

World economy slides deeper into slump

By Andre Damon

Global Research, October 02, 2012

World Socialist Web Site

Theme: Global Economy

A string of negative reports coinciding with the start of the fourth quarter has revealed a significant deterioration in the global economy, with world trade slowing, manufacturing contracting, and the number of unemployed workers in the euro zone hitting a record high.

Despite these disastrous figures, stock prices in Europe and the United States rose on Monday, fueled by new central bank injections of cash into the global financial system, an intensification of austerity measures against the working class and expectations of new bank bailouts.

Eurostat, the European Union statistics agency, reported Monday that the unemployment rate in the 17-member euro zone remained at record highs in August, while the ranks of the unemployed grew by 34,000, bringing the total of jobless workers to a new high of 18.2 million. The jobless rate was 11.4 percent, the same as in July. A year ago, the region's jobless rate was 10.2 percent.

In the 27-nation European Union as a whole, 25.5 million people were out of a job in August. The EU unemployment rate was 10.5 percent.

The unemployment rates of Spain, Greece and Portugal, the countries hardest hit by the euro crisis, all rose. Spain's unemployment rate reached 25.1 percent, that of Greece hit 24.4 percent, and Portugal's rose to 15.9 percent.

The unemployment rate for Italy stayed at 10.7 percent and France's remained at 10.6 percent. Last week, the French government said the number of unemployed had hit a new record of 3 million.

Youth unemployment in the euro zone likewise worsened, hitting 22.8 percent in August, up more than 2 percentage points from a year ago, according to the Eurostat report. In Spain, 52.9 percent of people under 25 were without work.

The jobs crisis in Europe is likely to get even worse. Markit Economics reported Monday that its euro zone purchasing managers' index (PMI), a key measure of manufacturing output, was 46.1 in August. As a reading below 50 indicates contraction, the August report marked the fourteenth consecutive month of decline in the manufacturing sector.

PMI figures released last week for both Germany and France, the core countries of the euro zone, showed sustained contraction. France's PMI showed one of the biggest one-month falls in the survey's 14-year history.

Chris Williamson, chief economist at Markit, said that "manufacturers across the euro area

suffered the worst quarter for three years in the three months to September. Output, order books and exports all continued to fall at steep rates ... causing firms to cut their staffing levels once again."

JPMorgan Chase's global manufacturing purchasing managers' index for September, at 48.9, remained below the 50 level.

The euro zone economy contracted by 0.2 percent in the second quarter of 2012, and economists have predicted that it will show a further decline for the third quarter. The *New York Times* quoted Jennifer McKeown, an economist with Capital Economics in London, as saying the euro zone economy would contract by 2.5 percent next year.

The economy of the entire European Union contracted by 0.1 percent in the second quarter.

The ongoing downturn in Europe continues to drag down the export-dependent Asian economies. China's official manufacturing purchasing managers' index was below 50 for a second consecutive month, coming in at 49.8 for September after a reading of 49.2 in August. The Chinese economy has already slowed for six consecutive quarters, and a seventh quarter of slowdown now looks likely.

Japan is in a similar state. The country's central bank said Monday that the Tankan report, a measure of business confidence, fell to minus 3 in July from minus 1 in June. Japan's manufacturing purchasing managers' index reading of 48 likewise indicated contraction.

Last Friday, the Japanese government released figures showing that industrial production fell by 2.9 percent in September and 1.3 percent in August. Exports from South Korea, meanwhile, fell in September for the third consecutive month.

In the US, economic growth for the second quarter was revised downwards last week and a new report showed that durable goods orders had tumbled. The Commerce Department said Thursday that US gross domestic product grew by only 1.3 percent in the second quarter, a downward revision from its earlier estimate of 1.7 percent and significantly less than the 2.0 percent growth rate in the first quarter of the year. Orders for long-lasting manufactured goods (durable goods) fell by 13 percent in August, the largest fall since 2009.

The deepening global downturn is weighing heavily on international trade. The volume of global trade is expected to grow only 2.5 percent this year, down from a 5.0 percent in 2011 and 14.0 percent in 2010, according to a survey released Monday by the World Trade Organization. A separate report by an agency of the Dutch government estimates that world trade actually contracted in June and July.

Global stock markets responded to the dismal news by staging a rally. The German DAX rose by 1.53 percent and the British FTSE by 1.37 percent. The response of stocks in the US was more muted, but still positive, with the Dow rising 0.58 percent and the S&P 500 by 0.27 percent.

The ongoing rise of stock prices despite the marked deterioration of the real economy is a reflection of the immense attacks that are being carried out against workers in Europe, the United States and Asia, including job cuts, the slashing of wages, and austerity measures impacting social programs, pensions, health care and other benefits.

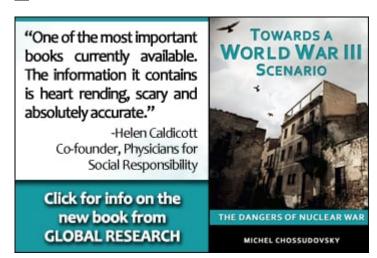
Banking and corporate profits are surging as a result of the lowering of working class living

standards and intensification of the rate of exploitation of labor. At the same time, stocks and other speculative assets are being inflated by the injection of hundreds of billions of dollars into the financial markets by the central banks, particularly the US Federal Reserve, which announced last month a plan to inject \$40 billion into the financial markets every month for an indefinite period.

These measures are being carried out by capitalist governments around the world, whether social democratic or conservative, to make the working population pay for the crisis of the world capitalist system.

New Books from Global Research





The original source of this article is <u>World Socialist Web Site</u> Copyright © <u>Andre Damon</u>, <u>World Socialist Web Site</u>, 2012

Comment on Global Research Articles on our Facebook page

Become a Member of Global Research

Articles by: **Andre Damon**

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: $\underline{publications@globalresearch.ca}$