

THE U.S. ECONOMY HAS STALLED

Without question, there is very clear evidence at hand that the economy of the United States has stalled.

The release of statistics for the month of August by The Institute of Supply Management (ISM) makes it only too apparent as to what is happening in the US, today.

The increases/decreases in the US labour market, which are released weekly, are subject to so many factors that their individual importance is limited and, by themselves, they mean very little.

But the statistics, gathered and digested by the ISM, are very important indicators of the character and health of US industry.

The ISM produces a monthly Composite Index, gathered from surveys of 300 purchasing managers, throughout the Continental US, representing 20 industries, all engaged in manufacturing.

The ISM Index for the month of August stood at 50.50 percent, representing the second, consecutive month in which this Index has held a constant value, unchanged from the July figure.

But that August figure of 50.50 percent is the lowest level since January, this year.

It is likely that equity markets, throughout the US, will react negatively to the ISM's statistics.

This is likely to cascade, down the line, from the European Union to Asia.

Highlights of the statistics, seasonally adjusted, show the following:

1. New orders fell from the July figure of 50.40 percent to 49.70 percent;
2. Production fell from the July figure of 55.70 percent to 55.60 percent;
3. Prices paid fell from the July figure of 68.30 percent to 61.50 percent;
4. The backlog of orders fell from the July figure of 45.50 percent to 45.00 percent;
5. Inventory levels jumped from the July figure of 41.80 percent to the August figure of 45.20 percent; and,
6. Imports fell from the July figure of 54.20 percent to the August figure of 51.90 percent.

The fact that new orders fell in the month of August, compared with July's figures, by about 1.39 percentile points, would tend to make one think – and rightly so, too – that manufacturing in the US has stalled.

It is, also, indicative of the now established fact that US consumers are not going down to shops on any buying sprees.

And the fact that prices were off, Month-on-Month, by about 10 percentile points would suggest – and rightly so, too – that the US is experiencing decelerating inflation.

In summary, the US domestic economy is not healthy, not by a long shot.

And it is highly unlikely that there will be much of an improvement, short term.

When the US launches its attack on the homeland of President Saddam Hussein of Iraq – and there would appear to be no question that President George W. Bush will press for an early attack, one way or another, unless Saddam Hussein capitulates – the economic situation in the US will not improve because of the drain that such an attack will have on the overall economy.

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