Another 100,000 jobs slashed as US economic slowdown deepens

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Payroll employment fell by 108,000 jobs in March, according to figures reported Friday by the US Department of Labor. The agency also revised its February data to show a decline of 357,000 jobs, considerably worse than the 308,000 figure initially reported. US employment has dropped by more than half a million since the start of the year, and by 2.6 million since George W. Bush entered the White House in January 2001.

The nominal unemployment rate remained at 5.8 percent, despite the continuing hemorrhage in jobs, because so many thousands of workers dropped out of the labor force and were no longer counted as actively seeking work. The figures were also skewed by the call-up of 210,000 military reservists in February and March—workers removed from the job market involuntarily.

Manufacturing jobs fell by 36,000 and jobs in transportation by 13,000. Since January, 2001 the airline industry alone has cut 159,000 jobs. Construction jobs increased by 21,000, after the end of a period of worse than usual winter weather in the northern states. Jobs in the financial and real estate area also rose by 12,000, largely due to the continuing boom in home refinancing.

Another Labor Department report, issued Thursday, found that new claims for unemployment benefits had soared by 38,000 to 445,000 for the week ending May 29. It was the highest level of new claims in nearly a year. The four-week moving average of new claims topped the 400,000 mark for the fifth straight week, a level considered by government and business economists to signal extreme weakness in the job market.

A series of other reports showed slowing growth or outright contraction in the US economy:

The Institute for Supply Management reported April 1 that its index of factory business conditions showed a contraction in March, the first since January 2002.

The Commerce Department reported April 2 that factory orders fell 1.5 percent for the month of February, despite a 27.1 percent rise in orders for military goods. Commercial aircraft, computers, chemicals and industrial machinery all showed double digit decreases. The drop was the first since last October.

Factory inventories rose 0.4 percent in February, adding to a 0.1 percent rise in January, a sign that unsold goods are beginning to pile up.

Surveys of manufacturers by Federal Reserve branch banks in Philadelphia, New York City and Richmond, Virginia showed a deterioration in new orders, hiring and overall conditions.

The Conference Board's index of consumer confidence fell in March to its lowest level in almost ten years, a reading of 62.5 (with 100 considered to be the neutral point between pessimism and optimism about the future of the economy).

The Census Bureau reported that the number of housing starts fell 11 percent in February, despite mortgage rates near a three-decade low.

In a pessimistic account of the prospects for the US economy, the *New York Times* noted that the stagnation of the past two years has been attributed to a succession of "accidents"—the September 11 terrorist attacks, financial scandals at Enron, WorldCom and other giant corporations, and now the war with Iraq.

"With each new month of layoffs and other corporate cost-cutting, however, the exceptions begin to look more like a rule," the newspaper said. "Increasingly, corporate executives and some economists worry that the slow-growth economy of the last three years might in fact be the new reality, one that will bedevil workers and investors for a few more years."

The *Times* cited a speech March 20 by William McDonough, president of the Federal Reserve Bank of New York, second only to Federal Reserve Chairman Alan Greenspan in influence on economic policy. "The effects of the bursting of the stock market bubble have proven to be far more long term and pervasive than expected," McDonough declared, pointing in particular to concerns over corporate accounting and mismanagement.

March has also seen a series of financial debacles for major corporations that, but for the war, would have dominated the headlines. Magellan Health Services, the largest US provider of mental health care, filed for Chapter 11 bankruptcy March 11. WorldCom, the long-distance telephone giant which filed the largest-ever US bankruptcy last year, announced it was writing off $45 billion in good will and writing down $44.8 billion in equipment and other assets to only $10 billion, for a total write-off of $79.8 billion.

Ford Motor Company said it would cut second-quarter production by 17 percent, while Intel Corp., the biggest producer of computer chips, lowered its sales forecast for the first quarter. The Securities and Exchange Commission charged HealthSouth, a large health care provider, with accounting fraud to the tune of $1.4 billion.

Overshadowing even these disasters is the virtual collapse of the airline industry. The Air Transport Association, the airline industry trade group, told Congress April 1 that the industry would lose $11 billion this year, up from previous estimates of $7 billion because of the impact on air travel of the war in Iraq. The same day the biggest Canadian airline, Air Canada, filed for bankruptcy. American Airlines, the largest in the US, temporarily avoided bankruptcy when its unions agreed to $1.8 billion in concessions to ease its immediate cash-flow crisis.