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# THE U.S. ECONOMIC PICTURE REVISED

Dwelling on statistical information with regard to the value of exports of a country for any quarter is unlikely to give one a clear and definitive indication as to the direction of that country's economy – although some people think differently.

A far-better indicator is to look at the data with regard to imports.

This is because the buying power of consumers of a country indicates, definitively, the amount of disposable income that they possess and, at the same time, the willingness of the consumer to spend a goodly part of that income.

No household would spend a material percentage of its disposable income unless there was a certainty that the money spent could be replaced within a reasonable timeframe.

Take the People's Republic of China (PRC), for instance: In early February, it was reported, officially, that the country's exports in value terms rose about 25 percent in January, Year-On-Year.

But the value of imports outstripped the gains made by the value of exports by about 3.80 percentage points, to 28.80 percent.

Strong domestic demand for foreign-made goods and services by consumers of the world's most-populous country was the only reason for imports to rise as much as they did in January.

Comparing the situation in the PRC with the data, recently compiled by the US Bureau of Labour Statistics, one notes that, for the 12-month period, ended January 31, 2013, import prices fell by about 1.30 percent.

The Bureau, also, stated:

> *'… import price have not risen on a 12-month basis since the index increased 0.80 percent between April 2011 and April 2012 …'.*

One does not require, being in possession of a PhD in any discipline, to understand what the above indicates.

US export prices rose about 1.10 percent from January 2012 to January 2013, the Bureau stated, but the price of exports was heavily weighted due to a *'10.70 percent advance in agricultural prices over the year'*.

Statistics can prove or disprove, just about anything, depending on how one views them: The bottle is half empty; or, the bottle is half full.

The US Commerce Department, earlier this month, announced that *'Record overseas sales of petroleum pushed up exports, while imports dropped …'.*

Consumer spending is vital for the economy of the US as well as for most countries of the world, today, but it is especially important for The Land of The Free and The Home of The Brave: It accounts for about 66 percent of the **G**ross **D**omestic **P**roduct (**GDP**), in fact.

GDP is defined as being the **G**ross **N**ational **P**roduct (**GNP**), excluding the value of net income earned abroad. GNP is defined as being the total value of goods and services, produced by the residents of a nation, during a specified period.

**PRC: A Currency Manipulator?**

The US Government seems to hold that the Government of the PRC is a currency manipulator and that it ought to allow the renminbi to float, freely.

US manufacturers have been lobbying the Administration of President Barack Hussein Obama to bring pressure to bear on the PRC Government, claiming that the undervalued renminbi benefits The Middle Kingdom to the detriment of the largest single economy of the world.

These manufacturers point to the fact that, during 2012, the US trade gap with the PRC increased to $US315,000,000,000 (about $HK2,457,000,000,000).

Never in the history of the world has there been such a massive trade gap between any two trading partners.

Some people claim that the data in respect of the month of December 2012, when the US trade gap fell to about $US38.50 billion, nearly a three-year low, is an indication that the US economy was stronger in the fourth quarter of 2012 than was, initially, anticipated.

**TARGET** () cannot agree.

And the proof of the pudding is in the eating to be trite.

The Commerce Department stated, on February 8, with regard to the December trade statistics:

> *'Total exports rose to $US186.40 billion, up $US3.90 billion from November. Imports fell $US6.20 billion to $US224.90 billion as less overseas crude oil was bought.'*

The Bureau of Labour Statistics in respect of the month of December stated, inter alia:

> *'Import prices declined for the second consecutive month in December after increasing the three months prior to November. Overall, import prices fell 1.50 percent in 2012, the first calendar year decrease for the index since a 10.10 percent drop in 2008. Import prices had risen 8.50 percent in 2011, 5.30 percent in 2010, and 8.60 percent in 2009…*
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> *'All Imports Excluding Fuel: Prices for nonfuel imports also declined 0.10 percent in December, following a 0.20 percent decrease in November. Lower prices for capital goods, consumer goods and foods, feeds, and beverages all contributed to the December decline …'.*

Lastly, according to The Bureau, in the fourth quarter of 2012, labour productivity increased 0.60 percent, Year-On-Year, over the third quarter when it increased by about 1.80 percent.

However, output in the fourth quarter rose about 2.40 percent, compared with the third quarter when output rose about 3.70 percent.

**The Eurozone**

Eurozone is in tsuris.

The European Commission conceded this on February 22.

The Eurozone is the economic and monetary union of 17 European Union member states, all of which have adopted the euro as their common currency and sole legal tender.

The European Commission has forecast that, for the remainder of this year, the Eurozone will be forced to shrink by about 0.30 percent.

This is in contrast to earlier predictions when The Commission claimed that The Eurozone would enjoy a 0.10-percent growth for this year.

As for the labour situation in The Eurozone, according to Mr Olli Rehn, The Commission’s Vice President, unemployment will rise to at least 12.20 percent. The recession, he said, will linger on.

For the PRC, such news is as bad as it gets because Europe is the country’s largest market for its manufactured goods.

With the writing on the wall, so to speak, emphasis in the PRC is, now, on the service industry.

In order to limit unemployment, the PRC Government is well aware that the growth on the service industry will help ameliorate the situation as exports wane to The Eurozone.

It is consumer demand that, it is hoped, will be the driving force for the second-largest economy of the world for this year and, hopefully, for some years to come.

It is estimated, today, that the service industry accounts for at least 33 percent of the total workforce.

The percentage of the total workforce of the PRC, today, is estimated to be approximately:

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| Agriculture | 34.80 percent |
| Service Industry | 33.00 percent |
| Manufacturing | 29.50 percent |

According to the International Monetary Fund, employment growth in the service industry is vital because of its direct link to boosting consumption.

The PRC Government’s economy is trying to reinvent itself, yet again, with consumer spending, being a driving force.

As the service industry gains more momentum, so there will be a decided increase in workers, attracted to it. This will result in higher wages, being demanded and this, in turn, will be yet another fillip for the industry.

Higher wages translates into higher demand for goods in the High Streets of the most-populous country in the world.

As the statistics for 2013 are made available by the powers-that-be in the PRC, one may expect to see increases in the value of imports while the value of exports will either stagnate or drop.

Ironically, The Eurozone’s financial crisis might, at least for this year, turn out to be a boon for the PRC’s economy, after all.

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