



Seven
Investment Management

1.4 million new members for 99 Club

It's more famous as an ice cream cone with a flake, or a rugby call that precipitates a 30-man brawl. But the 99ers is now becoming more famous as a fast-growing 'club' in America; a club that no-one wants to join.

In July, 1.4 million Americans who have been receiving unemployment benefits for the past 99 weeks will stop receiving payments.

The Senate is expected to resume its debate (again) about whether to extend the emergency jobless benefits. In fact, since December 2007, US politicians have passed several extensions that stretched the normal 26-week limit for unemployment benefits to as long as 99 weeks in the hardest-hit states.

This raises the issue of statistics and which ones you can really put your faith in. For example, in July the US Bureau of Labour Statistics reported that the unemployment rate fell to 9.5 per cent. On the face of it this sounds good. But when you dig deeper, it can be argued the situation is less rosy.

Around 2.6 million persons were 'marginally attached' to the workforce. These people are not in the labour force, they wanted and were available for work, and had looked for a job sometime in the prior 12 months. However, they are not counted as unemployed because they had not searched for work in the four weeks preceding the survey.

There is however, a broader measure of unemployment published by the US Bureau of Labour Statistics. It takes into account marginally attached workers, those employed part-time for economic reasons (sometimes referred to as involuntary part-time workers), as well as discouraged workers. This figure was 16.7 per cent in June. Although this was as high as 18.0 per cent in January, the same figure was only 8.5 per cent in June 2007, close to its average over the past ten years.

Why does this matter? It matters because there is almost double the number of US consumers out of work compared with three years ago. And US consumers account for around 70 per cent of US GDP and 20 per cent of world GDP. They matter a great deal. So adding another 1.4 million consumer into the 99ers Club would be hugely unhelpful for this most fragile of global economic recoveries.

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