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Job seeker Silvestre Tellez, left, inquires about job openings at Vons stand at the 10th annual Skid Row Career Fair held at the Los Angeles Mission downtown Los Angeles Thursday. Employers hired only 54,000 new workers in May.

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Recovery on hold

Few jobs added in May; unemployment up to 9.1 percent

BY CHRISTOPHER S. RUGABER
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WASHINGTON — Employers in May added the fewest jobs in eight months, and the unemployment rate inched up to 9.1 percent. The weakening job market raised concerns about an economy hampered by gas prices and the Japanese nuclear disaster.

The key question is whether the meager 54,000 jobs added last month mark a temporary setback or are evidence of a chronic problem. That total is far lower than the previous three months' average of 220,000 new jobs per month.

Private companies hired only 83,000 new workers in May — the fewest in nearly a year.

Stocks on Wall Street fell for the third straight day. The Dow Jones industrial average was down 76 points in late-morning trading. Broader indexes also dropped.

Among the deepest job cuts were in local governments, which cut 28,000 jobs last month, the most since November. Nearly 18,000 of those jobs were in education. Cities and counties have cut jobs for 22 straight months and have shed 446,000 positions since September 2008.

The anemic pace of job creation poses a challenge to President Barack Obama's re-election prospects next year. And it followed a string of sluggish economic data in the past month that suggest the economy is growing more slowly.

The manufacturing sector, a key driver of the recovery, grew at its slowest pace in 20 months in May. Home prices in big metro areas have reached their lowest level since 2002.

Higher gas prices have left less money for consumers to spend on other purchases. And average wages aren't even keeping up with inflation. As a result, consumer spending, which fuels about 70 percent of the economy, is growing sluggishly.

Economists have said that most of the factors slowing the economy are temporary. But some are now concerned that their impact is greater than they first envisioned.

"Economic activity has clearly hit a soft patch," said Steven Wood, chief economist for Insight Economics.