

### WHEN WILL THE U.S. FEDERAL RESERVE TAKE DEFINITIVE ACTION ?

The chances are very high that, for the best part of the remainder of the year, unemployment in the United States of America will be worthy of watching, very carefully.

The labour report for April was discouraging as only about 88,000 new jobs were created.

It was strange that more was not made of this statistic by the pen-pushers of Wall Street because this figure of 88,000 new jobs is not even high enough to take into account new workers, entering the marketplace – school-leavers, additional family members, entering the workplace in order to make ends meet, etc.

The unemployment rate in the US rose from about 4.40 percent to about 4.50 percent in April – and there could well be more increases to come before the year is out.

Lower sales' growth by US industry is bound to go hand-in-hand with higher unemployment and this will, no doubt, become more evident in the months ahead.

In order to give a fillip to US industry, one could imagine the US Federal Reserve, lowering interest rates by at least 25 basis points.

In fact, **TARGET** () had prognosticated, some weeks ago, that The Fed might well have made that determination at its last Open Market Committee Meeting.

The next Open Market Committee Meeting is scheduled for June 28 and, between now at that date, all things, being equal, it will indeed be interesting to see what action, if any, The Fed will take.

One thing seems very clear: The Fed must do something because the US economic engine is spluttering, to be sure.

If, as **TARGET** suspects, the housing situation continues to be a drag on the US economy – as seems quite likely – then, consumer confidence will wane further and this will be translated into lower sales at the High Street.

With regard to the housing market, prices of all classes of accommodation continue to fall, albeit at a slower rate than seen earlier.

Banks, exposed to the US housing market, are making more and more provisions in their balance sheets for expected defaults in respect of mortgage payments.

Building companies in the US are not loath to admit that they see no let-up to the present situation and the longer that it continues, so it will cause financial blisters on suppliers, manufacturers and importers of goods and materials, needed in the housing industry.

The knock-on effect will become more evident before the year is out.

With the confirmed problems in the US manufacturing sector and with unemployment steadily rising in The Land of The Free and The Home of The Brave, the situation is not particularly exciting for the largest single economy of the world.

Ergo: The Fed must take definitive action and the only question, therefore, is: When?

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