

REMEMBER: ONE SWALLOW DOES NOT MAKE A SPRING, FOLKS

While some people, especially those with vested interests, will state that the drop in the number of fresh people, seeking money from the US for being out of work, has fallen from the July 14 figure of 417,000 claims to the July 21 figure of 366,000 claims, is a good sign, TARGET states that it means – nothing.

The reasoning of this medium is that any short-term, sharp reversal of a seemingly established economic trend can only mean that there are extraneous factors at work (or somebody cannot do his, or her, sums).

In respect of the fresh unemployment claims by labour in the US, having dropped by about 12.23 percent in a period of one week, it probably, in the main, is the result of US, motor-car factories, retooling in preparation for the next edition of motor cars/lorries etc, and, as such, closing down sections of factories, partially and temporarily, for this purpose.

There is, also, the knock-on effect of such requirement of motor-vehicle factories: The early summer closures of certain factories, especially those factories, which are in the business of supplying motor-car factories with parts.

Seasonal adjustments, of course, are other factors to be included into the equation, but the supply chain factor, exemplified by those factories, manufacturing anything from computers to condoms, is, most likely, the reason for this seeming, short-term anomaly – if one may call it, that.

Moving averages tend to smooth out variations, and the 4-week, moving average for US initial claims by workers, on a national basis, can provide a better picture of the situation than taking one, 7-day period in isolation.

According to **TOLFIN** (TARGET's Computerised Online Financial Service), initial claims by US workers, going back to late April, are at the highest levels since the latter part of 1992 when the US economy was emerging from a recession.

TOLFIN's 4-week moving average since April this year, in respect of US labour, is somewhere in the region of between 400,000 claims and 425,000 claims.

This is considerably higher than the figures of the past fortnight: 417,000 claims (July 14) and 366,000 claims (July 21).

Having stated these facts, it would appear that the initial labour claims are not yet at a level to indicate that the US is in recession, but it could be flirting with recession, to be sure.

TARGET fully expects the new labour claims of July 28 to be greater than, or equal to, the July 7 statistic of about 450,000 claims.

TARGET's reasoning is that, over the past fortnight, more and more companies have been sacking workers.

These workers, and those workers, who are not waiting for the axe to fall, will be trudging down to the local government office to make claims.

Statistics, compiled by reputable agencies in both Western Europe and the US, show that, thus far this year, 51,000 workers have been thrown out of work.

But that was only up to the middle of last week.

Since then, one company after another has announced its intentions to cull back Establishment levels.

JDS Uniphase has sacked not less than 16,000 workers since January.

And, just last week, this company, a manufacturer of telecommunications network equipment, announced that it would be letting go another 7,000 of its workers.

Hewlett-Packard, a huge company, which manufactures computers and printers, among other things, announced, just last Thursday, that it would be unloading 7,000 of its workers.

HP helped the US national jobless claims, earlier this year, when it sacked 4,700 of its workers.

It continues to cull.

And so it goes on, one company after another, being forced to scale back – and that means more job losses to add to US statistics.

The importance of statistics, as every economist is taught in his first class on logic, is that they, at best, indicate a possible trend.

Nothing more.

One would be advised not to jump to the wrong conclusions on seeing a fast-dropping, labour-claim statistic since it may not mean that things are on the mend (definitely, things are not on the mend in the US, or anywhere else for that matter).

According to the US Commerce Department, for the week, ended July 14, continuing labour claims fell to about 3,087,000.

The **TOLFIN**, 4-week average, however, indicates 24 weeks of consecutive weekly gains in the moving average of continuing claims from US labour.

For those non-economists, simply put, all this means that, when the statistics are smoothed out by employing moving averages, unemployment claims are seen to be on the rise – and smartly, too.

Put another way, whether or not the statistic of the initial claims by US labour, at 366,000 claims for the week ended July 21, means something or nothing, there are still a great number of US workers who are queuing up for the dole.

And there is no let-up in their numbers, it would appear.

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