

# Los Angeles Times

## Uncertainty over election, Europe slowing job growth, economists say

By Jim Puzzanghera  
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WASHINGTON -- Deep uncertainty about the presidential election and Europe's debt crisis are driving the recent sharp slowdown in job growth that was underscored by Friday's disappointing unemployment report, economists said.

"It's not surprising that companies for the past couple of months have been on the sidelines. They're very apprehensive about ramping up hiring for the simple reason that the economic outlook is unclear," said **Bernard Baumohl, chief global economist for the Economic Outlook Group.**

"The economy is close to shutting down until we get a better sense of what's going to happen over the course of the next year," he added. "Right now, it's about as opaque as it could be."

The U.S. economy added 80,000 net new jobs in June, and the unemployment rate remained at 8.2%, the Bureau of Labor Statistics reported. The figure was below economists' projections of about 100,000 new jobs, and the Dow Jones industrial average was down about 100 points in early trading on the news.

After solid growth in the first three months of the year, with an average of 226,000 net new jobs each month, hiring fell off dramatically in the second quarter. Although the government revised May's job-growth figure up to 77,000 from the initial report of 69,000, that gain was almost completely

wiped out by a downward revision of April job creation to 68,000 from the initial report of 77,000.

The result is the economy has averaged just 75,000 jobs from April through June. That's not even enough to keep up with the approximately 125,000 new people who enter the labor force each month, let alone to start eating into the high unemployment rate.

"They're not disastrous reports, but they're not very good," said Nigel Gault, chief U.S. economist at IHS Global Insight.

Businesses are hesitant to do much hiring with Europe still grappling with its debt crisis and the U.S. economy facing the ominous fiscal cliff at the end of the year -- the expiration of the George W. Bush-era tax cuts combined with deep automatic federal spending cuts.

If taxes jump up and government spending drops, **Baumohl** and Gault predict, the U.S. will sink into another recession in the first half of 2013. With Washington awaiting the results of November's election before a deal to resolve the fiscal cliff could realistically be reached, the huge question marks over taxes and spending are dragging down the recovery, **Baumohl** said.

"The uncertainty is worrying Wall Street, worrying business leaders and obviously it's a great concern to consumers as well," he said. "I think everyone's looking for some more clarity on the economy, and until we get that, I don't see what would incentivize business to increase hiring." There were some positive signs in Friday's jobs report. The average workweek edged up in June, hourly earnings increased slightly, and temporary-help services added 25,000 jobs. Those figures show businesses aren't completely pulling back, but just are hesitant to commit to bringing on more full-time employees, Gault said.

"The biggest commitment for a business in terms of employment is to make a full-time, permanent hire," he said. "If you're very uncertain ... it would be natural to increase the work hours and hire temps."

Gault said he believes that some of the slowdown in the second quarter was because warm weather artificially boosted hiring in the first quarter. He projects hiring will pick up somewhat in the second half of the year to an average of about 130,000, driven by the slowly improving housing sector and consumer spending.