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AND TARGET REPEATS: ONE SWALLOW DOES NOT MAKE A SPRING

Weakness in the industrial sector of the US economy persists.

This tends to suggest that the hullabaloo over the durable goods statistics of last Thursday was more than a little premature.

Looking at the US Commerce Department's figures with a critical eye indicates that, while there may well be some indication of an improvement in certain sectors of the US economy, most of that improvement was brought about by the requirements of the Administration – to win the war against the Taliban in Afghanistan and to fight terrorism, where-ever it may be hiding.

New orders for defense aircraft rose by about $US10 billion in October, representing a 600-percent increase over September's figures.

Notwithstanding the war, it is fair to state that orders for non-defense aircraft, of all types, did not recover the fallout, caused by the September attacks on New York and Washington D.C. by Muslim extremists (madmen may be a better description).

What is most telling about the US Commerce Department's latest figures is that orders for industrial equipment continued to wane.

The abject weakness in this sector of the US economy needs little explanation because it must, by its very nature, orders for industrial equipment follow the general tenor of the requirements of manufacturers, who, in turn, *'feed'* consumers with that which they demand.

Statistics, compiled by the US Government, indicate that there have, now, been 13 consecutive months of contraction in the placing of new orders for industrial equipment in the US.

This must mean that there is nothing on the economic horizon to make one think that US consumer is back in force, with manufacturers, desperately trying to keep apace of demand.

In fact, the opposite is true.

Inventories continue to build; and, the chances are that the once-touted Christmas shopping spree will turn out to be a wet squib.

No country is more sensitive to consumer requirements, internationally, than Japan where the second largest economy of the world keeps mountains of statistics, all plotting the present and future course of industry and consumer demand.

Only last week did 2 of the giants of Japanese industry bite the bullet.

Fujitsu closed down its Oregon chip plant, sacking 670 workers, along the way, while Hitachi sacked 470 workers from its Singapore chip plant and cut back production by 50 percent, from 60 percent to 30 percent.

Such is the vision of these 2 giants, both of which have impressive past histories of success in their chosen fields.

Most of Japanese production is earmarked for export; Japan's largest market is, of course, the US.

If the US importers/manufacturers continue to have mountains of chips, used in the computer industry, on hand, then, there is no reason to continue to manufacture more of the same because, among other things, the *'shelf life'* of such products is limited, with new and improved series, hitting the marketplace, weekly.

Information **T**echnology (IT) is said to be rebounding, somewhat at least, in the US, as inventory levels fall, suggesting stabilisation may be in the offing.

Unlikely.

It is far too early to make such statements.

According to TARGET's information, companies, such as Nortel Networks Incorporated, of Canada, have heaps of *'dead'* inventories that cannot be moved, for one reason or another.

The chances are that the company will have to make Provisions for obsolescence of certain stocks, much of which is lying in Asian godowns, gathering rust and dust.

Anyway, in order for there to be a resurgence in IT, there must be increased demand – and there cannot be increased demand while corporate profits continue to be squeezed.

As TARGET has stated, over and over again: One swallow does not make a spring.

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