VOLUME XVIII No. 105 S A T U R D A Y May 21, 2016

THE ECONOMY OF THE UNITED STATES OF AMERICA
SEEMS TO BE WEAKENING – AGAIN

There are, now, indications that the world's largest economy has started to fade, significantly.

Recently, The Department of Labour, this department's surveys and statistics, being an important gauge as to the health (or otherwise) of the economy of The United States of America, produced findings that it had surveyed and compiled, findings that might be considered by many a right-minded individual as being somewhat worrisome.

The Department of Labour announced that, for the week, ended May 7, 2016, Initial Claims for Unemployment Insurance '*was 294,000, an increase of 20,000 from the previous week's unrevised level of 274,000 …*'.

The official announcement from this important department of the US Government went on to state that the May 7 statistic was '*the highest level for initial claims since February 28, 2015 when it was 310,000.*'

In a nutshell, that which the May 7 statistics indicate was, inter alia, that there are more and more people in the country, who are unable to find work and are turning to the US Government for their Unemployment Insurance benefits.

While it could be stated that there may have been '*special factors*' that impacted on the May Initial Claims for Unemployment Insurance, by the same token, 294,000 applications for Unemployment Insurance benefits had been made by people who needed cash, seemingly in somewhat of a hurry – because these people had nowhere else from which to obtain a sufficiency of money, being unable to find work, for one reason or another.

On Thursday, May 19 (Washington D.C. time), The Department of Labour released its findings in respect of the week, ended May 14, 2016.

In that release, it was stated that '*the advance figure for seasonally adjusted initial claims was 278,000, a decrease of 16,000 from the previous week's unrevised level of 294,000.*'

The Department went on to say that the four-week moving average was 275,750 Initial Claims, '*an increase of 7,500 from the previous week's unrevised average of 268,250.*'

For the past nine months, Initial Claims for Unemployment Insurance had been below 300,000 per week, but, today, it appears that Claims have started to climb, closer to that level, once again.

Taking by themselves, Initial Claims for Unemployment Insurance with regard to just one week might not be conclusive of very much, but there are other statistical indications, having poured out of other departments of the US Government, indications that, perhaps, reinforce suggestions that all is not hunky-dory in this economy, led by the august members of the Administration of President Barack Hussein Obama.

The Federal Reserve System

On April 27, 2016, the Board of Governors of the Federal Reserve Department (The FED) – the de facto, Central Bank of the US – made the following announcement:

> ‘*Information received since the Federal Open Market Committee met in March indicates that labor market conditions have improved further even as growth in economic activity appears to have slowed. Growth in household spending has moderated, although households' real income has risen at a solid rate and consumer sentiment remains high. Since the beginning of the year, the housing sector has improved further but business fixed investment and net exports have been soft. A range of recent indicators, including strong job gains, points to additional strengthening of the labor market. Inflation has continued to run below the Committee's 2 percent longer-run objective, partly reflecting earlier declines in energy prices and falling prices of non-energy imports. Market-based measures of inflation compensation remain low; survey-based measures of longer-term inflation expectations are little changed, on balance, in recent months.*
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> ‘*Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee currently expects that, with gradual adjustments in the stance of monetary policy, economic activity will expand at a moderate pace and labor market indicators will continue to strengthen. Inflation is expected to remain low in the near term, in part because of earlier declines in energy prices, but to rise to 2 percent over the medium term as the transitory effects of declines in energy and import prices dissipate and the labor market strengthens further. The Committee continues to closely monitor inflation indicators and global economic and financial developments.*
>
> ‘*Against this backdrop, the Committee decided to maintain the target range for the federal funds rate at 1/4 to 1/2 percent. The stance of monetary policy remains accommodative, thereby supporting further improvement in labor market conditions and a return to 2 percent inflation.’*

Keys to the importance of that which The FED has stated in its missive of April 27, 2016, are:

1. *‘economic activity appears to have slowed’;*
2. *‘growth in household spending has moderated, although households’ real income has risen at a solid rate;*
3. *‘business fixed investment and net exports have been soft;*
4. *‘inflation has continued to run below the Committee's 2 percent longer-run objective’;* and,
5. *‘the Committee decided to maintain the target range for the federal funds rate at 1/4 to 1/2 percent.’*

It was not that long ago, late last year, in fact, that The FED was intimating that interest rates in the country could start to rise in the near term.

The FED’s opinion, now, has made a 180-degree turn, it seems – for good and with valid reasons, no doubt.

Turning to industrial production in The Land of Hope and Freedom, one learns from The FED the grim facts.

> *‘Industrial production decreased 0.6 percent in March for a second month in a row. For the first quarter as a whole, industrial production fell at an annual rate of 2.2 percent. A substantial portion of the overall decrease in March resulted from declines in the indexes for mining and utilities, which fell 2.9 percent and 1.2 percent, respectively; in addition, manufacturing output fell 0.3 percent. The sizable decrease in mining production continued the industry's recent downward trajectory; the index has fallen in each of the past seven months, at an average pace of 1.6 percent per month. At 103.4 percent of its 2012 average,*

total industrial production in March was 2.0 percent below its year-earlier level. Capacity utilization for the industrial sector decreased 0.5 percentage point in March to 74.8 percent, a rate that is 5.2 percentage points below its long-run (1972 –2015) average.

'Most major market groups recorded declines in March. The output of consumer goods decreased 0.4 percent: The indexes for durables and for consumer energy products each fell about 1 percent, while the output of non-energy nondurables edged down. Among durable goods, decreases for automotive products and for miscellaneous goods were slightly offset by gains for home electronics and for appliances, furniture, and carpeting. The decline for consumer energy products reflected the drop in utilities; however, the output of consumer fuels rose. The production of business equipment moved down 0.4 percent because of decreases in the indexes for transit equipment and for industrial and other equipment. The output of defense and space equipment moved up 0.4 percent. The indexes for construction supplies and business supplies declined 1.2 and 0.5 percent, respectively. The output of materials fell 0.8 percent, primarily as a result of a decrease for energy materials. For the first quarter, the output of consumer goods rose despite a drop in consumer energy products, but the indexes for most other major market groups decreased.

*'**Industry Groups***

'Manufacturing output decreased 0.3 percent in March. The production of durables moved down 0.4 percent. The largest declines, about 1 1/2 percent, were registered both by motor vehicles and parts and by electrical equipment, appliances, and components. Several industries posted increases, with the largest, nearly 1 percent, for computer and electronic products. After increasing 0.9 percent in January and decreasing 0.5 percent in February, the output of nondurable manufacturing edged down in March, as gains in the production of petroleum and coal products and of chemicals nearly offset declines for most other industries. The output of other manufacturing (publishing and logging) fell almost 1 percent. For the first quarter, manufacturing output moved up at an annual rate of 0.6 percent, roughly reversing its small decrease in the fourth quarter of last year…

'Capacity utilization for manufacturing fell 0.3 percentage point in March to 75.1 percent, a rate that is 3.4 percentage points below its long-run average. The operating rates for durables, nondurables, and other manufacturing (publishing and logging) each decreased. The operating rates for both mining and utilities dropped to 73.7 percent, the lowest rates over the histories of these series.'

The Bureau of Economic Analysis

On May 4, 2016, The Bureau of Economic Analysis, another key department of the US Government, released its findings with regard to International Trade in Goods and Services for the month of March. The Bureau, which is a division of The Department of Commerce, stated, inter alia:

'… the goods and services deficit was $40.4 billion in March, down $6.5 billion from $47.0 billion in February, revised. March exports were $176.6 billion, $1.5 billion less than February exports. March imports were 217.1 billion, $8.1 billion less than February imports.

'The March decrease in the goods and services deficit reflected a decrease in the goods deficit of $6.0 billion to $58.5 billion and an increase in the services surplus of $0.5 billion to $18.1 billion.

'Year-to-date, the goods and services deficit decreased $1.0 billion, or 0.8 percent, from the same period in 2015. Exports decreased $30.5 billion or 5.4 percent. Imports decreased $31.6 billion or 4.5 percent…'.

Such statistical evidence cannot fill one with much in the way of confidence and joy in the near-term future of the largest, single economy in the world, today.

The indications from The Department of Labour, The FED and The Bureau of Economic Analysis, taken together, are, perhaps, very suggestive of a potentially worrying, near-term future with regard to the economic situation in the US.

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