

OY, VEY! WHAT TO DO ? TSURIS ! TSURIS ! AND EVEN MORE TSURIS !

Industries in the US are continuing to let go of staff at what must now be considered very alarming levels.

The frequency of mass-worker layoffs must be considered very worrying to the Administration of President George W. Bush.

It smacks of a situation, very much associated with the approach of a recession.

Recently, The Bureau of Labour Statistics brought out its findings in respect of mass layoffs for the month of June 2008.

When these statistics are correlated with statistics for the month of May 2008, one sees a striking similarity as they are factored into a graph.

In short, the latest statistics indicate a further deterioration in the economy of the US as more and more Americans take to the streets, looking for work.

For the month of June, there were 1,643 mass-layoff actions*, The Bureau of Labour Statistics determined on a seasonally adjusted basis.

The number of workers, involved in those 1,643 actions, was 165,697.

Statistically, the June 2008 actions were the highest since June of 2003; and, the number of workers, associated with those actions, was the highest number since 2002.

Comparing the June statistics with those of May, there were 1,626 mass layoffs in May, seasonally adjusted, involving 171,387 workers.

The May statistics with regard to mass-layoff actions were the highest since 2003 as was the number of workers, involved in the actions.

Between April and May 2008, the number of actions and the resultant number of workers, involved, increased by 318 actions and 37,473 workers, respectively.

While the above statistics must be considered a worrying trend, **TARGET** () recognises that they are, still, much lower than the situation that existed, during the 2001 recession.

But one of the fears of the US Administration, today, must be that the number of mass layoffs and the resultant number of workers, involved in those mass layoffs, could well escalate to eclipse the figures, associated with the 2001 recession.

It is, also, noted that between January and June of this year, the number of workers, associated with mass-layoff actions, was just shy of one million workers: 949,639 workers.

For the like period in 2007, the number of workers, associated with mass-layoff actions, was 780,463 workers.

Breaking down the statistics, compiled by The Bureau of Labour Statistics with regard to the mass-layoff actions for June, it is noted that the principal industries, whose former workers registered with The Department of Labour for initial claims in respect of Unemployment Insurance, were:

1. School and Employee Bus Transportation;
2. Elementary and Secondary Schools;
3. Food and Contractors;
4. Temporary Help Services;
5. Child Day-Care Services;
6. Heavy Duty Lorry Manufacturing;
7. Discount Departmental Stores;
8. Professional Employer Organisations;
9. Motion Picture and Video Production; and,
10. Light Lorry and Utility Vehicle Manufacturing.

The above-mentioned, 10 industries accounted for about 43 percent of total claims for Unemployment Insurance.

For the month of June, the national unemployment rate was 5.50 percent, seasonally adjusted, almost unchanged from the May position.

However, compared with June of 2007, the unemployment rate had risen by about 20 percentile points.

And that, by itself, must be considered frightening.

The US Government's nagging concern, today, is, of course, that the worst is yet to come.

The Federal Reserve Factor

The US Federal Reserve, it could be suggested, will continue to ease interest rates, continuing with its bias of the past year or so.

There is a correlation, too, between the Federal Funds Rate and the US unemployment rate.

The implications with regard to the increase in the unemployment rate – about 22 percent from May 2007 to May 2008 – suggests a decrease of about 200 basis points in the Federal Funds Rate: From 5.25 percent in May 2007 to 3.25 percent in May 2008.

But there is another worry for The Fed: Rising inflation in the US.

And inflation must be contained.

It is of primary concern to the powers-that-be at The Fed that inflation never be permitted to roam the streets of The Land of The Free and The Home of The Brave.

The Fed is scheduled to hold its next Open Market Committee Meeting on Tuesday, August 5, 2008, when the matter of interest rates will be considered in detail.

One will have to wait to see what other economic statistics are produced between now and then.

The Consumer Spending Factor

It is now accepted as fact that consumer spending is very weak in the US while, at the same time, the entire US motor-vehicle industry is approaching chaos.

Last Thursday, Ford Motor Company, for instance, announced that, for its second quarter, it had lost

\$US8.70 billion.

That situation compared with the like, 2007 second quarter for Ford Motor Company when the company reported a Net Profit Attributable to Shareholders of about \$US750 million.

The other 2 major, US manufacturers – Chrysler LLC and General Motors Corporation – are facing similar situations as that, confronting Ford Motor Company.

Even the producers of Japanese motor vehicles, sold in the US, are feeling the pinch, according to the latest statistics, compiled by Autodata Corporation.

The US consumer is not keen to buy US-produced motor vehicles, especially, and is cutting back on buying most other vehicles, too.

On July 8, 2008, The International Council of Shopping Centres reported that chain-store sales in the US rose by about 4.30 percent in June 2008, compared with the statistics for May 2008.

Breaking down the sales, one notes the following:

- a. Sales at apparel stores fell about 4.60 percent, Month-On-Month;
- b. Sales at departmental stores fell about 4.10 percent, Month of Month;
- c. Sales at furniture stores fell about 26.20 percent, Month-On-Month;
- d. Sales at discount stores rose 5.10 percent, Month-On-Month;
- e. Sales at drug stores rose about 2.20 percent, Month-On-Month; and,
- f. Sales at wholesale clubs rose about 9.00 percent, Month-On-Month.

One does not have to be very clever to understand what happened in the month of June and what is likely to happen for the next few months:

1. US households started to receive tax-rebate cheques from the US Government;
2. US households, armed with some disposable income, rushed to discount stores and wholesale clubs in order to purchase essentials, primarily;\
3. July's sales figures are likely to mirror those of June's because the tax-rebate cheques will continue to be cashed in the month of July;
4. But, the underlying situation is continued weak consumer spending since, without those tax-rebate cheques, it is highly unlikely that there would have been an increase in spending in the month of June; and, then,
5. In September, it will back to declining sales in the High Street.

In brief, therefore, this is the situation in the US as it stands, today:

1. Unemployment in the US is on the rise;
2. Payrolls are shrinking;
3. Mass layoffs are rising;
4. Consumer spending is continuing to be weak ex-rebate cheques;
5. The motor-vehicle industry is suffering its worst situation, perhaps in its history, its workers, being sacked at about twice the pace of 2007; and,
6. The current situation in the US appears to have all of the hallmarks of more tsuris to make itself felt

before the year is out.

*An action is defined as being a single employer who releases, for whatever reason, not less than 50 workers.

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