Green shoots wither in job drought

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By business editor Peter Ryan for PM

In recent weeks, any piece of economic data that could loosely be desribed as "less worse than expected" has been portrayed as a good result - to use, or overuse, the jargon - a green shoot.

But when it comes to the biggest and most meaningful measure of a recession, unemployment, no measure of spin can divert the harsh reality in the United States.

Job losses in June cut deeper than forecast, with 467,000 more Americans losing employment after a 322,000 drop in May, adding up to an unemployment rate of 9.5 percent - the worst in more than a quarter of a century.

"What we're still seeing is too many jobs lost, too many families who are worried about whether they are going to be next," said US President Barack Obama.

He called the result "sobering," while still betting that the tens of billions of dollars of stimulus pumped into the US economy will start working soon.

"Even before this crisis back in 2000 through 2008, when the economy was growing, it wasn't generating enough well-paying jobs to keep pace with a growing population," he said.

"That's why, even as we deal with these short-term crisis issues, it's so important for us to lay the foundations for long-term economic growth."

Since the US recession started to bite, 6.5 million Americans have lost their jobs and the unemployment rate has doubled.

Some economists are tipping 12 percent by the end of the year, and many agree the unofficial rate is already in double digits with more to come.

The US might have just escaped a Depression, but the next worst scenario still has a vice like grip.

Will Hutton of the economic think tank The Work Foundation says last year's near collapse of the global banking system has plenty of painful unemployment fallout in reserve, not just for the US but the world.

"In normal recessions, you expect unemployment to carry on rising for about 18 months after the trough, so that once GDP starts to stabilise and rise you still see increases in unemployment for 18 months afterwards, in credit crunches it can last as long as three years," he said.

"I think that people just are far too insoucient, far too careless, far too relaxed about how dramatic the impact of the credit crunch is on output, employment, the investment machine, the innovation machine, the employment generation machine."

The world's key stockmarkets absorbed the jobless news with trepidition.

London and New York closed more than 2.5 percent weaker, as economists who have been consistently skeptical about a recovery scoffed at the optimists.

"The labour market, the industrial sector, autos, consumption indicators, the housing market, there are really no green shoots whatsoever in any of those key sectors, yet people keep talkihng about green shoots of recovery," said James Shugg, a senior economist with Westpac in London.

"I mean it's true that the Chinese economy is doing better, it's true that in Australia that there's some positive indicators coming through, absolutely no doubt about that, and even in the UK there's been one or two positive indicators and a whole range of less weak indicators, but in the US it's really the case that everything's just a bit less weak - there's nothing that's actually growing yet.

"So it's really I think a misnomer, misleading to talk about green shoots of recovery in the context of the US economy."

In other words the ostrich school of economics, but others living in the real world like US market watcher David Tice, are worrying much more about inflation, as the US Treasury effectively prints more money to create jobs, and ease the impact of the still unfolding housing crisis.

"Our Federal Reserve is so willing to create additional credit and provide debit cards to our bankrupt citizens," he said.

"Here we have the mechanisms, and Bernanke said himself we posses a printing press, they're now giving debit cards, they gave debit cards out after Katrina, they're giving debit cards out for unemployment insurance today, the Government doesn't care if you can pay it back or not."

With debt reaching 100 percent of GDP, America's AAA credit rating remains at risk, especially given predictions that the US dollar is heading for a major decline.

http://www.abc.net.au/news/stories/2009/07/03/2616501.htm?section=world