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Towards a Worldwide Economic Slump: Fears of a Sharp Global Slowdown

By Stephen Lendman
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Crisis Economic Conditions

Global economic data signal trouble. Headlines reflect worsening conditions.

The Financial Times said America's dismal jobs report and world economic weakness raise "fears of a sharp global slowdown" or worse.

According to the London Guardian, Britain and Euroland face a "deeper recession after figures showed manufacturing output slumped at its fastest" rate in three years.

The Daily Telegraph said oil hit a 16th month low below $100 a barrel. At Friday's close, WTI crude stood at $83.26. Brent slumped to $98.63. Declining prices signal weakness.

The London Independent worried about "worldwide panic" as Dow prices plunged 275 points. It was the worst single day's performance since last year.

The Daily Mail commented on the "appalling state" of the world economy.

The Wall Street Journal groaned about the "grim jobs data." It wasn't the only sign of weakness. Separate Friday reports showed other troublesome signs. Expect economic conditions to keep heading south.

New York Times columnist Floyd Norris said Friday's jobs report "was worse than almost anyone expected."

"There is absolutely no prospect" for positive change soon. With Europe's recession deepening, America won't escape the fallout. When either area sneezes, the other catches cold, and it spreads.

Europe faces serious economic trouble. Plunging euro valuations reflect it. A crisis of confidence exists.

Bankia's insolvency was Spain's largest ever bank collapse. Other Spanish banks are troubled. So are Italian ones. Intesa Sanpaolo shares slumped to a 15-year low. UniCredit fell to almost generation ago valuations.

Europe's entire banking system risks collapse. Greek and Spanish banks face panic withdrawals. In April, Spanish retail sales plunged 9.8%. It was the sharpest monthly drop on record.

Chinese manufacturing declined for the tenth time in eleven months. Bank lending missed government targets by about $200 billion.

Brazil shows increasing weakness. Q I figures barely eked out a +0.2 print. India's doing no better. Its year-over-year Q I GDP growth hit a nine-year low. Q I, in fact, contracted.

South Korea's heading south. So is Australia. A front page Wall Street Journal article headlined "Asia Strains under Euro Crisis." Another back page one discussed African nations feeling the pinch.

UK manufacturing hit its lowest level since May 2009. In May, its PMI slumped 4.3 points to 45.9. It showed contraction. It was the sharpest single month decline since November 2008.

In May, commodity prices had their worst decline in four years. Their five consecutive week slump was the worst performance in five yeas.

US and Europe face rising unemployment. Official Greek and Spanish rates approach 25%. For youths, it's about 50%. Across Euroland it's 11% and rising.

Shadowstats has US unemployment at nearly 23%, inflation at 6%, GDP at minus 2%, and money supply growth declining.

The IMF is considering bailing out Spain. At issue is how given its deepening trouble. Its impossible math shows a 9% fiscal deficit, no nominal growth, and 6.67% 10-year rates at Friday's closing prices.

A June 1 AP report asked how Spain's "government can pay for a bailout...?" Conditions across Europe are so troubled that the Wall Street Journal said "multinational companies are rehearsing for any number of contingencies," and they all look bad.

Independent economists call the euro a failed experiment. Some admitted it years ago. Eventual dissolution looks certain. The longer the can's kicked down the road, the harder breaking up will be.

America’s May jobs report was awful. Headline U-3 numbers reported +69K. Shadowstats reported 20K. Consensus predicted +150K. March and April downward revisions totaled 49K. Expect future reports to drop them further. Full-time jobs are evaporating like water in summer heat.

The sensitive goods-producing sector dropped 15K. It was the first decline in nine months. More ahead looks certain. Long-term unemployment reached 5.4 million. It rose 300,000 over April. Duration approaches 40 weeks.

These numbers and others reflect Depression conditions. Policies aren’t addressing them. Obama talks but doesn’t act. In an election year, it’s unprecedented. If conditions worsen as looks likely, he may be another one-term president. Current polls show him either even with Romney or behind.

His so-called growth package includes corporate handouts, more benefits for rich elites, and deregulation when opposite measures are needed.

His jobs program is smoke and mirrors duplicity combined with more for corporate giants at the expense of troubled households. Trickle down failed years ago.

Nonetheless, Obamanomics feature it. Since taking office, he’s done virtually nothing to create jobs and improve living standards for millions of Americans needing help.

He waged ruthless class war from day one. Wealth extremes are unprecedented. Corporate profits come at the expense of public pain. Expect much worse ahead.

Voter sentiment mostly reflects pocket book issues. Given current dire conditions, it’s certainly true now. Declining consumer confidence reflects it. So do unemployment and poverty levels.

Economic activity is clearly heading south. In May, incomes dropped 0.2%. They’ve fallen for two of the past three months. Chicago’s PMI plunged from April’s 56.2 to 52.7. Consensus expected 56.8. It was the worse read since September 2009. It matched December 2007 when recession conditions began.

PMI components were also abysmal. Order backlogs fell from 56.8 to 46.3. In the past 30 years, only three declines matched May. Other regional manufacturing indexes also showed softness.

Unprecedented low Treasury yields signal trouble. TIPs sunk below 0%. So did German 2-year notes. Its 10-year bunds yield 1.1641%. Inflation adjusted shows negative returns. Ten-year US Treasuries stand at 1.46%. They’re also negative when inflation adjusted.

Five months remain until America's election. Hope springs eternal every time. After Obama won in November 2008, Chicago erupted like New Year's eve. Hangover conditions followed. Despair deepened them.

Nothing ahead shows promise. Wrongheaded policies assure it. As 2013 approaches, grim conditions are worsening. Relief is nowhere in sight.

Whichever party wins in November, things won't change. It's hard imagining how much longer suffering millions will tolerate it. Sooner or later they're bound to erupt. It's their only chance.

A Final Comment

Economist Jack Rasmus provides incisive economic analysis. He appears regularly on the Progressive Radio News Hour (PRNH).

He called last winter's jobs numbers "grossly overestimated." Statistical adjustments were manipulated and questionable. Eventually truths come out. Today's reality shows "stagnant jobs growth" and "economic relapse."

Housing remains in Depression. So is overall construction. Obama's efforts to stimulate exports "produced a mere dribble of new jobs." Most are part-time/low pay/low benefit ones.

State and local governments keep laying off thousands of employees monthly. Hundreds of thousands of workers exit the labor force monthly for want of job opportunities.

Bank lending to small businesses is moribund. Median household incomes are declining while food, healthcare, energy, education, and other costs rise.

Personal consumption is "stumbling along" at best. Rasmus comments often on air how mainstream economists virtually always get it wrong.

They're behind the curve. They're sanguine when caution and concerns are warranted. They promote illusory economic growth and prosperity. They ignore reality independent analysts stress.

Last fall, Rasmus predicted a sharply slowing global economy in 2012, a troubled Eurozone, and hard landing prospects for China, Brazil and elsewhere. America will feel the fallout, he said.

Expect worse conditions ahead. Before yearend, Democrat and Republican leaders will implement $2 – 4 trillion spending cuts plus another $2.2 trillion scheduled to begin in

January.

They'll call it deficit reduction, not austerity. It'll hit America's economy like a hammer when conditions can least tolerate it. The effect on GDP will be dramatic.

If all agreed on cuts kick in, it will have up to a 4% negative impact on national output. Imagine how much more intense today's crisis will become.

Stephen Lendman lives in Chicago and can be reached at lendmanstephen@sbcglobal.net.

His new book is titled "How Wall Street Fleeces America: Privatized Banking, Government Collusion and Class War"

http://www.claritypress.com/Lendman.html

Visit his blog site at sjlendman.blogspot.com and listen to cutting-edge discussions with distinguished guests on the Progressive Radio News Hour on the Progressive Radio Network Thursdays at 10AM US Central time and Saturdays and Sundays at noon. All programs are archived for easy listening.

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Articles by: Stephen Lendman

About the author:

Stephen Lendman lives in Chicago. He can be reached at lendmanstephen@sbcglobal.net. His new book as editor and contributor is titled "Flashpoint in Ukraine: US Drive for Hegemony Risks WW III." http://www.claritypress.com/LendmanIII.html Visit his blog site at sjlendman.blogspot.com. Listen to cutting-edge discussions with distinguished guests on the Progressive Radio News Hour on the Progressive Radio Network. It airs three times weekly: live on Sundays at 1PM Central time plus two prerecorded archived programs.