

GOT A BUCK FOR A CUP OF COFFEE, BOSS ?

The degree of personal financial distress within the populace of the US is, now, only too apparent.

It has, and will continue, no doubt, to impact on consumer spending, throughout the economy, touching most aspects of it.

The importance of consumer spending cannot be underscored, sufficiently, because consumer spending accounts for about 66 percent of the entire US economic activity.

When consumer spending in an economy is curtailed, for whatever reason, it has an immediate and retardant impact on the entire economy.

Consumer spending impacts on the largest manufacturer, right down the line to the smallest importers and exporters, to the momma-and-papa, soft goods shop on just about every corner of every farming hamlet in a country.

And the strength of an economy can be measured, not so much by the value of its exports, but by the value of its imports: The value of imports in an economy is one of the ultimate tests of the strength of that economy.

Last week, the US Government released its second quarter statistics, regarding bankruptcies in the country.

The results, which are, always, released between 2 months and 3 months after the end of a quarter, painted what can only be considered a shocking picture of fear within the population of the largest single economy of the world, today.

The statistics, with regard to personal bankruptcies, were at a record level, the figures indicated.

The records of US bankruptcy courts are another of the key indicators of the financial distress of businesses; and, a plethora of bankruptcies must impact, directly, on investors' willingness to provide funds for business entities as well as making fresh commitments in equity investments.

When bankruptcy filings of individuals hot up, as is the situation, today, in the US, it means that more households are in dire financial dolor, the knock-on effect of which will, inevitably, lead to creditors' unwillingness to provide funds to households.

Again, this has a decided effect on consumer spending.

According to US Government statistics – actual statistics, not estimated figures, compiled from surveys, following random samplings – the number of personal bankruptcy filings in the second quarter of this year was 390,991 cases, an increase of about 0.20 percent, Year-on-Year.

The second-quarter results represent the sixth consecutive month of increases in the number of personal bankruptcy filings.

High debt burdens among businesses and the populace, and the inability to service such debts, in their entirety, is hindering the US economy; and, such a bane, naturally, is impacting, directly, on consumer spending since debt service and repayment of principal usually takes precedence over all else.

With business profits falling due to weak consumer demand, growth in the economy is, also, being curtailed, sharply.

This situation is quite likely to continue.

As such, sales of motor cars and motor-car accessories, furniture and household appliances, to name just a few of the so-called '*big ticket*' items, will be affected; and, such goods will not find their way from the showroom to the homes of the approaching 300 million, human population of the country.

Even now, motor-car manufacturers are having to offer zero financing packages to US consumers in order to try to move stocks of 2002 motor vehicles.

But to little avail, or so it seems, at this time.

Even with such generous terms, being offered by motor-car manufacturers, etc, a US household, which is not certain of next week's pay cheque, or whether or not there will, even, be one, will think twice before taking on any new material debt.

Business inventories, as compiled by the US Government's Bureau of the Census, are building up again, while the ratio of sales-to-inventory continues to stand at about 1.36:One.

This is the second consecutive month that the sales-to-inventory ratio has been at this mark.

Such data is, more often than not, overlooked by the man-in-the-street, and often goes right over the heads of many stockbrokers, in most parts of the world.

But, such data is yet another key indicator of the strength, or otherwise, of an economy.

Inventories, held by retailers, wholesalers, and manufacturers, grew by about 0.20 percent in June, while, during the same month, sales at businesses increased by about 0.30 percent.

Manufacturers' stocks are declining, slightly, a fact that must indicate that many manufacturers see the writing on the wall.

Such statistics lead to understanding some of the dynamics of the US economy – and the US economy is not, particularly, exciting, at this time.

Turning to the statistics, as compiled by The US Department of Labour for the week of August 24, it would appear that the number of initial claims for social security benefits from the jobless of the US has hit the highest level since the week of July 6, 2002, at about 403,000 initial claims.

The 4-Week Moving Average, which tends to smooth out the bumps and grinds, stood at about 393,000 initial claims – which is, still, the highest level, recorded since July 6, 2002.

And, this situation is quite likely to continue, also.

The August 24 figures of initial claims for unemployment benefits represents the third week in a row that such figures have moved to higher ground.

This is in spite of stock-market gurus, who seem to make claims to the contrary, or try to over-generalise any and every situation as it affects the US economy, using the most convenient excuse of the day in order to try to explain this phenomena or that phenomena.

Those stockbrokers, who have, continuously, tried to talk up the indices of bourses for the past few years, while the US was enjoying economic recession, have only one consideration: Making a commission from buying and selling stocks and shares.

Turning to the matter of continuing claims from the unemployed of the US, they rose by 90,000 claims for the week of August 17, to about 3.59 million workers.

The number for the week, ended August 24, no doubt, will be considerably higher when those figures are released, later on this week.

Meanwhile, the pace of job creation in the US has slowed, considerably.

In [TARGET Intelligence Report, Volume IV, Number 152](#), published on August 14, 2002, **TARGET**'s Chief Analyst wrote that the unemployment situation in the US *'may be much worse than many people and organisations had, hitherto, reported or fully appreciated.'*

One week prior to the publication of that report, in [TARGET Intelligence Report, Volume IV, Number 147](#), **TARGET** Chief Analyst wrote, in the first paragraph: *'The lack of adequate corporate profits – in many cases, it is the complete lack of corporate profits – is preventing, and will continue to prevent, a rebound in the price of equities.'*

TARGET said, in that report, and it bears repeating, today, that the health of the US economy is waning; and, many domestic corporations' foundations are shaky.

A progressive collapse is possible in a number of cases unless something is done – in a hurry.

Since the publication of that report, there have been, in fact, a number of huge financial failures, some of the largest in the history the world, in fact.

That the US wants to attack Iraq is stating the obvious, but US President George W. Bush will not dare to go it alone: He wants to get the *'friends'* of the US behind him.

Another jingoistic coalition, if you please.

If there is a pre-emptive attack on Iraq – and, as far as **TARGET** can ascertain, it seems inevitable – the US economy will be hit by further economic burdens, which, in turn, will impact on the man-in-the-street in downtown Lafayette, Louisiana, to lower Manhattan, New York.

And Asia and every other area of the world will enjoy the consequences of such a strike.

-- 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.