US jobs, manufacturing, housing figures point to deeper slump

Barry Grey
21 April 2012

Economic figures released this week on jobs, manufacturing and housing point to a downturn in US growth. The statistics reflect the unsustainable and marginal character of the uptick of previous months, which was hailed by the Obama administration as the start of a more robust economic recovery.

On Thursday, the Labor Department reported that a seasonally adjusted 386,000 initial claims for unemployment benefits were filed last week. This was 6,000 higher than the 380,000 initially reported the previous week, but 2,000 lower than the upwardly revised estimate for the week before of 388,000.

The figure was far higher than the 365,000 forecast by economists and brought the average number of people seeking jobless benefits over the past month to a three-month high. The figure was 361,000 in mid-February.

The less volatile four-week average of unemployment claims rose last week by 5,500 to 374,750, the fifth increase in seven weeks.

The rise in jobless claims provides only a pale indication of the level of social distress resulting from four years of mass unemployment. The Labor Department report noted that a total of 6.67 million people were receiving state or federal jobless benefits last week. This amounts to just 52 percent of the 12.7 million people counted as unemployed in the department's most recent employment report, released earlier this month.

The percentage of unemployed people who receive benefits will shrink further. In February, the Obama administration and Congress cut the duration of federally funded extended unemployment benefits, even as state governments across the country were reducing the length of regular jobless benefits.

The jobless claims figures follow the employment report for March, which showed an increase in non-farm payrolls of only 120,000, less than half the average increase over the previous three months and not even sufficient to keep pace with normal population growth.

These signs of a faltering jobs market were reinforced by dismal manufacturing data released this week. The Federal Reserve issued a report on manufacturing across the country that showed a 0.2 percent decline in March, the biggest drop since April of 2011.

The Federal Reserve Bank of New York reported that manufacturing in the New York region grew this month at its slowest pace in five months. The New York Fed's general economic index decreased to 6.6 from 20.2 in March. Economists had expected the index to fall to 18.

The Federal Reserve of Philadelphia released its regional report on Thursday, likewise showing a slowdown in manufacturing growth in April. The Philadelphia Fed's general economic index decreased to 8.5 this month, the lowest level since January, from 12.5 in March. Economists had forecast the index would remain at 12.5 or fall marginally to 12.

On the housing front, the National Association of Realtors reported Thursday that sales of previously owned homes fell in March for the second consecutive month. Sales unexpectedly fell 2.6 percent to a seasonally adjusted annual rate of 4.48 million. Economists had forecast a substantial increase.

It takes 6 million sales a year to produce what economists consider a healthy housing market. Sales fell across most of the country, with the West recording the worst drop, 7.4 percent.

These figures have raised fears that the pattern of the previous two years will be repeated, in which economic growth spurts in the winter months, only to collapse in the spring. Last month, Federal Reserve Chairman Ben

Bernanke warned that the decline of the nominal unemployment rate from 8.9 percent in October to 8.3 percent (8.2 percent in the employment report released in early April) could not be sustained without a significant increase in the rate of economic growth. He noted that the spurt in job creation of the previous several months reflected a tapering off of layoffs rather than an increase in new hiring.

What Bernanke did not say is that most of the job gains were based on deep cuts in wages and labor costs. Both in manufacturing and the public sector, employers have taken their lead from Obama's 50 percent cut in wages for newly hired auto workers under his restructuring of General Motors and Chrysler to impose near poverty-level wages and slash pensions, health care and other benefits. Workers desperate for a job have been forced to accept positions that pay a fraction of their previous wages and benefits.

And far from the US economy accelerating, economists estimate that it grew by only 2 percent in the first quarter of 2012, compared to a 3 percent rate of growth in the final three months of 2011. As David Rosenberg, chief economist for investment firm Gluskin Sheff, told the *Wall Street Journal*, "It's been the weakest recovery in the post-World War II period, and that hasn't changed."

This is occurring, moreover, in the context of a global slowdown that is reducing markets for US exports. Europe is sliding into recession, unemployment in the euro zone is at a record high 10.8 percent, and the debt crisis is once again exploding.

Economic growth has also decelerated significantly in the major emerging economies of Asia as well as Latin America. Growth is slowing in China and India as well as Brazil.

These developments expose the fraud of official claims of a healthy recovery. When the miserable March employment report was released on April 6, President Obama exuded indifference and cynicism, saying, "We welcome today's news that our businesses created another 121,000 jobs last month and the unemployment rate ticked down." His labor secretary, Hilda Solis, declared, "Our economy is growing and our recovery is durable."

Aside from the bare numbers, a growing list of layoff announcements testifies to the ongoing attack on jobs. The New York State Department of Labor reported Thursday that Wall Street brokerages laid off 1,400 employees in March. New layoffs announced this week include 2,000 by the solar energy firm First Solar, 400 at the Hanford nuclear site in Washington State, more than 300 PrimeFlight ground handlers at Texas airports, and 163 coal miners hit by the closure of the Advantage Mine in eastern Kentucky.

Layoffs of public workers and teachers continue apace. Budget cuts enacted by the Washington state legislature will result in the loss of 1,266 full-time state workers' jobs, and Cincinnati Public Schools voted this week to eliminate 10 percent of its teaching staff, laying off 237 teachers.

Corporate profits, on the other hand, continue to soar. Of the 105 companies in the S&P 500 stock index that have reported quarterly results to date, more than 80 percent have exceeded expectations, according to Thomson Reuters. Analysts are expecting S&P 500 first-quarter earnings overall to increase by 6 percent.