

REPUBLICANS SCORE BROWNIE POINTS AS JOB GROWTH PLUMMETS AGAIN



For the third consecutive month the US Job growth has braked significantly. The unemployment rate, which was showing signs of declining, rose for the first time in the year and it seems that the reluctant government would be forced to dip into its coffers and provide monetary stimulus to the gasping economy. A mere 69,000 jobs were added last months, the lowest in more than a year. The report does not bode well for the President's chances in November. Republican opponent Mitt Romney said that the report was "a harsh indictment" of Obama's policies. "This is horrible," said Ian Shepherdson, chief economist at High Frequency Economics, a consulting firm. The jobless rate rose to 8.2 percent in May from 8.1 percent in April. However, analysts feel that it could be because of the return of people into the workforce searching for work. They had dropped out of the workforce and stopped looking for work. The report is a clear indication that the deepening debt crisis in Europe and a slowdown in China were having a demoralizing effect on the US economy. "The U.S. is not an island. What happens abroad matters here," said Diane Swonk, chief economist at Mesirow Financial in Chicago. "It is difficult for anyone to commit to hire when growth remains subdued, and our fiscal problems both at home and abroad appear to be compounding." Other countries also fared poorly. Chinese factory output remained virtually stagnant; manufacturing activity in Britain was its lowest in the last three years. Factory activity had also ebbed in Germany and France. The continued weak payrolls have again raised expectations that the Fed may launch bond purchases or provide monetary assistance in some other manner to help the flagging economy. However, the possibility of such a measure being announced in the next Fed meeting in mid-June, was remote. Economists had expected payrolls to rise 150,000 and the unemployment rate to hold steady at 8.1 percent. However, expectations have been belied for the third straight month. "There's clearly less (economic) momentum than Fed participants had anticipated," said Nigel Gault, chief U.S. economist at IHS Global Insight in Lexington, Massachusetts. "We expect the Fed will probably try to keep pumping in stimulus in some form in the second half of the year." In late 2008, the Fed reduced overnight interest rates to near zero and purchased \$2.3 trillion in bonds to try to stimulate a stronger recovery. However, a few economists believe that, considering the interest rates are already too low, there is not too much the Fed can do. Moreover there is stiff opposition to increased government spending and pointed political divisions in an election year. Obama, speaking to workers at a Honeywell plant in Minnesota asked Congress to include tax-incentives for businesses to hire more workers and help owners to refinance mortgages that could prevent foreclosures. "We've got responsibilities that are bigger than an election," he said. "My message to Congress is now is not the time to play politics. Now is not the time to sit on your hands." Many feel that the unexpected job growth in winter also makes the reports of the last three months pale in comparison. "I am disappointed in the data, but it's not the end of the world," said Ray Stone, an economist at Stone & McCarthy Research Associates in Princeton, New Jersey. Analysts say, that the economy must create approximately 125,000 jobs each month, to keep unemployment rates steady. In December 2007, prior to the recession, the labor force had 5 million jobs more than where it finds itself today. Around 23.2 million Americans were either jobless or underemployed last month. The private sector added a mere 82,000 positions. Government payrolls dropped by 13,000, as state and local governments laid off workers to tighten their budgets, by adopting austerity measures. Obama, in Minnesota, said that the economy is not creating jobs "as fast as we want" but vowed that it would improve. "We will come back stronger," he said. "We do have better days ahead."