Amid renewed signs of economic slump

Bank of America to lay off 16,000 workers

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Bank of America, the second largest bank-holding company in the US, plans to lay off 16,000 workers by the end of the year, according to reports published Thursday in the *Financial Times* and *Wall Street Journal*.

Some 200 branches will be closed by the end of the year, in addition to the 178 that were shuttered last year. The company intends to cut 5,300 customer-facing banking jobs, and to slash another 3,200 in the retail mortgage department, according to the *Journal*.

The news follows the announcement by American Airlines earlier this week that it is sending layoff notices to 11,000 employees, 4,400 of whom the company says it actually intends to lay off.

A group of gloomy economic figures formed the backdrop to the announcements by Bank of America and American Airlines. The four-week moving average of unemployment benefit applications rose for the fifth time in as many weeks, to 377,750, the Labor Department said Thursday. Readings above 375,000 are taken to indicate that the job market is not improving.

A blog post from Political Calculations republished on Business Insider noted that the report "indicates that the pace of layoffs in the United States is accelerating at the fastest pace since the 2007 recession began."

Manufacturing in the US had its worst three months since the third quarter of 2009, Markit, the financial information services company, said Thursday. The company's flash US manufacturing purchasing managers index was unchanged at 51.5 this month, indicating anemic growth. Export orders, meanwhile, fell for the fourth month in a row.

The publication of the Markit report coincided with negative information from The Federal Reserve Bank of Philadelphia, which said that its index of regional manufacturing was again below zero in September. Although the index improved slightly, it was the fifth consecutive negative reading since May. Nearly a quarter of companies in the Philadelphia region reported decreases in manufacturing activity.

Meanwhile the Conference Board's index of leading indicators for the United States fell 0.1 percent last month, the group said Thursday. Consumer confidence, average weekly manufacturing hours, and manufacturing orders all fell.

The official US unemployment rate fell from 8.3 to 8.1 percent in August, largely due to the fact that workers left the labor force en masse. But unemployment rates increased in 26 states, and remained unchanged in 12, the Labor Department said Friday, indicating a significant worsening of employment conditions.

Michigan's unemployment rate shot up, rising to 9.4 percent in August from 9 percent in July. This was the fourth consecutive increase in the state's unemployment rate.

The visible worsening of the economic situation has led a number of companies to sharply reduce their earnings projections. FedEx, the global shipping company, said Tuesday that its earnings could drop by six percent next year as the global economy slows. This was followed by the announcement that Norfolk Southern Corp, the third largest US rail operator, is cutting its profit forecast, reflecting reduced shipments of coal and manufactured goods.

The week before, Alpha Natural Resources, the coal operator, said it would slash production by 16 million tons, eliminate 1,200 jobs, and shut down mines in West Virginia, Pennsylvania, and Virginia. The layoffs will amount to one tenth of the company's workforce, which totals 13,000.

The negative economic figures in the United States are part of a global economic slump. A Purchasing Managers Index figure for China released Thursday by HSBC and Markit indicated that the country's manufacturing activity contracted for the 11th month in a row. The index was up slightly to 47.8 in September, compared to 47.6 in August (with readings below 50 indicating contraction).

Markit said that its purchasing managers' index for the Euro Area fell to 45.9, down from 46.3. The Japanese government likewise said this week that exports fell by 5.8 percent in August, fueled by the slowdown in the Eurozone and other economies.

The unexpected slowdown in exports was likely a significant factor in the Japanese government's decision to expand its policy of monetary easing, swelling its asset-purchasing fund by an additional 10 trillion yen.

The Japanese central bank's move followed the US Federal Reserve's announcement last week that it would pursue a third installment of its so-called "quantitative easing" program, in which the central bank would purchase $40 billion worth of Mortgage Backed Securities every month for the indefinite future.

The latest series of economic statistics clearly shows a significant deterioration of the US and global economy. But far from responding to the disaster by expanding social services and ramping up government hiring, the US and European countries have slashed spending and laid off hundreds of thousands of government employees, while handing out trillions of dollars to the banks in the form of bailouts and cheap money.