

IS THE U.S. TURNING THAT PROVERBIAL ECONOMIC CORNER ?

While everybody and his cat are making claims that the US economy is turning the proverbial corner, these claims are not being substantiated by statistics, being made available to the people of the United States of America.

At least, not by many economists' books.

While there are some statistics that could be said to point to an improvement in the situation in the US, there are many ways of interpreting those statistics.

For that reason, last week's mildly bullish equity markets of the US may not have been completely justified.

And, as the saying goes: What goes up, must come down.

It is accepted that investors, locked into equity markets, attempt to forecast future economic trends and to buy into equities with regard to their special interests.

But, over the past few years, there have been so many false starts that one has learned the lessons of circumspection, at great cost, in many cases.

According to the US Government, the unemployment rate in the US, today, stands at about 6 percent.

This April statistic – which is the latest figure – is the highest level of the year; and, it is equal to the figure of December 2002.

In January 2003, unemployment stood at 5.70 percent, it is noted, while, in January 2002, unemployment rate stood at 5.60 percent.

In short, unemployment has been creeping up, steadily, over the past 16 months.

US employers initiated 1,576 mass layoffs in April 2003, according to the US Government's Department of Labour, Bureau of Labour Statistics.

(A mass layoff is defined as being an action whereby not less than 50 people are dismissed in a single establishment at a specific time)

In total, the April figures in respect of mass layoffs involved not less than 161,095 workers.

Compared with April 2002 figures, the number of mass layoffs has been increasing while, at the same time, the actual number of people, involved in the mass layoffs, was slightly less, Year-on-Year.

Between January 2003 and April 2003, the total number of mass-layoff events, at 6,460 events, and initial claims, at 624,401 workers, were lower than those of the like period in 2002 (6,496 events and 730,002 workers).

It was noted, also, that manufacturing concerns accounted for about 32 percent of the mass layoffs – which is very telling.

From The Bureau of Labour Statistics, it has been announced that preliminary productivity data – measured by output per hour of all persons – for the first quarter of 2003 were:

Plus 2.20 percent in the business sector; and,

Plus 1.60 percent in the nonfarm business sector.

Which is, also, very telling, being positive.

The Bureau, then, stated:

‘These productivity increases occurred as modest output increases were combined with modest declines in the hours worked. In the business sector, output grew 1.7 percent and hours of all persons fell 0.5 percent. In nonfarm businesses, output rose 1.4 percent and hours dropped 0.1 percent.’

Summarising the results of US industry in the first quarter, The Bureau gave the following statistics in respect of growth in spheres of activity:

‘In manufacturing, productivity changes in the first quarter were:

2.1 percent in manufacturing;

2.4 percent in durable goods manufacturing; and,*

1.7 percent in nondurable goods manufacturing.’

* Goods with a life expectancy of 3 years or more (**TARGET**)

That being the case, for what reason has not US manufacturers upped staffing levels?

The only answer is that manufacturers cannot see their way clear so to do, not being too sure of the near-term future trends of consumers in the US and how their goods will be received in the international marketplace.

For the past 15 month or so, initial claims for unemployment insurance have stayed at more than the 400,000-worker level.

Initial claims for Unemployment Insurance for the week of May 24 fell by about 9,000 claims to 424,000 claims, according to The Labour Department.

But these claims have to be measured in terms of the shortened work-week, which included Memorial Day, with The Labour Department, warning: *‘Treat this week a little more preliminary than normal.’*

It is a warning that should be taken to heart, in **TARGET**’s opinion.

As for continuing claims for unemployment insurance, for the week of May 17, they came in at about 3.73 million claims, up by about 83,000 claims, Week-on-Week.

For the week, ended April 12, continuing claims were about 3.56 million claims.

This would suggest that, in period of about one month, continuing claims for unemployment insurance had climbed by nearly 5 percent.

Manufacturing

Turning to the manufacturing sector of the economy of the US, The National Association of Manufacturers said, last Thursday, that there was a '*convincing case*' to expect an improvement in the second half of the year.

But the President of The National Association of Manufacturers, Mr Jerry Jasinowski, also said that the structural problems, facing US industry, are '*quite substantial*.'

So, on the one hand, one is told that there is likely to be an improvement in the economy of the US in the second half of the year, but that statement is tempered by the ability of industry to overcome its structural problems.

For the month of April, there was a 2.40-percent decline in orders for durable goods, according to The Commerce Department of the US Government.

Noting this decline, Mr Jasinowski commented that manufacturers are seeing orders '*for the fall and particularly in the fourth quarter*.'

Mr Jasinowski's statements are, to some extent, of course, wishful thinking, but they must have been based on some facts, no matter how tenuous they may be.

Whether or not his words will ring true remains to be seen, but there are those who question the veracity of similar statements in respect of fourth-quarter improvements in the manufacturing sector of the US economy.

Also, Mr Jasinowski's statements relate to orders for the domestic market, in the main, with the exception, most likely, of companies, which manufacture computers and servers and other Information Technology (IT) devices.

What Mr Jasinowski did not say was how much custom US manufacturers have lost to international competition, over the past few years.

While General Motors may boast of being able to construct the best motor car in its entire history, in terms of the Japanese-produced motor car, say of Toyota, it is, still, far behind, especially in respect of safety factors, which are playing an ever-important role in the sales of motor vehicles, these days.

Also, the US automobile industry has given up a lot to other international markets, which have proved to be too tough for the US motor-car producers.

In spite of the fact that the Ford Motor Company led the way in the mass production of the motor car as we know it, today, that coming about at the turn of the 20th Century, the luxury end of the business has gone to companies such as Germany's Mercedes Benz and BMW, Italy's Ferrari and Lancia, Sweden's SAAB, Denmark's Volvo, and, of course, England's Rolls Royce and Bentley (actually, the last-mentioned motor cars are owned by Germany's Volkswagen and BMW, now).

Aside from certain IT devices – computers, servers, routers, etc – US manufacturers are having a very difficult time of it.

It would appear to this medium that the US is facing an uphill battle to try to recover some of its former traditional markets.

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