VOLUME XV No. 72 F R I D A Y April 19, 2013

# THE WORST IS YET TO COME

Nearly every day, now, one reads about the worsening financial situations in Europe; and, it is very apparent that the worst is yet to come.

The knock-on effects with regard to Europe and its many problems will, without question, impact, dramatically, on the economy of the People's Republic of China (PRC).

This is due to the fact that Europe is the largest trading partner of the Middle Kingdom.

Last Monday, The National Bureau of Statistics of China released statistics, relating to its findings in respect of the first quarter's **G**ross **D**omestic **P**roduct (**GDP**) – the **G**ross **N**ational **P**roduct (**GNP**), excluding the value of net income earned abroad – of 2013.

The following is, briefly, that which The National Bureau announced on the first page of its comprehensive Release:

> *'Since the beginning of 2013, faced with the complicated and volatile economic environment at home and abroad, the Central Party Committee and the State Council have committed to the general tone of making progress while ensuring the stability, centered on improving the quality and efficiency of economic growth, continued to carry out the proactive fiscal policy and prudent monetary policy, continuously strengthened and improved macro regulation, speeded up the transformation of governmental functions, and accelerated the transformation and upgrading and restructuring of the industry. As a result, the overall national economy realized steady development.*
>
> *'According to the preliminary estimation, the gross domestic product (GDP) of China in the first quarter of this year was 11,885.5 billion yuan, a year-on-year increase of 7.7 percent. The value added of the primary industry was 742.7 billion yuan, up by 3.4 percent; that of the secondary industry was 5,456.9 billion yuan, up by 7.8 percent; and that of the tertiary industry was 5,685.9 billion yuan, up by 8.3 percent. In the first quarter, the gross domestic product went up by 1.6 percent on quarterly bases …'.*

What is telling about the above is that, in the previous quarter, the GDP was said to have increased by about 7.90 percent, Year-On-Year.

The Release of The National Bureau shocked some analysts, but they should not have been surprised, at all … if they had done their homework.

## European Motor Vehicle Sales

For some months, one has seen statistics, relating to motor-vehicle sales in Europe: They have been falling, steadily, one has been told.

Sales of motor cars, especially in Europe and the United States, are a type of economic *'barometer'* of the state of an economy.

Yesterday, it was confirmed that motor-car sales throughout Europe were about 10.30 percent lower in March, compared with the same month in 2012.

The statistics, compiled by The Association of European Carmakers, stated that the March statistic representing the 18th consecutive month of falling sales of motor cars in Europe.

Breaking down sales of motor cars by country and brand, The Association said:

- Germany witnessed the biggest fall in motor-car sales: Down 17.10 percent, Year-On-Year;
- France witnessed the second-biggest fall in motor-car sales: Down16.20 percent, Year-On-Year;
- Peugot and Toyota were the worst-affected manufacturers, with sales, dropping by about 16 percent, Year-On-Year;
- Volkswagen saw motor-car sales fall by about 15 percent, Year-On-Year; and,
- General Motors saw motor-car sales fall by about 12.80 percent, Year-On-Year.

What The Association failed to state was that the German manufacturer, Opel, which, in the United Kingdom, trades under the name of Vauxhall, has decided to close down its Bochum Plant by the end of next year.

The German Bochum plant has been in operation for the past 50 years.

The closure of this plant will put more than 3,000 workers out onto the streets, looking for alternate employment.

It is the first closure of a motor-car factory in Europe's best-performing economy for many a decade.

**The International Monetary Fund**

In its semi-annual outlook for the world's economy, The **I**nternational **M**onetary **F**und (**IMF**) announced that it had lowered its forecasts for most developed economies.

It is now expecting growth to be about 3.30 percent for 2013, a fall of about 5.71 percentile points from its former estimate, published about six months ago.

As for the Eurozone, the IMF said that it fully expected to report the negative figure of 0.30 percent for this year.

As for France, its economy is expected to shrink by about one percent; and, the Germany economy is expected to see growth of about 0.60 percent.

**Unemployment in the United Kingdom**

No sooner had the IMF released its findings than The Office for National Statistics (of United Kingdom) announced that unemployment was on the rise – again.

About 2.56 million people are, today, unemployed in the UK. There has been an increase of about 70,000 people, looking for work, between the period December 2012 and February 2013.

The unemployment rate of the UK, today, stands at about 7.90 percent.

In many other parts of Europe, of course, unemployment is much worse than in the UK.

In Spain, for instance, the unemployment level is at the highest level since the middle of 1970: About 26 percent, representing nearly six million people, walking the streets, looking for jobs.

In the last quarter of 2012, alone, unemployment rose about one percent.

Spain is suffering a recession and, as the unemployment rate rises, the recession deepens.

In Portugal, the unemployment rate rose to the record level of about 16.90 percent in the fourth quarter of 2012, up from about 15.80 percent in the third quarter, according to The Instituto Nacional de Estatistica.

In France, that country's unemployment level rose to 10.60 percent in the fourth quarter of 2012, according to The National Institute of Statistics and Economic Studies.

As for Greece, the unemployment rate for the month of March stood at about 21.90 percent, representing an increase, Year-On-Year, of about 39.49 percentile points, according to The ASE Statistics Agency.

And so it goes on: One European country after another, announcing depressing economic statistics and, in some cases, cash-starved governments, stating their dire situations, begging for cash bailouts in order to prevent those states from having to declare bankruptcy.

**The Direction of the PRC's Economy**

The human population of the PRC is said to be about 1.30 billion people, all of whom, no doubt, want an improved standard of living.

People are never satisfied: They never have enough.

If the Government of the PRC cannot deliver that which the people demand, the likelihood is that there will be unrest.

The one-party political system of the PRC is dependent on its ability to deliver *'the goods'*, regardless of the international economic situation, be it positive or negative for the PRC.

The PRC is the world's second-largest economy, but it is, still, dependent to a large extent to be able to sell its goods to the world, with Europe, being its largest, single customer at this time in its history.

In Europe, as **TARGET** () has, already, pointed out, objectively and impartially, the economic situation, for the most part, is going from bad to worse.

People without money will not make many visits to the High Streets of Europe; and, they will tighten their proverbial belts, during this period of financial difficulty.

The PRC is promoting consumer spending in the country, but trade is still the lifeblood of any developing nation.

Unless the country can diversify its markets, further, taking up the slack caused by falling exports to Europe, it will be in for more trouble before the end of this year, with economic growth, falling further.

And that is something that the politburo – the principal, policy-making and executive committee of The Chinese Communist Party – would not like to see come to pass.

**-- E N D --**

*If readers feel that they would like to voice their opinions about that which they have read in **TARGET**, please feel free to e-mail your views to editor@targetnewspapers.com. **TARGET** does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.*