

## **June 7, 2005 Instant Update to: Is the USA 2005 Technology Environment Headed in the Wrong Direction?**

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### ***Business, economic & geopolitical indicators (still) cause high anxiety in high technology***

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**Wrong direction events accelerating:** Just three weeks have passed since the posting of the second article in this series on CAD-Portal.com (May 17, 2005). But the reports of events moving in the wrong direction appear to be accelerating, and thus this "instant update".

**Where to begin?** Dozens of world and national news bulletins in the last fortnight have reinforced virtually every aspect of the dirty dozen factors listed as the premise of these articles.

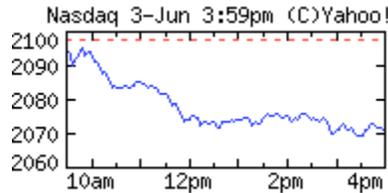
Examples include these latest headlines:

- Death Toll at 825 Since New Iraq Government
- Civilian Toll in Iraq: 12,000 to 100,000
- U.S. 'Thumbs Its Nose' at Rights, Amnesty International Says
- White House Downplays Report of Missing Arms in Iraq
- Syria Test-Fires 3 Scud Missiles
- Bush S.E.C. Pick Is Seen as Friend to Corporations
- Hiding the Data on Drug Trials Continues
- A.I.G. Profit Is Reduced by \$4 Billion in Restatements
- Venture capitalist arrested on charges of stealing nearly \$9 million
- Worker health benefits shrink
- ISM: US factory activity falls in May for 6th month in row
- Crude Oil Closes at \$55.03 on June 3, 2005, only a few dollars off its record high
- Bush administration "doctors" global warming report

But the key headlines for today's update focuses on the **chronic US job situation**, a topic given considerable coverage in the first two articles of this series:

**June 2, 2005** -- US corporations announced **82,283 job cuts in May**, a 42% increase from April, outplacement firm Challenger Gray & Christmas said. Many of the planned layoffs were in **manufacturing**, especially computers, where job cuts surged to 17,886 in May as companies reacted to weak demand.

**June 3, 2005** -- Wall Street finished a disheartening week sharply lower today after **the Labor Department reported the slowest job growth in nearly two years**, exacerbating concerns about the health of the US economy -- Dow Sheds 93, Nasdaq Loses 26.



**June 7, 2005** – GM to cut **25,000 jobs** in the United States.

**The June 3<sup>rd</sup> Labor Department's report said that US payrolls increased by only 78,000, the lowest since August 2003.** Surprised economists were expecting much stronger job growth in May, forecasting an average gain of 186,000.

Also on June 3, 2005, the government revised down its original payroll growth figure for March 2005 by 24,000, to 122,000.

**Factory employment fell by 7,000 in May, following a loss of 9,000 in April.** May's reduction was the 10<sup>th</sup> factory employment decline in the past 12 months. Since August 2004, factory employment has decreased by 67,000.

Nearly half of the employment gains in May 2005 -- 36,000 -- were related to the housing market -- itself raising concerns of an over-inflated "bubble" in recent months.

People are looking at the 78,000 (jobs in May 2005) and going 'gee wiz' we're back to a weak economy," said Lincoln Anderson, chief investment officer at LP Financial Services.

**General Motors** plans to eliminate 25,000 manufacturing jobs in the United States by 2008 and close plants as part of a strategy to revive North American business at the world's largest automaker, its chairman said on June 7, 2005 at GM's 97th annual shareholder meeting in Delaware.

Aside from companies like GM, the lack of profitability is *not* the reason relatively few new jobs are being created. US corporations' before-tax profits rose a record 23.6% to \$1.307 trillion annualized in the first quarter of 2005. The increase brought the year-over-year growth up to 35.9%, the fastest profit growth since the third quarter of 1987. Economists at Bear Stearns noted that *corporate profits as a share of GDP have risen to the highest level in over 37 years.*

Nearly four years after the official 2001 recession ended, the US monthly job additions are still far short of the level needed to allow the US economy to recover from the lowered standards of living and lost savings that ongoing unemployment have caused.

At 2071, the Nasdaq's June 3<sup>rd</sup> close was still down 4.8% for 2005. And it's still an enormous 25% shy of its 2757 level of January 22, 2001, just to choose a date.

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About Russell F. Henke: Russell F. Henke, PhD, FSME, PE, FASME, is president of *Henke Associates*, business/management consultants to over 30 hi-technology client companies worldwide for the last nine+ years. During the previous 25 years -- while serving as corporate officer, board member or entrepreneur -- he was active in developing, marketing, selling and supporting commercially-successful applications software & global professional services in electronic design automation (EDA); finite element analysis and Mechanical CAD/CAM, including the most modern Internet e-commerce; as well as industrial and electronics manufacturing. He held consecutive corporate executive positions at Mentor Graphics Corporation, Automation Technology Products, Gould Electronics, Schlumberger Applicon, and SDRC. He started his career in the machine tool training program at the Cincinnati Milling Machine Company and simultaneously earned ME, MS and PhD degrees at the University of Cincinnati. Henke also "moonlighted" as an adjunct assistant professor, teaching mathematics and engineering for 13

years. In 1989, Henke received a Distinguished Alumnus Award from UC. A member of ASME, IEEE and the SME, Henke was elected an SME Fellow in Class of 2000, one of only 225 Fellows in SME's entire history. Henke was also elected in 2001 by the SME Membership as an International SME Director. Henke received an award for Professional Leadership from the IEEE in 2002. He was elected an ASME International Fellow in 2003. <http://www.henkeassociates.net>

About CAD-Portal.com: Founded in April 2000, CAD-Portal.com provides a website community that unites the best CAD resources on the internet. The website focuses on MCAD, ECAD, AEC, GIS and more, as well as hosting TechniCom's eWeekly newsletter. eWeekly focuses on the mechanical CAD/CAM/CAE/PLM marketplace. Each issue provides the latest industry news, events, and is often added to by industry analysts who provide reviews of the latest software and tools. CAD-Portal.com's internet engineering portal allows users to contribute and get feedback in an interactive environment. The various forums are used by customers and industry experts, which enables CAD-Portal.com to be a non-partisan judge of the best CAD resources on the internet. CAD-Portal.com's technology partner, TechniCom, Inc., a leading market research and consulting firm, focuses on the dynamics surrounding the mechanical engineering design and manufacturing marketplace. <http://www.cad-portal.com>.