# Layoffs soar as US plunges deeper into recession

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New economic reports show that the severity of the US recession and the speed with which it is developing are greater than anticipated by economists and business forecasters. Data released Wednesday reveal a sharp rise in layoffs in virtually every sector of the economy, continuing distress in credit markets, financial instability and slumping consumer demand. The indices portend a recession more severe and protracted than any since the Great Depression of the 1930s.

Two separate surveys published Wednesday show that layoffs are mounting at record or near-record rates. The job placement firm Challenger, Gray & Christmas reported that job cuts announced by American employers in November more than doubled from a year earlier, led by a surge in layoffs by financial firms.

Layoff announcements last month rose 148 percent to 181,671, the most since January 2002, as compared to 73,140 job cuts announced in November of 2007. The number of planned job cuts increased 61 percent in November from the 112,884 announced in October, Challenger said.

The November total was the second highest on record, behind the 248,475 planned layoffs announced in January 2002, in the aftermath of 9/11.

Financial companies led industries in announced job cuts with 91,356 last month after Citigroup said it would cut 52,000 workers from its payroll. Retail employers followed with 11,073 firings, while computer and electronics firms combined for 15,350 cuts.

For the year to date, Challenger said the financial industry has slashed 220,506 jobs, compared to 147,395 jobs cut at this time last year.

The Challenger report showed companies have announced a total of 1,057,645 cuts so far this year, up 46 percent from the same period in 2007.

In a separate report, ADP Employer Services, which tracks private sector employment in the US, said companies slashed 250,000 jobs in November, the highest monthly total since November 2001. The figure was larger than forecast and followed an upwardly-revised figure of 179,000 for October.

"The report shows a broad and deep contraction in all nooks and crannies of the economy," said Joel Prakken, chairman of Macroeconomic Advisers LLC in St. Louis. "We're teetering over the edge of a hill and we're going to be rolling down it for a while." Macroeconomic Advisers produces the report jointly with ADP.

The median forecast of economists for the November ADP report had been 200,000.

Wednesday's survey showed a decline of 118,000 jobs in manufacturing, which has lost jobs in the US for 27 straight months. Employment in construction fell 44,000, the $24^{th}$ straight month of job cuts in that industry. Construction firms have laid off 521,000 workers since August 2006. Service providers cut 92,000 jobs in November.

Also on Wednesday, the Institute for Supply Management (ISM) said its November index of non-manufacturing businesses dropped to the lowest level in its 11-year history, with a record low in its employment gauge.

The ISM said its non-manufacturing index registered 37.3, below October's already weak 44.4. Anything below 50 signifies a business contraction. The November index was much worse than the median forecast of 42.0 in a Reuters poll of 71 economists.

The ISM employment index fell to another record of 31.3, signaling heavy layoffs, from 41.5 in October. New orders hit a new low at 35.4, from 44 the prior month.

"This is consistent with payrolls falling by about 500,000. Let's hope it is very wrong," said Ian Shepherdson, chief US economist at High Frequency Economics in Valhalla, New York.

The service sector includes businesses such as banks, airlines, hotels and restaurants. In the US, 80 percent of the economy is driven by the service sector.

"The severe damage to the service industry is another indication of the extraordinary force of this recession," said Pierre Ellis, senior economist at Decision Economics in New York.

The dire situation outlined by these private reports was underscored by the national economic survey released by the Federal Reserve Board on Wednesday in its so-called beige book snap shot of the US economy. Covering the period since the middle of October, the Fed reported that economic activity had weakened substantially in all of the country's twelve Federal Reserve districts.

"Districts generally reported decreases in retail sales, and vehicle sales were down significantly in most districts," said the beige book. The report noted that tourism spending was down and reports on the service sector were "generally negative." The report also found that manufacturing activity had declined in most districts, that nearly all reported weak housing markets, that commercial real estate markets had generally declined and that lending standards had tightened. The Fed added that one positive sector in its mid-October beige book report, energy and mining, had turned downward as a result of sharply falling commodity prices.

The New York Fed said its regional economy "deteriorated substantially" since the last report in mid-October. The San Francisco Fed said business "weakened decidedly," while the Chicago Fed said contacts "expressed concern over the potential length of this downturn."

Among the few "bright spots" noted by the Fed, where businesses were able to profit from the prevailing weakness, was a "growing demand for bankruptcy services" reported by the Minneapolis and Dallas districts.

In the wake of these reports, Goldman Sachs and Morgan Stanley analysts forecast a contraction in the US economy this quarter of about 5 percent.

"We are looking at an economy that is not only in recession, but a recession that is deepening rapidly," former Fed Governor Lyle Gramley, now senior economic adviser at Stanford Group Co., said in an interview on Bloomberg Television.

These calamitous figures come in advance of Friday's Labor Department report on US unemployment for November. It is certain that the report will show a net decline in payrolls for the 11th consecutive month. Payrolls last month fell by 325,000 after declining by 240,000 in October. According to government figures, total job losses in the US have risen to 1.2 million so far this year.

Prior to Wednesday's reports, most economists were forecasting a net job loss of 325,000 to 350,000 for November and a rise in the official jobless rate from 6.5 percent to 6.8 percent. However, in light of the latest economic surveys, some economists are now predicting the Labor Department report will show a net loss of 400,000 to 500,000 jobs.

This week alone major job cuts and downsizing plans have been announced by companies that span virtually all economic sectors.

* United States Steel Corp. said late Tuesday it will temporarily idle its Great Lakes Works plan in Ecorse, Michigan and two other facilities due to falling demand for steel products. The action will affect about 3,500 workers at the three plants. In addition to the Great Lakes plant, the company is idling Keetac, an iron ore mining and palletizing facility in Keewatin, Minnesota and the Granite City Works near St. Louis.

The layoffs affect more than 13 percent of US Steel's North American workforce of 26,000. No date has been set for reopening the facilities. The new layoffs follow the announced layoff in mid-November of 675 workers in the US and Canada.

* Delta Airlines announced Tuesday it will cut its capacity by 6 to 8 percent and offer buyout packages to slash its workforce. Delta acquired Northwest Airlines in October and employs 75,000 workers. This year Delta cut 4,000 jobs, or about 7.3 percent of its total workforce. Northwest eliminated 2,500 jobs, or 8.1 percent of its payroll.

* Sears Holdings said Tuesday it may close more stores after a steeper-than-expected quarterly loss. The company, the product of a merger of Sears and Kmart carried out three years ago, posted a net loss of $146 million, more than twice the loss analysts had predicted. It recently confirmed 22 store closings and now says it may close other Sears and Kmart stores.

* Palm, the US-based maker of PDAs and the Treo smartphone, reported that its sales in the latest quarter had almost halved and said it would cut costs by 20 percent by slashing its workforce and downsizing its European operations.

Fueling the surge in layoffs is a sharp contraction of economic activity not only in the US, but globally. Auto sales in the US plummeted by 37 percent in November to a 26-year monthly low, but they also fell 18 percent in Germany, Europe's biggest car market.

The downward spiral in production and sales, intensified by a continuing near-freeze in credit markets, is reflected in falling commodity prices that portend global deflation. Oil prices on Tuesday sank to their lowest levels in three-and-a-half years, falling to $46.82 a barrel from July's record of $147.27.

The price of key industrial metals has fallen further over the last four months than occurred during the worst years of the Great Depression between 1929 and 1933, according to research by Barclays Capital. Prices for copper, lead and zinc have fallen roughly 60 percent since the peak last July.

The intensifying slump is being utilized by companies to drive down the wages of workers in the US and around the world. In the third quarter, hourly compensation in the US rose 4.1 percent. But real compensation, adjusted for inflation, fell 2.4 percent.