

**IS THE U.S. ECONOMY REALLY TURNING,
OR IS IT AN OPTICAL PHENOMENON ?**

Contrary to popular belief, there are indications that the US economy is, still, very fragile.

In fact, one cannot help but wonder whether or not the determinations of the US Federal Reserve Board, of less than one month ago, were a little premature.

To begin with, the US unemployment rate for the month of March reached 5.70 percent, the highest level since last December and well above the 5.50-percent mark of February.

The US Labour Department's statistics should, logically, send shivers down the spines of many economists when such statistics are '*married*' with other factors and pronouncements from industry.

On the one hand, there are vague suggestions that the worst is over in the US economy with regard to recessive tendencies, but industry is coming up with counter-suggestions.

Meanwhile, more and more people are hitting unemployment centres in the US, looking for the dole.

The positive news, one is told, is that February's retail sales in the US hit the best growth rate since last August.

This is seen as meaning that US consumer spending is strong and that Mr and Mrs America feel comfortable with new purchases of sewing machines, washing machines, sofas and chairs, a new pair of pants for dad and a new dress for mom, and a new motor car for the family outings.

Motor-car dealers and dealers in motor-vehicle parts and accessories reported that, in the month, ended February 2, there was a 0.40-percent rise in sales, Month-on-Month.

That was the first time since October 1, 2001 that the statistic for such sales had been in positive territory.

Clothing stores, however, did not fare as well as sales of motor cars and motor-car accessories since clothing-store sales slumped, nationally, by about 0.10 percent, Month-on-Month.

That statistic represented the first time since November 1, 2001 that there had been a negative value for such sales' statistic.

As for food-and-beverage store sales for the month, ended February 2, they, too, dropped back by about 0.20 percent, Month-on-Month.

And that was the first time for more than a year that there had been a decline, Month-on-Month, for sales in this category of consumer spending, seasonally adjusted.

On an annual basis, food-and-beverage store sales rose about 2.40 percent, which was, still, the lowest increase in the past year.

One could, of course, cite one statistic after another in order to prove one point or another, but, at the end of it all, one has to weigh the negatives with the positives in order to determine, not definitive figures, but definitive direction.

Because the direction of an economy is the most that one could hope to achieve in studying trends, based on statistics, as any student of economics is taught in his first year in studying this complex subject.

And, at this point, TARGET would suggest that the evidence is not yet sufficient for one to reach a determination on direction, regardless of flowery statements to the contrary.

Looking at the US Labour Department's statistics, with regard to Initial Insurance Claims from the millions of unemployed in the US, indicate that, for the week to March 30, Initial Claims totalled about 460,000.

That was an increase of about 64,000 Claims, compared with the March 23 statistic of about 396,000 Claims.

The 4-week moving average, with smoothes out the peaks and the troughs, was about 404,000 Claims, up about 20,000 claims, Week-on-Week, seasonally adjusted.

Outside of the agricultural sector of the US economy, in the month of March, a total of some 58,000 jobs were created.

But the bulk of the new jobs, that were created, was in the service sector and, more importantly, those jobs were of a very temporary nature, such as the seasonal requirement for help.

Also, the US Government accounted for a large chunk of those new jobs.

The fact that many of the new jobs in the private sector that were created were of a temporary nature may well indicate that Management is, also, not certain as to the US economy's direction and, as such, private sector employers are not willing to make commitments in hiring permanent staff, at least, not at this point.

The last bit of statistical information that is relevant, it would appear at this juncture, comes from chain-store sales in the US.

Weekly sales' growth has declined for 5 weeks of the previous 6 weeks, statistics indicate.

One year ago, it was said that the US economy was just entering its recession so that, looked at on a yearly basis, it could be said that sales in this important segment of the economy look strong for the week, ended March 30, 2002, compared with the like period in 2001.

The unadjusted statistic is a jump of 5.50 percent, Year-on-Year.

One must, of course, take into consideration Easter period sales, Easter, falling 2 weeks earlier, this year, compared with 2001.

Chain stores should, logically, attract consumers because of the ability of the stores to achieve economies of scale, those savings, capable of being passed on to consumers in the form of lower prices for goods, off the rack.

It does not, always, work that way, of course, and there are very notable exceptions: This year's collapse of Kmart Stores Incorporated of the US, for instance, was a very good example of a US chain store, through poor marketing and incompetent buying, going to the wall; and, Eaton's of Canada, a couple of years ago, through sheer Management incompetence and a complete lack of understanding of the market and of the changing trends, losing the entire shooting match and, eventually, being taken over by Sears after it went belly up.

However, chain-store sales and their successes and failures, by and large, can, often, be a telltale sign of the strength, or otherwise, of economies of the world.

And, Yankee chains ain't sayin much.

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