US: slowest job growth in two years fuels concerns on economy

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The US Labor Department reported Friday that employers added only 78,000 workers to their payrolls last month, the weakest month for non-farm job growth since August 2003. The Dow Jones stock market index fell 92.52 on Friday, or 0.88 percent, on the news.

Following an increase of 274,000 jobs in April, Wall Street analysts had predicted payroll increases of 185,000 in May. The Labor Department reported: “Payroll employment continued to grow over the month in health care and construction, but was little changed in the other major industry sectors.” Factory payrolls declined by 7,000 in May, the third straight monthly drop.

In his weekly radio address on Saturday, President Bush chose to ignore the jobs report, commenting, “America’s economy is on the right track. Small businesses are flourishing. Factory output is growing. And families are taking home more of what they earn.”

The data from the Labor Department report, however, paint a different picture. Manufacturing employment was essentially unchanged in May. Since August 2004, factory employment has decreased by 67,000 jobs.

The only major industry sectors to show any significant growth were health care, which added 26,000 jobs, and construction, which showed a 26,000 gain.

Following a sizable growth in April, leisure and hospitality employment showed little growth in May. Employment was also little changed in financial and business services, and temporary help services employment remained unchanged. In the last three months, growth in the financial/business sector has averaged only about 18,000 jobs a month, compared to 52,000 per month during the 12 months ending in February.

Employment in the high-tech and information industries edged down in May, with job losses in both the motion picture and sound recording industries. Computer companies announced 17,886 job cuts in May.

In another indication of a weakening economy, the number of Americans filing for jobless benefits for the first time rose in the last week of May to a two-month high, reflecting temporary layoffs in the auto industry and other manufacturing sectors. The US Labor Department reported Thursday that initial claims rose by 25,000 to 350,000, the highest level since the week ended March 26.

A Labor Department spokesman said “a significant portion” of the rise in jobless filings in May could be attributed to temporary layoffs in the auto industry. These layoffs were unrelated to the industry’s annual retooling for the new model year, which can be anticipated in the upcoming summer months.

The number of workers who remained on the jobless rolls after claiming an initial week of benefits also edged higher, rising by 32,000 to 2.6 million in the week ended May 21. The outplacement firm Challenger, Gray & Christmas reported Friday that US employers announced 82,283 job cuts in May, up from 57,861 in April, and up 12 percent from May 2004.

The spike in jobless claims for auto workers is another sign of downturn in the US auto industry. On Wednesday, General Motors Corp. and Ford Motor Co. said they will trim production this summer, contradicting earlier predictions by industry analysts that demand would pick up in the second half of 2005. In addition to assembly workers, auto parts workers are also expected to be hit by layoffs in the coming months.

Both GM and Ford posted big sales declines in May, reflecting conditions in a generally weak auto market. GM plans production cuts of 9 percent in the July-

September quarter from year-earlier levels, while Ford plans a smaller 2.3 percent cutback.

Overall US car and light truck sales fell sharply in May, down 8 percent, to an annual selling rate of 16.7 million vehicles. May 2004 saw an annual selling rate of 17.7 million. Each of the Big Three auto makers saw sales slump in May, with GM down 12.8 percent, Ford down 10.4 percent and DaimlerChrysler down 2.5 percent.

GM's slump was attributed in large part to declining demand for its large sport utility vehicles. After strong auto sales in March and April, high gas prices and rising interest rates began to push sales down sharply last month. Sales are off 1 percent so far this year, with falling light truck sales accounting for much of the decline.

Ford sales analyst George Pipas told the *Detroit News* that after more than three years of sales spurred by sales incentives to auto industry employees, "There are plenty of new cars and trucks in people's garages. The consumer has taken a little pause."

General Motors' inventory of unsold vehicles totaled 1.2 million in May. In an effort to clear these vehicles out, GM plans to extend its employee discounts to all customers during the month of June. Mike Chung of the auto research site Edmunds.com commented to the *News*, "That's a really drastic measure.... It won't change prices that much, but it shows the direction in which they're heading—they're willing to pull out all the stops to get that inventory cleared out."

Building on the recent trend, GM and Ford lost ground overall last month to their Asian rivals, with Detroit automakers' market share falling to 57.6 percent in May from 58.7 percent in May 2004. But while Nissan Motor Co. posted a 6 percent sales gain in May, Honda sales dropped a hefty 14.7 percent—an indication that the auto slump is taking on global dimensions.

While the official US jobless rate for May declined slightly to 5.1 percent in May from 5.2 percent in April, the figure does not take into account those who have run out of benefits and stopped looking for work.