VOLUME XIII No. 178 **W E D N E S D A Y** **September 21, 2011**

HOW SECURE IS YOUR JOB ?
HOW SECURE IS YOUR MONEY ?

If you are an employee of a company, no matter what position you presently hold, from a junior clerical assistant to a senior managing director, there is, at least, a 30-percent probability that you will be given a pink slip before the 2012-year is out.

If you are of the opinion that the 2011-year, thus far, has been a difficult year, hold onto your underwear because the 2012-year will, without a shadow of a doubt, be much worse than the way that things look, today.

Manufacturers, exporters, sourcing companies, hotels, transportation companies, travel agencies, restaurants, supermarkets, departmental stores, etc, worldwide, will be hurting long before the 2012-year is over.

A fortnight ago, **TARGET ()** reported that Bank of America Corporation was planning to sack some 40,000 of its employees.

On Monday, September 12, 2011, **TARGET**'s report was confirmed.

Bank of America Corporation has made it very clear that 30,000 bank employees – the present forecast figure of people to be told to seek alternative employment – might not be the final figure for the luckless employees because the bank, also, wants to slash annual expenditure by about $US5 billion.

That is a very good indication that there could, very well, be many more people, given their pink slips by this bank, which is the largest in the United States of America.

Also, on Monday, last week, Best Buy Company Incorporated, listed on The New York Stock Exchange, which is the largest equity market in the world, announced that, in the quarter, ended August 27, 2011, US sales had fallen by about 2.70 percent, Year-On-Year. Global sales, the company said, had fallen by about 3.20 percent, during the quarter.

Best Buy Company Incorporated accounts for about 19 percent of the market in retailing consumer electronics, in the US, Mexico, Canada, the People's Republic of China, Turkey and the United Kingdom. The company's subsidiaries include Geek Squad, CinemaNow, Magnolia Audio Video, Pacific Sales and, in Canada, under both Best Buy and Future Shop. Altogether, the company operates 1,150 stores in the US, Puerto Rico, Canada, the People's Republic of China, Mexico and Turkey

It is, by any standards, a large and very successful retailer.

But its management sees the writing on the wall and the conglomerate is preparing for the worst in the 2012-year.

From this conglomerate, without question, heads will roll.

The Chief Executive of the company, Mr Brian Dunn, recently remarked:

> *'Looking at the big picture, worldwide, we are facing an uncertain macro-environment with volatile consumer shopping behaviour …'.*

From Holland, Koninklijke Philips Electronics N.V. commonly known, simply, as Philips, announced, just last week, also, that it is engaged in a massive, cost-cutting exercise, with the initial target of reducing annual expenditure by about €800 million by the year 2013.

In the quarter, ended July 31, 2011, the company announced that it had suffered a €1.30-billion Loss Attributable to Shareholders, compared with a Net Profit Attributable to Shareholders of about €262 million in respect of the like quarter in 2010.

The company's Chief Executive, Mr Frans Van Houten, said that the reason for the loss in the July quarter was due to slower-than-expected economic recovery.

Philips is one of the largest and best-known, consumer electronics companies in the world, today, with an Establishment Level of about 119,000 people, employed in some 60 countries.

In the 2010 Financial Year, its sales totalled about €25.42 billion on which the Net Profit Attributable to Shareholders came in at €1.45 billion. Shareholders' Funds stood at €15.05 billion.

Also, last Monday-week, it was reported that the number of citizens of the US, living in poverty, as at December 31, 2010, was about 46.20 million, according to the US Census Bureau.

That means that, of the total population of the country, that is 313 million Americans, about 15 percent is living in abject poverty.

The poverty rate, the Bureau said, was about 15.10 percent, up from the 2009 figure of about 14.30 percent.

Today, the poverty rate in the largest single economy of the world is standing at the highest level since 1983.

For the past 4 years, the poverty rate in the country has been climbing steadily … and continues to climb.

The situation appears to be approaching a dangerous level and it could well lead to civil unrest within the country unless the US Government can pull out some stops – which seems unlikely at this juncture.

<u>The Countries of Eurozone</u>

It is a guarantee that most European banks will be axing large numbers of employees before this year and the 2012-year are over.

HSBC Holdings plc, the second-largest bank in the world, announced, on August 1, 2011, that it intends to sack some 30,000 employees, representing about 10 percent of the bank's total workforce, worldwide.

On the same date, this bank announced that it had agreed to sell 195 bank branches in New York and Connecticut, the United States, to First Niagara Financial Group Incorporated for about $US1 billion. The bank said, also, that it would close 13 bank branches in Connecticut and New Jersey in 2012.

About one week later, Capital One Financial Corporation announced that it had agreed to acquire the US, credit-card business of HSBC Holdings plc for $US2.60 billion.

HSBC Holdings plc has some 7,500 offices in 87 countries and territories from Africa, to Europe, to North America and South America and boasts of having in excess of 100 million customers.

As at June 30, 2010, the bank had total assets of about $US2.42 trillion.

In eurozone, it is very clear that there is trouble, trouble, and more trouble.

Greece, Italy, Portugal, Spain, and France are known to be sweating it out with regard to their respective financial situations, and who know what other countries are yet to admit that they are having trouble in making ends meet.

Moody's Investors Services, on Tuesday, September 13, 2011, announced that it had downgraded 2 French banks – Crédit Agricole S.A., the largest retail banking group in France, the second largest in Europe, and the eighth largest in the world, and Société Générale S.A. – from Aa1 to Aa2 and from Aa2 to Aa3, respectively.

Moody's Investors Services said that the reason for the downgrading was the banks' exposure to Greek debts.

A third bank was, also, named: BNP Paribas S.A., the largest global banking group in the world.

Moody's Investors Services said that this bank was being kept in review for a possible downgrade.

The announcement by the US, credit-rating agency was hardly a shock to investors since everybody and his cat had been expecting it – because Greece is technically insolvent and is only hanging on by its shoe laces due to handouts from The International Monetary Fund and the European Union.

Jobs losses in Europe are, just about, guaranteed, but how large will be those job losses one will have to wait until the end of this year and/or the first quarter of 2012 to discover.

As at the writing of this report, it is confirmed that, throughout Europe, the number of job losses at just 5 major banks numbered not less than 70,000 employees.

The banks that laid off material numbers of workers are:

HSBC Holdings plc	The Credit Suisse Group AG
UBS AG	Barclays plc
The Royal Bank of Scotland plc	

With slower economic growth, internationally, banks are struggling to be sure; and, the debt crises of eurozone are not helping the situation.

Bankers do not like to hang out their dirty laundry for all to see for fear that the world will see, only too clearly, the real situation that they are facing because, inter alia, it could result in a flood of worried depositors, all concerned about their savings.

One still recalls the sting when Lehman Brothers Holdings Incorporated, formerly a global financial services leviathan, declared that it was hopelessly insolvent on September 15, 2008.

Before that time, it was rated as being the fourth-largest investment bank in the US.

The failure of this investment bank was the largest in the history of the US.

One can only speculate, of course, but one cannot but ponder as to how many Greek banks, today, are solvent.

<u>The United States</u>

The unemployment level in the United States, today, is about 9.10 percent; it is likely to rise, closer to 10 percent before December 2012.

US President Barack Hussein Obama has proposed what he calls his $US447-billion *'American Jobs Act'*. It is highly unlikely to be passed into law in a hurry – if ever – especially in its present form.

It is, in **TARGET**'s opinion, most likely to be watered down, considerably, that is if it is not scrapped, entirely, and replaced by some other emergency proposal.

As the first black President of The Land of The Free and The Home of The Brave travels round the country, trying to drum up support for his proposals, one recalls this same gentleman's 2009, $US800-billion, stimulus plan for the economy.

He expected great things for this plan, also.

In retrospect, this stimulus plan accomplished very little and, today, the housing situation in the US is pitiful, the High Streets of the country are nowhere near as crowded as they used to be, prior to the President, moving into the White House, and about 14 million workers are walking the streets, looking for employment.

What the US economy needs is to consider a method whereby the entire economy can be modified in order to cope with the 21st Century's problems, not the problems of yesteryear, as President Barack Hussein Obama is, presently, proposing.

Short-term fixes are, just that: Short-term, *'band-aids'*, laid atop a bleeding economy.

The entire composition of the US economy has to be considered in greater detail; and, suggested solutions to the many problems that are made manifest, laid on the table of the White House to be vivisected before any determination as to possible viable solutions to the problems can be implemented.

The era of easy money, deficit financing, consumer demand, financed by debt – American Express, etc – is an era, now relegated to history.

The *'American Jobs Act'* is, in this medium's viewpoint, merely a rehash of a much-earlier plan, proposed by President Franklin Delano Roosevelt, the 32nd President of the United States of America.

In March of 1933, President Franklin Delano Roosevelt introduced his *'New Deal'* for the country.

In his first 100 days in office, the President pushed through legislation and he signed a plethora of Executive Orders in order to initiate a number of programmes, all designed to produce government jobs for the unemployed – working on infrastructural programmes, mostly transportation projects – stimulate economic growth and to reform Wall Street banks.

For a period of 4 years, until 1937, it looked as though the worst was over for the US economy, but, then, it relapsed back into a deep recession.

Déjà vu?

There is a difference that ought to be explained to the leaders of the largest economies of the world between a plan, being feasible, and a plan, being viable.

In Asia

The former, second-largest economy of the world, Japan, is probably, today, the fourth-largest economy of the world, having been replaced by the People's Republic of China which easily overtook the once mighty Japanese economic machine.

The economy of the People's Republic of China is well able to assist the struggling economies of Europe; and, it would be in that country's interests so to do.

And the Government of the People's Republic of China will do, exactly, that: Make loans to those countries that are on the balls of their proverbial arses.

There will be a cost, however.

The economic policies of the People's Republic of China have never been known to inculcate the idea of *'beggar thy neighbour'*.

This is the policy that attempts to obtain economic benefits for one country at the expense of another and, eventually, to cause even worse problems for other countries.

As the world's second-largest economy, the People's Republic of China is very likely to be responsive to any and all requests for assistance, but the assistance will be in a manner that is patently in the interests of all, not just the country, making the request as Italy recently did.

The Government of the People's Republic of China, also, will not agree to come to the assistance of a country where it is obvious that there is something, fundamentally and inherently, wrong with the economy of the country, making the request.

As with Greece and Italy, the European Union and the International Monetary Fund have made it a requirement that strict austerity measures must be implemented in those member states of the European Union, if needs be such, in order to qualify for emergency loans.

The Government of the People's Republic of China can be expected to make similar requests as a prerequisite for making loans of materiality.

Heads will, inevitably, roll.

Last Wednesday-week, the President of The World Bank, Mr Robert Zoellick, speaking at George Washington University, said, among other things:

> *'Adapting to this new world is about recognising that we must all be responsible stakeholders now.*
>
> *'In an interdependent global economy, yes, we need China to be a responsible stakeholder.*
>
> *'We need China to be a responsible trading partner; to move toward a responsible exchange rate system; to offer intellectual property responsible protection; to make responsible investments; and to pursue responsible environmental policies.*
>
> *'But this is not just about China.*
>
> *'Europe, Japan, and the United States must be responsible stakeholders, too. They have procrastinated for too long on taking the difficult decisions, narrowing what choices are now left to a painful few.*
>
> *'The global economy has entered a new danger zone with little running room as European countries resist difficult truths about the common responsibilities of a common currency.*
>
> *'Japan has resisted structural economic and social reforms that could retool its sputtering economic model.*
>
> *'The United States is facing record peacetime deficits, with no agreed approach in sight for cutting the drivers of debt.*
>
> *'The lesson of 2008 and earlier crises is that the later you act, the more you have to do, and*

the more painful it becomes.

'It is not responsible for the Eurozone to pledge fealty to a monetary union without facing up to either a fiscal union that would make monetary union workable or accepting the consequences for uncompetitive, debt-burdened members. It is not responsible for the United States to falter in facing fundamental issues such as unsustainable growth in entitlement spending, the need for a pro-growth tax system, and a stalled trade policy.

'Unless Europe, Japan, and the United States can also face up to responsibilities, they will drag down not only themselves but the global economy.

'The story then won't be about tectonic shifts that have made emerging markets the new engines of the global economy. It will be about tectonic shifts that have left developed countries slamming on the brakes.

'Emerging markets will not sit on the sidelines; they will not go back to that voiceless, powerless, hierarchical 1944 world of leaders and followers, and spheres of influence.

'The insight from 1944 is the need for leadership, for reasoning our way to a changed multilateral system.

'The time for muddling through is over.

'If we do not get ahead of events; if we do not adapt to change; if we do not rise above short-term political tactics or recognize that with power comes responsibility, then we will drift in dangerous currents. That is the lesson of history for all of us, developed and emerging economies alike.

'But if we get it right, the potential is enormous ...'.

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