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STATISTICS SAY IT ALL:
NOW IS THE TIME TO GET INVESTED

Equity markets of the world have not, yet, fully responded to the latest batch of statistics, indicating, quite conclusively, that, subject to extreme acts of terrorism, a global economic recovery is here … and, probably, here to stay, by the looks of things.

In due course, equity markets will rise to this realisation, of course: Investors only have to be patient.

It seems that it was only a few short months ago that **TARGET** was continuing to be rather bearish with regard to the US economy, but there has been, in those few short months, ample evidence to suggest that things have changed for the better.

And it is unlikely that US President George W. Bush's economic package, giving a few hundred million dollars, this year, to select US families, has had much to do with what has happened between June and November, this year.

Industrial Production

Month-on-Month, industrial production in the US for the month of October rose by about 0.20 percent, according to the US Federal Reserve Board's statistics, which department of the US Government measures changes in industrial production by means of plotting their course on the Industrial Production Index, which stood at a figure of 111.80 points, as at October 31, 2003.

It was the fourth consecutive months of increases in industrial production in the US.

Further, the US Federal Reserve Board revised upwards its figures for the 3 previous months.

Material gains were seen in the following areas of industrial production in the US:

Manufacturing	Up from the September figure (adjusted) of 112.60 points to 112.70 points; and,
Equipment Parts	Up from the September figure of 219.40 points to 222.90 points.

The production of Consumer Goods, however, fell from the September figure of 106.20 points to the October figure of 105.80 points – back to the July figure, exactly.

While it is true that one swallow does not make a Spring, the positive changes in industrial production in the US, taken as part of an emerging picture of that economy, cannot help but cause a re-assessment of the economic situation in the largest economy of the world, today, and the world's only superpower, regardless of how one may view President George W. Bush.

Inventories in America are at very low levels due to obvious reasons, which **TARGET** need not elaborate, and this situation must mean that, with the holiday season upon us, production will be geared up a notch or so in order to replenish stocks, as soon as demand for goods warrants it and retailers can see their way clear to forecast holiday traffic.

Meanwhile, it is now fact that new orders for US-made goods are rising, albeit gradually, suggesting that the situation is improving for manufacturers, permitting them to squeeze out better margins of profits.

Low interest rates in the US, at a 45-year low, in fact – and they are going to be with this economy for some time, according to the US Federal Reserve Board – are a continuing stimulus for consumers and manufacturers, alike.

And the weaker US dollar, vis-à-vis the euro and the Japanese yen, in particular, is contributing to the improving economic landscape in The Land of The Free and The Home of The Brave.

All in all, it would not be unfair to state that the long-awaited economic recovery in the US is here.

One negative aspect to all this, however, is the fact that many of the economies of the trading partners of the US – in the eurozone and Japan, especially – are continuing to have troubles, with their economies, remaining somewhat weak.

Late last week, it was reported that the 2 largest economies of the **E**uropean **U**nion (EU), those of Germany and France, were emerging from economic recessions, both of which, having recorded growth in the last quarter, ended September 30, 2003.

Germany's economy grew by about 0.20 percent in the September quarter, while France's economy grew by between 0.20 percent and 0.30 percent.

While these figures may be considered small by some economists, they are certainly improvements over the previous 2 quarters when both economies were enjoying retractions in their respective economies – which defined the economies as enjoying economic recessions.

Because of the weaknesses of some of the most-important economies of the biggest trading partners of the US, only modest growth in exports from US may be expected in the coming months.

While the pace of recovery in the export of goods and services from the US may be meagre, relative to post-war standards, nevertheless, they will represent a recovery – which, as the Americans would say, is better than a kick in the head.

International Trade

In spite of the eurozone, still struggling to recover from the economic downturn of the past year or so, according to the US Government's **B**ureau of **E**conomic **A**nalysis (BEA), there are encouraging signs that the worm, at long last, has, indeed, turned.

Total US exports for the month, ended September 30, 2003, were about $US86.20 billion, up by about 2.86 percent, compared with the figure of about $US83.80 billion for the month, ended August 31, 2003, and an increase of about 3.50 percent, compared with the September 2002 statistics.

All in all, the September statistics for US exports represented the highest figures since May 2001.

Month-on-Month, September exports were the highest in the past 32 months, according to the BEA.

Exports in the area of consumer goods powered away, again, in the September period, to the value of about $US9.30 billion, up from the August figure of about $US5.70 billion.

And that statistic was the highest figure for exports of consumer goods since May 2001.

Against this very positive picture, total US imports for the month, ended September 30, 2003, were about $US127.40 billion, an increase of about 6.60 percent, Year-on-Year, and about 3.33 percent, Month-on-Month.

The trade imbalance had the natural effect of swelling the US Trade Deficit to about $US41.30 billion, up from the figure of about $US39.50 billion for the month, ended August 31.

The US, one must always bear in mind, is a net importer of goods and services so that the figures for the month, ended September 30, have to be viewed as further evidence of an economic, global recovery.

It means, among other things, that there is a growing need and continuing demand for goods and services, domestically and internationally.

As spending by US businesses increases, especially in the field of **I**nformation **T**echnology (IT), so imports from Japan, among other exporting nations, which depend, strongly, on sales of its goods and services to the US, will increase in order to fill the needs of Americans.

This has, already, begun, in fact.

For the month, ended September 30, imports into the US in the field of IT rose 3.60 percent, Year-on-Year, compared with a Negative 4 percent, registered for the month, ended August 31, 2003.

IT imports recorded their first positive figures for this year, according to the most-recent statistics.

Imports of Capital Goods (excluding imports of automotive parts, etc) rose from the August figure of about $US1.30 billion to the September figure of about $US7.10 billion.

Imports of automotive vehicles and parts continued to decline for the second consecutive month.

In the field of consumer goods, imports rose to about $US5.20 billion, up from the August figure of about $US1.90 billion.

While it is clear that things are happening in the US, in the EU, little is happening.

For the most part, business spending continues to contract.

Consumer sentiment is poor (to terrible), and there is little evidence of any increases in the production of goods and services.

As the US dollar weakens against the euro – the currency of the EU – so it causes further problems for this part of the world because it means, among other things, that the EU has less of a competitive edge over goods and services of a similar nature, produced in the US.

The same is true, and to an even greater extent, for Japan, the second largest economy of the world.

What is materialising is that the US economy is improving, month after month, outpacing most of the rest of the world.

It will impact on the rest of the world, in due course, without question.

The Institute of Supply Management

The **I**nstitute of **S**upply **M**anagement (ISM) put its Manufacturing Index at a seasonally adjusted figure of 57 points for the month, ended October 31, 2003.

That figure represented an increase of about 6.15 percentile points, compared with the figure of about 53.70 points for the month, ended September 30, 2003.

It was the highest figure in more than a year.

The ISM Index is based on a survey of some 300 purchasing managers, throughout the US. These purchasing managers represent 20 different industries.

Any figure greater than 50 points represents an expanding economy.

The following findings of the ISM speak for themselves:

Manufacturing Index (of the ISM)

	October	September	August	July
New Orders (SA)	64.30	60.40	59.60	56.60
Prices Paid (NSA)	58.50	56.00	53.00	53.00
Production (SA)	62.60	57.30	61.60	53.30
Order Backlog (SA)	53.50	52.50	51.50	51.00
Inventories (SA)	44.50	42.70	42.50	45.90
Employment (SA)	47.70	45.70	45.90	46.10
New Export Orders (SA)	59.60	52.90	55.30	53.80

Note: SA = Seasonally Adjusted; NSA = Not Seasonally Adjusted

What is apparent, by studying the above findings of the ISM, is that manufacturers in the US are not keeping up with demand.

Which is very encouraging of this economy, one on which the rest of the world has grown to depend.

While it is fact that employment in the manufacturing sector of the US economy contracted, again, in the month of October, the decline was slowing, considerably.

Looking in isolation at the pace of new orders – 59.60 points for October, compared with 52.90 points for the month of September – it is more than likely that this is the result of a weakened US dollar vis-à-vis the euro and the Japanese yen.

The prospects are ripe for production to increase in the month of November and December, probably at a faster pace than the previous few months.

If that **TARGET** expectation is met, then, it is likely that manufacturing job losses will abate, considerably, before the end of this year.

The University of Michigan Sentiment Survey

Consumer sentiment is continuing to improve, according to many accounts, The University of Michigan's Sentiment Survey, being only one of the indicators.

According to The University of Michigan's Sentiment Survey, for the month of November, its Consumer Sentiment Index stood at 93.50 points.

That was an increase of about 3.90 points, or about 4.35 percent, compared with the figure of 89.60 points, recorded for the month of October.

Positive economic reports in the US, as well as the flurry of activity on US equity markets, must have contributed to the improved sentiment.

The November figure, nevertheless, is the highest-recorded statistic of its kind in the past 18 months.

However, the improved sentiment has yet to translate into improved spending by consumers, it would appear.

Still, the Christmas season is fast approaching and things could well change in the coming 4 weeks.

The labour market in the US is improving, and this should put more money into the pockets of households, probably fueling spending growth between now and the end of the year.

If declining consumer confidence is indicative of weaker consumer spending, then, the converse must hold true: Improving consumer confidence is indicative of stronger consumer spending.

Consumer spending accounts for about 66 percent of economic output in the US so that stable consumer spending is essential to the health of the economy.

President George W. Bush, for all of his faults, knows this only too well; and, that was the reason that he was advised to implement his tax concessions, in the middle of this year.

Conclusion: Now would appear to be the time to get invested in equities, if one has not, already, done so.

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