Signs of economic slowdown mount in US

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Signs of an economic slowdown are mounting in the US with rising layoffs and unemployment claims. According to John Challenger of the Chicago outplacement firm Challenger, Gray & Christmas, layoffs are running at a pace 53 percent ahead of 1997.

New claims for unemployment insurance are at their highest level in three months. 318,000 applied for unemployment in the week ended October 17, up 2,000 from the preceding week. The number of workers already claiming benefits rose to 2.23 million in the week of October 10.

Over the past several days a number of major firms have announced layoffs, adding to the toll of recent weeks. Those announcing job cuts include auto parts suppliers Dana Corporation and Tenneco, and tractor maker Deere & Co. Cuts continue at financial institutions as well as oil and chemical companies.

Toledo, Ohio-based Dana Corporation is eliminating 3,500 jobs as part of a cost-cutting reorganization. The auto parts supplier plans to shut 15 factories and 30 warehouses in an effort to save $575 million over the next two years. The downsizing follows Dana's purchase of Connecticut-based Echlin last summer. All the plants being closed are former Echlin facilities.

Another auto parts supplier, Connecticut-based Tenneco, is cutting 1,000 jobs. The company is also considering closing plants and distribution facilities in an effort to slash costs.

A report in the October 21 *Detroit News* warned of a further shakeout in the auto parts industry as a result of declining sales in Asia and Latin America and tighter domestic competition. Among the companies facing pressure is Lear Seating, whose shares fell 21 percent this week after reporting lower than expected profits.

In the Midwest Deere & Co. is laying off 300 workers at plants in Waterloo, Iowa and Moline, Illinois because of falling sales of agricultural equipment. The company also announced an incentive plan to encourage 1,400 eligible workers to take early retirement.

The impact of the economic slowdown is being felt in Canada, where Canadian National Railway says it will cut 3,000 jobs, 14 percent of its work force. The railroad said freight carloads fell by 9 percent in the third quarter of 1998. Part of the decline came from reduced coal exports to Asian steel mills.

Other signs of a slowdown include a fall in US housing starts in September. New home construction dropped by 2.5 percent last month, the second straight monthly decline.

In an interview with the *World Socialist Web Site* John Challenger predicted more effects from the crisis overseas on the US economy. "I don't think we are at the peak of the impact of the crisis yet on the United States. There has been a huge increase in layoffs since 1997. The September total was two times higher than expected. There are no figures yet for October, but it would seem the pace is continuing.

"Asia is one of the primary reasons for concern. Asian deflation is affecting our markets. Not only can you not sell goods and services overseas, many domestic companies are facing tougher competition as companies worldwide are coming in to sell goods and services at lower prices than before. I think deflation is a real risk. I think the unemployment rate is going to move up."

A poll of economists conducted by the Reuters news agency found most expect higher US unemployment. Elliot Platt of Donaldson, Lufkin & Jenrette said he expects unemployment to increase to 5 percent by the third quarter of 1999.

Federal Reserve Vice Chair Alice Rivlin also predicted a slowing economy. She defended the recent surprise interest rate cut by the Federal Reserve, declaring, "The economy is likely slowing down and we think that lower rates are appropriate at this juncture." She said the central bank acted to shield the US from the spreading global financial chaos and was seeking to "work with the other industrialized world economies to stop the spread of the contagion and restore confidence in world markets."

The impact of deflationary pressure is reflected in sharply lower profits for producers of oil, metals and other raw materials. Copper giant Phelps Dodge is slashing 700 jobs and cutting production at facilities in the United States and Chile, citing what it called the lowest prices of the century. About 500 of the job cuts will take place in New Mexico.

Falling prices have also hurt US oil companies. Petroleum giants Exxon and Texaco reported sharply lower profits for the third consecutive quarter. Amoco, meanwhile, reported its fourth quarterly decline. Profits at Exxon, the largest US oil company, fell 23 percent while profits at Texaco fell 58 percent. The drop at Amoco was 54 percent. These results follow layoff announcements earlier this month at Shell and Arco. Crude oil is now at its lowest price since 1986, with an average price of $14.15 in the third quarter of 1998.

Chemical producers have also been hurt by slumping prices. Indiana-based Great Lakes Chemical says it will slash 600 jobs, 12 percent of its work force. The company is attempting to cut costs by consolidating its operations.

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[1 September 1998]