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U.S. Adds 18,000 Jobs In June As Jobless Rate Climbs To 9.2 Percent

By Lila Shapiro
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The unemployment rate rose and the economy added far fewer jobs than anticipated in June, confirming fears that an economic slump has taken hold and further dashing hopes that a powerful recovery will be soon forthcoming.

Only 18,000 jobs were added to the American economy in June -- a blow to Wall Street expectations, which had estimated between 90,000 and 140,000 added jobs -- and the unemployment rate rose to 9.2 percent, according to the Bureau of Labor Statistics monthly employment report.

"Clearly it's a disappointing number," said **Bernard Baumohl,** chief global economist at The Economic Outlook Group. "There are just too many factors that are really creating downward pressure on new job growth, among which is the simple fact that the U.S. economy has slowed markedly from late last year."

"Companies are focused -- laser focused -- on keeping their costs down," **Baumohl** added. "And that means that they are not in a mood to hire unless there is a genuine reason to do so."

May's employment numbers were also revised downward on Friday, suggesting that this is more than just one month's bad numbers. The unemployment rate rose to 9.1 percent in May and only 25,000 jobs were added to the U.S. economy, cutting the 54,000 added jobs the Bureau's June report had estimated in half. Labor experts say a bare minimum of 125,000 jobs must be added each month simply to keep up with population growth.

Average hourly earnings for all private sector employees decreased in June by 1 cent to $22.99 and the average workweek decreased by .1 hour to 34.3. Meanwhile, more Americans gave up looking for work altogether, as the labor force participation rate fell to a 27-year low of 64.1 percent.

As Capital Economics chief US Economist Paul Ashworth put it: "June's US employment report doesn't have a single redeeming feature. It's awful from start to finish."

In recent weeks economists have been confronting with mixed economic signals.

Some signs looked promising: The manufacturing sector picked up in June for the first time in four months, and fresh data showed a glimmer of hope for the housing market, with home prices in major cities rising for the first time in eight months.

New claims for unemployment benefits declined, gas prices fell and auto makers cranked up production. Reuters declared the "dark clouds over the U.S. economy are starting to lift" in a report on U.S. private companies hiring double the expected number of workers in June.

But there have also been indications that a faster recovery will not soon materialize. While home prices are no longer in free fall, there is still a massive pipeline of foreclosed homes that are awaiting processing. Meanwhile, fears of a Greek default and a slowdown in Chinese growth spurred anxiety about the potential ripple effects on America's still-fragile economy.

Baumohl pointed to one looming factor which explains why, despite a handful of promising signs, companies still won't hire.

"Today companies are producing more goods and services than ever before," he said. "The GDP now is bigger than it ever has been before. And the economy is able to do that with 7 million fewer workers. If we can do so much with so much less, where is the incentive to hire?"