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STATISTICS CAN PROVE EVERYTHING … OR, NOTHING !

You Be The Judge

Among the latest batch of telling statistics, released by various branches of the Government of The United States of America, were those, emanating from The Bureau of Labour Statistics.

The Bureau stated, inter alia, that, since July of 2014, there has been no appreciable increase in the Price Index of US exports.

This Release, dated Friday, February 13, 2015, related to The Bureau's findings with regard to January US Import and Export Price Indices.

Paragraph One of this Release stated:

> *'U.S. import prices fell 2.8 percent in January, after declining 1.9 percent in December and 1.8 percent in November … Decreasing fuel prices drove each of the monthly drops. The price index for U.S. exports decreased 2.0 percent in January, and has not recorded a monthly advance since July.'*

It is held in a number of economic camps that the increases/decreases in the monetary value of imports in an economy is as much, if not more, of importance than the increases/decreases in the monetary value of a country's exports since, inter alia, it is one of the key indicators as to the *'appetite'* of consumers for goods, produced by foreign manufacturers, more often than not, considerably more expensive than similar goods, manufactured domestically.

It stands to reason that consumers, opting for purchases of foreign-made, imported goods, to the detriment of domestically produced goods, have a sufficiency of disposable income, affording them the ability to be in a position to pay the demanded import prices of such foreign-made goods.

In this regard, on the subject of imports, The Bureau stated:

> *'All Imports: The price index for U.S. imports declined 2.8 percent in January. The index has not recorded a monthly advance since June 2014, and the January drop was the largest 1-month decrease since the index fell 4.6 percent in December 2008. U.S. import prices decreased 8.0 percent between January 2014 and January 2015, the largest 12-month decline since the index fell 12.0 percent in September 2009…*
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> *'All Imports Excluding Fuel: Prices for nonfuel imports fell 0.7 percent in January and have not recorded a monthly advance since July 2014. The January decline matches the 0.7-percent drop in January 2009, and those were the largest 1-month decreases since the index fell 1.1 percent in December 2008. Decreases in prices for each of the major finished goods categories; nonfuel industrial supplies and materials; and foods, feeds, and beverages all contributed to the overall decline in nonfuel import prices.*
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> *'The price index for nonfuel imports decreased 0.9 percent for the year ended in January.'*

On the subject of US export prices, The Bureau explained:

> *'Nonagricultural Industrial Supplies and Materials: Prices for nonagricultural industrial supplies and materials declined 6.1 percent in January, after decreasing 3.1 percent the previous month. The January drop was the largest monthly decline since the index fell 8.3 percent in November 2008, and was led by an 18.0-percent drop in fuel prices.*
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> *'Finished Goods: Consumer goods prices fell 0.8 percent in January, driven by a 3.2-percent decrease in the price index for medicinal, dental, and pharmaceutical materials. In January, automotive vehicle prices edged down 0.1 percent, while prices for capital goods ticked up 0.1 percent.'*

Producer Price Indices

About five days after the Release in respect of January US Import and Export Price Indices, the Bureau announced its findings with regard to Producer Price Indices for January 2015.

(**P**roducer **P**rice **I**ndices (**PPI**) track the average changes in prices that domestic producers obtain from the sales of their goods.)

The first three paragraphs of this Release stated:

> *'The Producer Price Index for final demand decreased 0.8 percent in January, seasonally adjusted … Final demand prices moved down 0.2 percent in both December and November. On an unadjusted basis, the index for final demand was unchanged for the 12 months ended in January.*
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> *'In January, the 0.8-percent decline in final demand prices can be traced primarily to a 2.1-percent decrease in the index for final demand goods. Prices for final demand services fell 0.2 percent.*
>
> *'Within intermediate demand, the index for processed goods declined 2.8 percent, prices for unprocessed goods dropped 9.4 percent, and the index for services moved down 0.2 percent.'*

Under the heading of *'Final Demand'*, the Release explained:

> *'Final demand goods: The index for final demand goods moved down 2.1 percent in January, the seventh consecutive decrease. Leading the broad-based decline in January, prices for final demand energy fell 10.3 percent. The indexes for final demand foods and for final demand goods less foods and energy moved down 1.1 percent and 0.2 percent, respectively…*
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> *'Final demand services: The index for final demand services decreased 0.2 percent in January, the first decline since falling 0.3 percent in September 2014. In January, prices for final demand services less trade, transportation, and warehousing moved down 0.4 percent, and the index for final demand transportation and warehousing services dropped 0.8 percent. In contrast, margins for final demand trade services advanced 0.5 percent. (Trade indexes measure changes in margins received by wholesalers and retailers.)*
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> *'Product detail: In January, a major contributor to the decline in the index for final demand services was prices for outpatient care (partial), which fell 0.7 percent. The indexes for automotive fuels and lubricants retailing; securities brokerage, dealing, investment advice, and related services; television video, and photographic equipment and supplies retailing; mining services; and truck transportation of freight also decreased. Conversely, margins for apparel, jewelry, footwear, and accessories retailing advanced 3.6 percent. The indexes for machinery, equipment, parts, and supplies wholesaling and for loan services (partial) also*

increased.'

<u>The US Labour Situation</u>

In respect of the US Unemployment Insurance Weekly Claims, a Release from the US Department of Labour for the week, ended February 7, 2015, it could be said that it was not particularly unlifting.

Paragraphs One and Two of this Release stated:

> *'In the week ending February 7, the advance figure for seasonally adjusted initial claims was 304,000, an increase of 25,000 from the previous week's revised figure …*
>
> *'There was no special factors impacting this week's initial claims.'*

At Page Two of this Release, one is told:

> *'The total number of people claiming benefits in all programs for the week ending January 24 was 2,884,119, an increase of 44,284 from the previous week …'*

One week later, the Department of Labour announced that, in respect of the week, ended February 14, *'the advance figure for seasonally adjusted initial claims was 283,000, a decrease of 21,000 from the previous week's unrevised level of 304,000. The 4-week moving average was 283,250, a decrease of 6,500 from the previous week's unrevised average of 289,750.'*

The unemployment rate in the US in January *'was little changed at 5.7 percent'*, one was told.

Unchanged, also, was the number of long-term unemployed workers – the long-term unemployed worker is defined as one who have been without a full-time job for 27 weeks or more – which stood at 2.80 million workers.

Lastly, the US Federal Reserve, the defacto Central Bank of the US, in its Release, dated January 28, 2015, stated, among other things:

> *'Labor market conditions have improved further, with strong job gains and a lower unemployment rate. On balance, a range of labor market indicators suggests that underutilization of labor resources continues to diminish. Household spending is rising moderately; recent declines in energy prices have boosted household purchasing power. Business fixed investment is advancing, while the recovery in the housing sector remains slow. Inflation has declined further below the Committee's longer-run objective, largely reflecting declines in energy prices. Market-based measures of inflation compensation have declined substantially in recent months; survey-based measures of longer-term inflation expectations have remained stable…*
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> *'The Committee expects that, with appropriate policy accommodation, economic activity will expand at a moderate pace, with labor market indicators continuing to move toward levels the Committee judges consistent with its dual mandate. The Committee continues to see the risks to the outlook for economic activity and the labor market as nearly balanced. Inflation is anticipated to decline further in the near term, but the Committee expects inflation to rise gradually toward 2 percent over the medium term as the labor market improves further and the transitory effects of lower energy prices and other factors dissipate...*
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> *'To support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view that the current 0 to 1/4 percent target range for the federal funds rate remains appropriate ...'.*

This medium will be interested to learn what The Fed has to say at its next Open Market Committee Meeting, scheduled for March 17-18, 2015.

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