

**THE U.S. ECONOMY:
IT GETS SOFTER AND SOFTER**

While the US Government continues to send troops and materiel to the Gulf in, what appears to be, the final preparations for an attack on Iraq, it is easy to take one's eye off the economic ball; to be mesmerised by the preparations for war.

In truth, the US economy is not just dragging its feet, now, but it is continuing to take step after step – backwards.

Jobs continue to be lost, and salaries and wages continue to fall in order for corporate enterprises to stay solvent.

In short, fewer and fewer US citizens have jobs and, those, who are, still, gainfully employed, are receiving less money than one year ago.

This impacting, of course, on sales at stores, throughout the US, as was made only too apparent over the Christmas and New Year periods.

(Santa was, clearly, out to lunch, last year)

Nearly every day, one reads about this major company or that major airline, sacking staff, cutting costs, rejigging profit/turnover estimates for the current business cycle, or trying to sell part of the family jewels in order to become, or to stay, solvent.

And it would appear, after reading reports of major US companies, that the game is becoming more and more difficult to play, let alone win.

Last Friday, the US Government's Department of Labour announced its December employment statistics.

Those statistics indicated, among other things, that payroll employment fell by about 101,000 jobs in the final month of 2002.

That number of losses added to the 88,000 jobs that were lost in the month of November 2002 (revised).

According to the Bureau of Labour Statistics: *'In December, job losses continued in manufacturing; employment also fell in retail trade and transportation.'*

The report went on to state:

'The number of persons unemployed 15 weeks or more rose to 3.2 million in December, an increase of 815,000 over the year. The number of unemployed less than 5 weeks was essentially unchanged over the month, at 2.80 million, but has decreased by 241,000 over the year.'

'Total employment edged down in December. Despite several large monthly fluctuations in 2002, employment was essentially unchanged from December 2001 to December 2002 ...'

'About 7.6 million persons (not seasonally adjusted) held more than one job in December. These multiple jobholders represented 5.6 percent of the total employed, compared with 5.4 percent a

year earlier ...

'Total nonfarm payroll employment declined by 101,000 in December to 130.7 million. Over the year, payroll employment declined by 181,000, compared with a loss of 1.4 million in 2001. In December, job losses in manufacturing, retail trade, and transportation were partly offset by job gains in services.'

'The downward trend in manufacturing continued in December, as factories lost 65,000 jobs. Over the year, factory employment declined by 592,000 compared with a drop of 1.3 million in the prior year. Employment in manufacturing has declined by 2.4 million since April 1998, its most recent peak.'

'Factory job losses were widespread in December. Employment in transportation equipment fell by 13,000 over the month, with declines in both motor vehicles and aircraft. Job losses continued in industrial machinery, electronic equipment, fabricated metals, rubber and miscellaneous plastics, and printing and publishing.'

'Retail trade employment dropped by 104,000 in December. This followed a decline of 40,000 in November. Employment in eating and drinking places, which can fluctuate substantially from month to month, fell by 63,000 in December and has fallen by nearly a quarter million since its peak in July 2001. In December, employment in general merchandise stores and in miscellaneous retail establishments (such as toy stores) fell after seasonal adjustment, as holiday hiring was less than usual for December. Employment in food stores continued to decline; this industry has lost 147,000 jobs since its most recent peak in May 2000. Job losses also occurred over the month in automotive dealers and service stations, with half of these declines in new and used car dealers. Furniture and home furnishings stores added 14,000 jobs over the month.'

'Employment declined by 23,000 in transportation; most of this over-the-month job loss was in air transportation. The over-the-year decline in air transportation (-25,000) was much smaller than in 2001 (-139,000). The communications industry continued to lose jobs in December; since its most recent peak in April 2001, communications employment has decreased by 157,000, or 9 percent.'

'Wholesale trade continued to lose jobs in December. Over the year, the durable goods component of wholesale trade lost 71,000 jobs – about half the number lost in 2001. In contrast, employment in nondurable goods wholesaling was essentially unchanged over the year.'

'Employment in the services industry rose by 73,000 in December. Over the year, job gains in services totaled 590,000. Health services added 10,000 jobs over the month, half of its average monthly gain in 2002. This industry added 257,000 jobs over the year. Employment in help supply services increased by 19,000 in December, following declines that totaled 87,000 in the prior 3 months. The industry added 167,000 jobs from February to August. Substantial job gains occurred over the month in amusement and recreation services (28,000) and in hotels and other lodging places (16,000).'

'Job gains continued in mortgage banking; the industry has added 107,000 jobs since January 2001. Real estate employment edged up over the month. Since June 2002, this industry has added 37,000 jobs. Construction employment was essentially flat in December and has shown little net change since April.'

That is a snapshot of the US economy, according to the Department of Labour.

There is much that one can read into the above statistics, of course, but it is an undeniable fact that, in the most important industries of the US, things are not moving forward.

And, when things are not moving forward, then, they must be retreating – because nothing stands still, at least, not for long.

President George W. Bush has proposed that taxes should be lowered and that US Government spending should be increased.

That is the grand plan of the US President, who is eager to jump-start the US economy in his inimitable (Texan) way.

Meanwhile, as may be seen from the statistics of the US Government's Bureau of Labour Statistics, the country will be earning less in terms of income from exports as manufacturers continue to tighten belts, sacking staff, almost on a monthly basis, now, because there is less and less demand for product.

It is not just in the US that things are difficult, but also in the major markets of the US, including but not limited to the European Union (EU).

Whenever one spends more than one earns, it is a formula for inflation.

Any student of economics learns this in the first year of his studies.

It will be incumbent on the US Federal Reserve Board to take steps to contain any seemingly uncontrolled inflationary tendencies in the US.

Interest-rate increases have, in the past, been the US Fed's weapon of choice to tackle what it perceives to be a suggestion of unrestrained inflation.

The US President's proposals appear to be a double-edged sword and they may not achieve their stated goals, at least, not in full measure.

The Iraqi-US/UN war, assuming that it starts before the end of this month, will be an added drain on the US economy.

That drain will not be just the actual fighting and killing and the expending of men and materiel, but, also, the recurrent costs, after the US/UN wins the day and the Saddam Hussein Regime is ousted from power.

The game is far from being over; the suggestion that things are on the mend is merely somebody, enjoying a mental orgasm.

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