US jobs and sales figures indicate weakening economy

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The US Labor Department on Friday issued its employment report for November, showing slower job growth than had been expected. Only 112,000 new jobs were created, compared to forecasts of 180,000.

The number of additional jobs barely exceeded the number of new workers classified as seeking employment, causing a slight drop in the official unemployment rate to 5.4 percent. The Bureau of Labor Statistics also adjusted downward its figures for new jobs created in October (from 337,000 to 303,000) and September (from 139,000 to 119,000).

Manufacturing jobs continued to decline, falling by 5,000 in November. This was the third straight month in which factory jobs declined, continuing a long-standing process in which better-paid jobs are wiped out and replaced by low-paying service jobs and temporary employment.

The November report, however, also showed a decline of 16,000 retail jobs, in spite of the traditional November surge in consumer sales. To cut costs, many retailers have been introducing productivity-boosting measures, such as self-service checkout lines.

Most ominous was a sharp fall in auto sales, prompting both General Motors and Ford to announce production cuts for the new year. The US auto industry registered a sales decline in November to 1.2 million new cars, a 4.9 percent drop from the same month last year.

Sales at General Motors, the world's largest auto company, fell much more than the industry average, down 16.7 percent from a year ago. Ford's sales declined 7.4 percent. The decline in sales occurred despite new incentives offered by the companies.

A surplus of inventory has led GM to announce that 9,000 workers will be temporarily laid off early next year. GM had previously announced plans to permanently lay off 900 workers at its Pontiac Assembly Plant in Michigan.

Major companies that have announced job cuts in recent weeks include Cingular Wireless, which plans to cut 7,000 jobs over the next year, SBC Communications, which will slash more than 10,000 jobs by the end of 2005, and Delta Airlines, which said it plans to cut nearly 7,000 jobs over the next year and a half. All the major airlines are in the process of cutting jobs, wages and benefits as they place the burden of their economic problems on the backs of their workers.

Average hourly earnings figures for the month of October showed that real wages are falling as job growth stagnates. The nominal hourly wage increased by only one cent, from $15.82 to $15.83, less than the rate of inflation. Many workers have been hard hit by rising prices on major commodities, particularly gasoline, that have not been offset by wage increases.

The jobs figures followed a report released on Thursday indicating a slow start to the traditional holiday sales period between Thanksgiving and Christmas. Sales at retail stores open for at least one year rose only 1.7 percent in November. In comparison, retail sales in November 2003 rose 3.7 percent. Michael Niemira, chief economist at the International Council of Shopping Centers, which issued the report, noted, "The breadth of the weakness was certainly evident."

The only major increase in sales came at stores that sell luxury goods, which, as a group, saw their sales rise 5.2 percent. Sales at discount stores rose only 1 percent, with discount giant Wal-Mart seeing a meager 0.7 percent growth. Even mid-range stores faired poorly, with Gap sales falling 4 percent and Guess rising only 0.5 percent.

The disparity in sales growth is the continuation of a trend and an indication of growing social inequality.

High gas prices and a stagnating jobs market are hitting broad sections of the working class, resulting in declining purchasing power, while a small section of the population comprising the very rich continues to increase its wealth. [See “America’s super-rich look forward to a merry Christmas”].

Weak jobs growth provoked a further decline in the dollar on Friday, with the euro trading at a record high of $1.34. The European currency has been rising steadily and rapidly with respect to the dollar over the past several months, reflecting investor concern over massive US trade and budget deficits and sluggish economic growth.