37%) in March 2016, down by an unrevised 0.06% (-0.06%) in February, and down by a revised 0.48% (-0.48%) [previously down by 0.53% (-0.53%)] in January.

As frequently is the case with BLS reporting tied to the nonfarm payrolls, the headline seasonally-adjusted data are not comparable due to reporting issues with concurrent seasonal factor adjustments (see *Headline Distortions from Shifting Concurrent-Seasonal Factors* on page 31 of *Commentary No. 796*).

Evidence of extraordinarily heavy distortions in the seasonally-adjusted BLS detail can be seen in comparisons of year-to-year growth, between the distorted seasonally-adjusted series and the relatively clean unadjusted series. Annual growth patterns should be virtually identical between the series. Again, the unadjusted series is the one that is not distorted.

Year-to-year growth, seasonally adjusted, real average weekly earnings: January 2015 was 1.02%, February 2016 was 1.18%, March 2019 was 1.46%.

Year-to-year growth, not seasonally adjusted, real average weekly earnings: January 2015 was 1.26%, February 2016 was 0.06%, March 2019 was 0.06%.

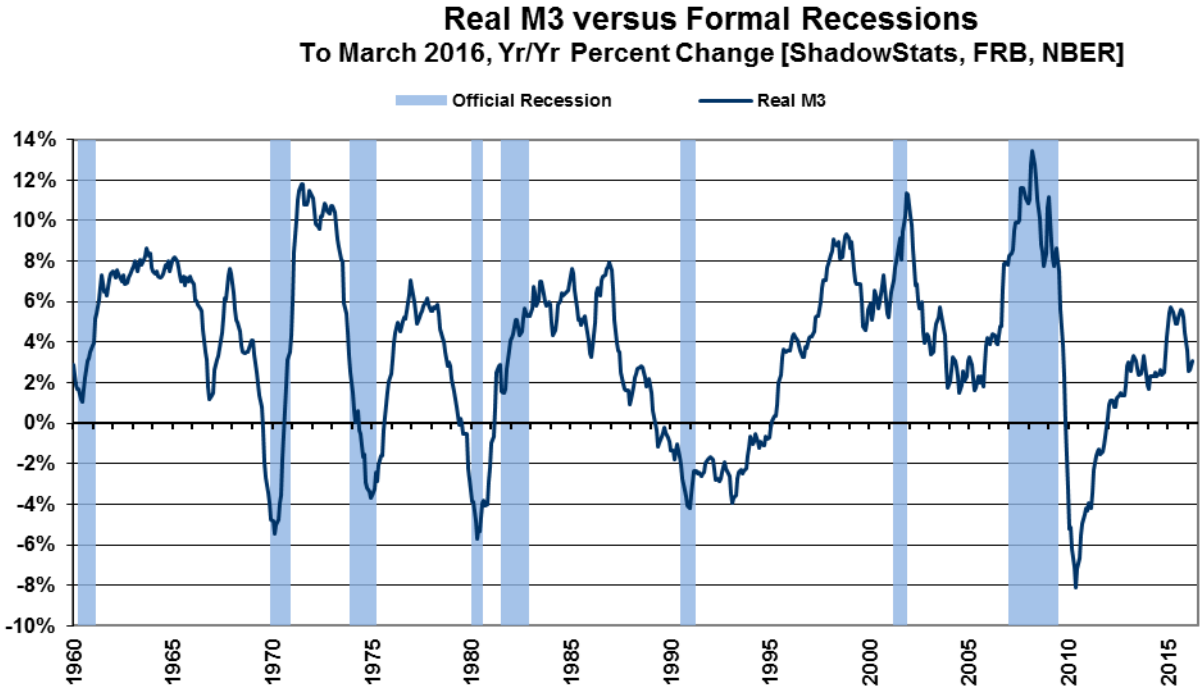
The CPI-W deflated reporting here also is distorted versus the CPI-U-deflated series, where the CPI-W—more heavily weighted with gasoline prices—tends to have much deeper, negative headline inflation, with resulting weaker headline, inflation-adjusted growth than would be seen with the CPI-U, when gasoline prices are falling. The reverse is true, as in the current month, with rising gasoline prices.

Found in the *Opening Comments* section, *Graph 3* plots this series, showing the seasonally-adjusted 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 in a minimal uptrend for the last two decades (albeit spiked recently by negative headline inflation). Deflated by the ShadowStats (1990-Based) 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 the *Public Commentary on Inflation Measurement* for further detail.

Real (Inflation-Adjusted) Money Supply M3—March 2016—Faltering Annual Growth. The signal for a double-dip, multiple-dip or simply protracted, ongoing recession, based on annual contraction in the real (inflation-adjusted) broad money supply (M3), remains in place, despite real annual M3 growth having rallied in positive territory for several years. As shown in the accompanying graph—based on March 2016 CPI-U reporting and the latest ShadowStats-Ongoing M3 Estimate (including annual Federal Reserve Board money supply revisions)—annual inflation-adjusted growth in March 2016 M3 moved higher, again, to 3.1%, up from an unrevised 2.6% in February 2016, which is tied with January 2016 as the lowest level since September 2014. The 0.5% gain in the monthly rate of year-to-year change reflected a 0.2% contribution from lower annual CPI-U inflation and a 0.3% gain in annual M3 growth (see *Commentary No. 796*).

Graph 14: Real M3 Annual Growth versus Formal Recessions



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 "new" downturn signal was generated in December 2009, even though there had been no upturn since the economy purportedly hit bottom in mid-2009. Again, when real M3 growth

breaks above zero, there is no signal; the signal is generated only when annual growth moves into negative territory. The broad economy tends to follow in downturn or renewed deterioration roughly six-to-nine months after the signal. Weaknesses in a number of economic series have continued to the present, with significant new softness in recent reporting. Actual post-2009 economic activity has remained at relatively low levels of activity—in protracted stagnation, with no actual recovery (see *Graph 2* in the *Opening Comments* and *No. 777 Year-End Special Commentary*).

Despite the purported, ongoing recovery shown in headline GDP activity, a renewed downturn in official data is underway that should gain official recognition in the next several months as a "new" or multiple-dip recession (see the opening paragraphs if the *Opening Comments*). Reality remains that the economic collapse into 2009 was followed by a plateau of low-level economic activity—no meaningful upturn, no recovery from or 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.

WEEK AHEAD

Economic Reporting Generally Should Continue in Deterioration, Increasingly Pummeling the Dollar and Boosting Gold, Silver and Oil Prices. Market expectations for business activity should continue to deteriorate sharply, amidst intensifying, negative headline reporting in the weeks and months ahead. The broad trend in weakening expectations for business activity, and in movement towards looming recession recognition, continues, as discussed briefly in the *Opening Comments*, *Commentary No. 796-A*, *Commentary No. 795*, *Commentary No. 794*, *Commentary No. 789* and in *No. 777 Year-End Special Commentary*.

In response to perpetual non-recovery and a now intensifying down-trend in underlying economic activity, increasingly-negative market reactions have surfaced in trading of the U.S. dollar and in related financial markets, with upside price movements in gold, silver and oil, discussed in the *Hyperinflation Watch*. These reactions reflect, at least in part, a growing sense of Federal Reserve impotence. Any further tightening by the Fed before the election is unlikely, but renewed quantitative easing is a fair shot.

Weaker headline reporting of the regular monthly economic numbers increasingly should be accompanied by much worse-than-expected—negative—reporting for at least the next several quarters of GDP (and GDI and GNP). That includes a developing possible outright quarterly contraction for first-quarter 2016 GDP activity on April 28th, as well as pending downside revisions to GDP history (including first-quarter 2015 and fourth-quarter 2015) in the July 29th annual benchmark revisions.

In line with recent downside revisions to industrial production and pending negative benchmark revisions to retail sales, construction, durable goods orders and trade, expectations for the GDP benchmarking also should fall sharply. That GDP benchmarking now is the most-likely point at which the elements for a "formal" recession call will be in full play.

CPI-U consumer inflation—intermittently driven lower in 2015 and early-2016 by collapsing prices for gasoline and other oil-price related commodities—likely has seen its near-term, year-to-year low. Headline March 2016 detail moved into positive headline territory , in tandem with rising gasoline prices. Inflation will rise more sharply, going forward, boosted by a weakening U.S. dollar environment, and a continued, related upturn in oil prices and other commodities. Fundamental reporting issues with the headline CPI also are discussed here: *Public Commentary on Inflation Measurement*.

Note on Reporting-Quality Issues and Systemic-Reporting Biases. Significant reporting-quality problems remain with most major economic series. Beyond the pre-announced gimmicked changes to reporting methodologies of the last several decades, which have tended to understate actual inflation and to overstate actual economic activity, ongoing headline reporting issues are tied largely to systemic distortions of monthly seasonal adjustments. Data instabilities—induced partially by the still-evolving economic turmoil of the last nine-to-eleven years—have been without precedent in the post-World War II era of modern-economic reporting. The severity and ongoing nature of the downturn provide particularly unstable headline economic results, when concurrent seasonal adjustments are used (as with retail sales, durable goods orders, employment and unemployment data). That has been discussed and explored in the labor-numbers related *Supplemental Commentary No. 784-A* and *Commentary No. 695*.

Further, discussed in *Commentary No. 778*, a heretofore unheard of spate of "processing errors" has surfaced in recent surveys of earnings (Bureau of Labor Statistics) and construction spending (Census Bureau). This is suggestive of deteriorating internal oversight and control of the U.S. government's headline economic reporting. At the same time, it indicates an openness of the involved statistical agencies in revealing the reporting-quality issues.

Combined with ongoing allegations in the last year or two of Census Bureau falsification of data in its monthly Current Population Survey (the source for the BLS Household Survey), these issues have thrown into question the statistical-significance of the headline month-to-month reporting for many popular economic series (see *Commentary No. 669*).

PENDING RELEASES:

Index of Industrial Production (March 2016). In the context of massive downside benchmark revisions through February 2016, just published on April 1st (see *Commentary No. 796-A*), the Federal Reserve Board will release its estimate of Industrial Production activity for March 2016 tomorrow, Friday, April 15th, with coverage in *Commentary No. 800* of that date. Headline reporting likely will continue on the downside, both month-to-month and year-to-year, with further revisions to the last six months, despite the just-published benchmarking.

Full reporting for first-quarter 2016 production is likely to contract quarter-to-quarter for the second consecutive quarter (the fourth in the last five quarters), and it is virtually certain to be negative year-to-

year, for the second consecutive quarter (the first time since the economic collapse). A monthly gain above 0.64%, net of prior-period revisions, would be needed to push quarterly production growth above zero. A monthly gain above 4.08% would be needed to push the quarter into positive year-to-year growth.

Expectations have come in on the downside of flat, but as has been the case here for some time, headline reporting and revisions remain a good bet to offer negative surprises versus the consensus outlook, even in the context of the recent downside historical revisions.

Residential Construction—Housing Starts (March 2016). The Census Bureau will release March 2016 residential construction detail on Tuesday, April 19th. In line with common-reporting experience of recent years, monthly results are likely to be unstable and not statistically meaningful, holding in a general pattern of down-trending stagnation. While consensus expectations are likely to be on the upside, as usual, they also remain well shy of statistical significance. Of fair risk is a downside surprise that could reverse February's gains and take the series negative for first-quarter 2016.

Irrespective of the generally meaningless headline detail, the broad pattern of housing starts should remain consistent with the low-level, stagnant activity, seen in the series at present, where February 2016 current activity remained down by about 48% (-48%) from its pre-recession high. Such is particularly evident with the detail viewed in the context of a six-month moving average. This series also is subject to regular and extremely-large, prior-period revisions.

As discussed in *Commentary No. 660* on the August 2014 version of this most-unstable of major monthly economic series, the monthly headline detail here simply is worthless. The series best is viewed in terms of a six-month moving average. Again, not only is month-to-month reporting volatility frequently extreme, but also those headline monthly growth rates rarely come close to being statistically significant.

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