

U.S. INDUSTRY IS NOT YET ON THE ROAD TO RECOVERY, FOLKS

Employment in the US is going nowhere, very fast.

While most of the world looks at the unemployment-rate statistics of the US as a guide to the strength, or otherwise, of the US economy, this statistic only plots the course of those US citizens, who are applying for unemployment insurance benefits from the US Government.

What, perhaps, that statistic to which one should pay closer attention is how many people are being brought back into the folds of US industry.

And that statistic is hardly a cause for joyous frivolity.

According to The Bureau of Labour Statistics, an important branch of the US Government, in the month of May, the number of people, being relocated into new jobs in the US, rose by 41,000, excluding nonfarm employment, of course.

This compares with the month of April when, according to The Bureau of Labour Statistics, the number of people, finding employment, was about 6,000, which, in itself, was an improvement over the month of March when one saw a statistic of negative 5,000 people (that translates into the number of people, losing jobs, not gaining them).

It is recorded that the unemployment rate for the month of May dropped back from April's figure of about 6 percent to May's figure of about 5.8 percent.

Looking at the 2 statistics, employment and unemployment, and correlating them would seem to indicate that the labour market of the US is very sluggish and that workers are finding it increasingly difficult to secure new employment.

The US Government has pointed out that it is now taking about 9.80 weeks for workers to find new jobs.

That May figure of 9.80 weeks compares poorly with the April statistic of about 8.90 weeks: Things are becoming, or have become, even more difficult for the unemployed in the US.

But the unemployment figure of 5.80 percent should not be considered as an improvement in labour-market conditions because, in TARGET's opinion, unemployment will rise again in the month of June due to the fact that The Bureau of Labour Statistics, with regard to unemployment in The Land of The Free and The Home of The Brave, is based upon household survey numbers, only.

Such statistics are known to be volatile and have been proven not to be reliable.

An establishment survey would be a much better guide to labour-market conditions since, among other things, it would eliminate, to a greater extent, factors, such as bias and the uttering of untruths by those private individuals, being surveyed.

The Bureau, also, recorded that the average workweek remains static, at 34.20 hours, unchanged for the past 4 months.

The number of long-term unemployed continues to rise and, as at today's date, that number accounts for about 20 percent of the total number of unemployed in the US.

Employers in the US are, clearly, reluctant to add more staff to their establishments: This must reflect the unease that many employers feel about the US economy, near term and intermediate term.

The service industry appears to have received a bit of a fillip in the month of May, in line with what had transpired in the months of March and April.

Turning to the findings of The Bureau of The Census, that Bureau's findings indicate that US factories are seeing some encouraging signs in a number of consumer-orientated industries.

But, what is, also, very clear is that a full recovery in capital spending is not yet in hand.

As long as capital spending is restrained, it will continue to act as a brake on the economy.

According to The Bureau of The Census, new orders for durable goods rose by about 1.50 percent in the month of April, compared with March, while non-durable goods saw an increase of about 0.70 percent, Month-on-Month.

As for unfilled orders, there was a definite sign of a diminished backlog.

A diminishing backlog of unfilled orders must be considered a discouraging sign for US industry for obvious reasons.

Some US corporations have reported improvements in their Bottom Lines, but such improvements are based on a much-lower, base-mark due to US corporations, unloading hundreds of thousands of employees, over the past few years, and reducing industrial productivity in accordance with diminished consumer demand, relative to a few short years ago.

Since July 2000, it is estimated that about 1.80 million jobs have been lost in the manufacturing sector of the economy.

This represents about a 9.40-percent decline in the manufacturing employment base over a period of about 23 months in the US.

With profits, having not improved sufficiently to warrant any major expansion of production, US industry will continue to keep tight rein on capital spending, no doubt.

The expansion of US industry over the past 5 months or so has been, in a large part, centred on 2 aspects of the economy: The domestic housing market; and, spending on motor cars and the like.

With interest rates at their lowest levels in decades, and with banks, offering depositors very little by way of interest, it is natural that those with some money in hand will turn to the housing market as an alternative to keeping money in banks.

Therefore, it is highly unlikely that the present expansion can be sustained.

The narrowness of the industrial expansion is highly suspect since only those suppliers that are linked to the housing market and the motor-vehicle sales will reap any rewards.

One notes that manufacturers of chips and the like are not expanding.

In fact, as became only too apparent, just last week, when Intel, the world's largest producer of chips for the computer industry, announced that it was expecting lower sales for the remaining part of the year.

Wall Street reacted with a thud.

Any seeming improvement in manufacturing activity in the US look to be short-lived unless, of course, there is a change of heart of US consumers, who veer away from motor-car purchases and houses, and look to other areas.

Industry cannot budge from its present inert position until it sees a growing and sustained demand for its products, one that sees demand outstrip present supply – which is not the case, today, and is unlikely to be the case for the remaining part of 2002.

-- E N D --

***While TARGET makes every attempt to ensure accuracy of all data published,
TARGET cannot be held responsible for any errors and/or omissions.***

If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel free to e-mail your views to editor@targetnewspapers.com or targnews@hkstar.com. TARGET does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.