

US economy slows as companies announce thousands of layoffs

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1 March 2014

US economic growth slowed significantly in the final quarter of last year, the Commerce Department said Friday, while a number of major companies, including Best Buy, Boeing, Wells Fargo, and JPMorgan Chase announced thousands of layoffs this week.

The Bureau of Economic Analysis downgraded its estimate for real US economic growth in the fourth quarter of 2013 to 2.4 percent, down from its first estimate of 3.2 percent released at the end of January. Economists had predicted a slightly lower revision, to 2.5 percent.

The downward revision was substantially driven by a sharp reduction in the estimate of consumer spending growth, which was cut from 3.3 percent to 2.6 percent. The figure reflects the disastrous economic conditions facing the majority of consumers, squeezed by falling wages and high debts, pervasive mass unemployment, and cuts to bedrock antipoverty programs.

The economic growth rate of 2.4 percent is a significant reduction from the third quarter, when the US economy grew at a rate of 4.1 percent. Economists expect the economy to continue to slow, estimating a growth rate of 2 percent for the first quarter of 2014.

“Originally, we had really glowing expectations for the fourth quarter, but it’s been gradually beaten down,” said Guy Berger, an economist at RBS Securities, told the *New York Times*.

The lackluster figures for economic growth add to worse-than-expected jobs figures for the past two months. The US economy created 113,000 jobs in January, according to the Labor Department’s latest jobs report, far fewer than the 189,000 economists had predicted. December’s jobs report was even worse, showing the US added only 75,000 jobs.

Job growth in December and January was the worst for any two-month period since 2010, and well below

the already tepid monthly average of 160,000 from January through November of last year.

The largest decrease, however, came from government spending, which fell drastically, by 12.8 percent, in the fourth quarter, compared with a 1.5 percent increase in the third quarter. This reflected the effects of the October government shutdown and sequester budget cuts, as well as a significant cut to food stamps that took effect in November.

Stocks responded mostly positively to the poor jobs figures, as traders believed they would increase the likelihood that the Federal Reserve would continue its easy-money policies, including low interest rates and quantitative easing, for a longer period. The S&P 500 closed up by 5.16 points, or 0.28 percent, in the 47th record close over the past year. The index is up by more than 4.5 percent over the course of the past month.

The negative economic figures come amid a string of layoff announcements

* This week IBM began its planned series of layoffs that could entail the elimination of up to 15,000 workers, according to media reports. This will be on top of last year’s layoffs, in which some 3,000 workers lost their jobs.

* On Friday, aircraft maker Boeing said it would cut its workforce in San Antonio, Texas by up to 600 positions over the next two months.

* On Thursday, Pennsylvania’s Crozer-Keystone Health System, consisting of five hospitals said it will lay off 250 employees. A local newspaper reported, “[t]he company blamed factors including a drop in admissions, decreased state and federal funding, cuts in reimbursements and an increasing number of patients with no insurance or Medicaid.”

* On Wednesday, Wells Fargo & Co. announced it would lay off some 700 workers in its mortgage

division. The company said the cuts reflected lower demand for mortgages, noting, “We currently expect mortgage origination volumes to decline in first quarter 2014.”

* That same day, the *New York Post* reported that Best Buy plans to lay off some 2,000 employees, after a disastrous holiday shopping season in which sales fell 2.6 percent.

* On Tuesday, JPMorgan said it plans to eliminate some 8,000 jobs in its consumer and community banking departments, mostly in the home loan sector. The company said that the drop is attributable to a falloff in demand for mortgages and refinancing.

The deterioration of economic and jobs conditions comes as Congress and the White House cut off emergency federal jobless benefits at the end of last year for 1.3 million people. The number of people denied benefits has since increased by 576,000, bringing the total number of people to nearly two million. If one counts the members of their households, the figure affected could be as high as 6 million.

Earlier this month, Obama signed a bill slashing \$8.7 billion from the food stamp program, on top of a cut in November that totaled some \$11 billion.



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