

THE WAR WITH IRAQ MAY BE ON HOLD, BUT ...

While a shooting war between the United States and Iraq/United Nations may well have been averted, at least for the time being, the seeming improvement in the US landscape is unlikely to mean very much in respect of the poor, struggling economy of the US.

Unless President Saddam Hussein of Iraq has a death wish for himself and a few hundred thousand of his soldiers, it would appear that he must accede to the demands of the UN.

Just about the entire free world is supporting the UN Resolution – even the Arab neighbours of Iraq have broken bread with former archenemies of the Middle East with regard to forcing Iraq to relinquish its weapons of mass destruction: Children should not play with fire.

Which is ironic, actually.

Even France, Russia and the People's Republic of China (PRC) have agreed on the final wording of the UN resolution to force Iraq to disarm.

But, even though the troop train may well have been stopped in its tracks, the US President, Mr George W. Bush, has made it very clear that he wants a regime change in the rogue Middle Eastern State.

Notwithstanding the fading possibilities of a war – which surprised TARGET, somewhat, although the fat lady has not, yet, started her swan song – the US economy is far from being out of the woods.

In fact, there is growing evidence to suggest a further economic deterioration in The Land of The Free and The Home of The Brave.

Motor-vehicle sales in the US are disappointing, according to the statistics, compiled by Ward's Automotive, and Press Releases, produced by the Big Three motor-car giants of the US: Ford Motor Company, General Motors Corporation and DaimlerChrysler Corporation.

According to Ford, motor-vehicle sales fell by about 35 percent, during the month of October 2002, compared with the October 2001.

As for General Motors, its motor-vehicle sales fell by about 32 percent, Year-on-Year; and, DaimlerChrysler's sales were off by about 31 percent, Year-on-Year.

And these dismal results were in spite of zero financing packages, being offered by the Big Three to US consumers, during the past year or so.

Even Japanese motor-car sales in the US suffered in October, Year-on-Year, with Toyota, reporting a 21-percent fall in sales for the month of October, and Nissan announced that its sales suffered a 13-percent decline.

It is clear that US consumers are prepared to drive their existing motor cars until they become junk and fall apart – because, for the most part, they cannot tell what the future may bring.

Even if one disregards the fading sounds of the drums of war, there is still the question of whether or not the man-of-the-house in California, Texas or New York will be able to bring home the bacon in the coming months.

Will he find a pink slip with his next pay envelope?

The US Government's Bureau of Economic Analysis, just last week, published the following advance findings with regard to the **Gross Domestic Product** (the findings are subject to revision on or about Tuesday, November 26):

*'Real **Gross Domestic Product** (GDP) – the output of goods and services produced by labour and property, located in the United States – increased at an annual rate of 3.10 percent in the third quarter of 2002,*

'In the second quarter, real GDP increased by 1.30 percent ...

'The major contributors to the increase in real GDP in the third quarter were personal consumption expenditures (PCE), equipment and software, (US) government spending, and exports. The contributions of these components were partly offset by a decrease in nonresidential structures. Imports, which are a subtraction in the calculation of GDP, increased.

'The acceleration in real GDP growth in the third quarter reflected an acceleration in PCE, an upturn in state and local government spending, and an acceleration in equipment and software that were partly offset by a downturn in private inventory investment, and decelerations in exports and in Federal Government spending. There was a sharp deceleration in imports in the third quarter.

'The price index for Gross Domestic Purchases, which measures prices paid by US residents, increased by 1.40 percent in the third quarter, compared with an increase of 2.30 percent in the second quarter. Excluding food and energy prices, the price index for Gross Domestic Purchases increased 1.40 percent in the third quarter, compared with an increase of 1.50 percent in the second.'

The Bureau of Labour Statistics of the US Government announced, on November 1, its findings in respect of the employment situation in the US.

This is what that department of Government found:

'The Employment Situation: October 2002

'Both nonfarm payroll employment and the unemployment rate were about unchanged in October ... Job losses in the construction, manufacturing, and help supply industries were offset by gains in a number of other industries, among them finance, real estate, and health services.

'The number of unemployed persons (8.20 million) and the unemployment rate (5.70 percent) were essentially unchanged in October. The unemployment rate for adult women edged up to 5.20 percent while the rates for the other major worker groups -- adult men (5.20 percent), teenagers (14.60 percent), whites (5.10 percent), blacks (9.80 percent), and Hispanics (7.80 percent) – showed little or no change over the month ...

'Total employment, as measured by the household survey, edged down in October to 134.90 million, after seasonal adjustment. This followed a large increase in September. The employment-population ratio, which had increased in September, declined to 62.9 percent.

'The civilian labour force, at 143.10 million, seasonally adjusted, was little changed from the prior month. The labour force participation rate declined to 66.70 percent.

'About 7.20 million persons (not seasonally adjusted) held more than one job in October. These multiple jobholders represented 5.4 percent of the total employed.

'About 1.40 million persons (not seasonally adjusted) were marginally attached to the labour force in October, little changed from a year earlier. These individuals reported that they wanted and were available for work and had looked for a job some time in the prior 12 months. They were not counted as unemployed, however, because they had not actively searched for work in the 4 weeks, preceding the survey. The number of discouraged workers was 355,000 in October, also about unchanged from the same month a year earlier. Discouraged workers, a subset of the marginally attached, were not looking for work specifically because they believed no jobs were available for them.'

What is very telling about the above excerpts from surveys, taken from 2 important branches of the US Government, may be summarised as follows:

1. The US Government continues to spend more and more, thus being a major contributor to the third-quarter acceleration in the real GDP;
2. There had been a downturn in private inventory investments in the US in the third quarter;
3. There had been a sharp fall-off in purchases of imports;
4. The employment situation in October this year was little changed from the employment situation that existed in September 2001. In short, little to no improvement had been recorded, Year-on-Year; and,
5. About 1.40 million people in the US have been looking for work for the past year – and cannot find jobs.

Conclusion: The pace of growth of Real GDP is insufficient to prompt leaders of US industry to resume hiring staff. Even small and medium-sized companies would prefer to double-up on jobs that have been assigned to existing staff.

For every entity that is hiring new workers, there is an equal entity, sacking staff.

Investment spending is moribund, especially in the field of telecommunication equipment.

Investors in equities are in no mood to make fresh commitments and may be forced to liquidate some positions in order to pay the milkman and the butcher.

Banks will continue to look at any and all requests for funding with suspicion for fear that such funding may be a last-ditch attempt to ride out the present economic storm.

As such, seed capital is hard to find.

Christmas may have passed us by, this year, and there will be no Santa Claus, coming down that chimney.

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