U.S. loses 62,000 jobs in June; rate stays 5.5%

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WASHINGTON — The nation lost jobs for a sixth month in a row in June, a storm of pink slips drenching this year's July Fourth holiday for more than 60,000 Americans and leaving thousands more worried about the future.

Weighed down by energy prices and the housing crisis, employers laid off workers in stores, factories and forsaken building sites.

With more job cuts expected in coming months, there's growing concern that many people will pull back on their spending later this year when the bracing effect of the tax rebates fades, dealing a dangerous setback to the shaky economy. These worries are rekindling recession fears.

"The deteriorating jobs climate will dampen many a barbecue this weekend. It's hard to celebrate when you are out of a job," said Richard Yamarone, economist at Argus Research.

In June alone, employers got rid of 62,000 jobs, bringing total losses so far this year close to a staggering half-million — 438,000, according to the Labor Department's report released Thursday. The economy needs to generate more than 100,000 jobs a month for employment to remain stable.

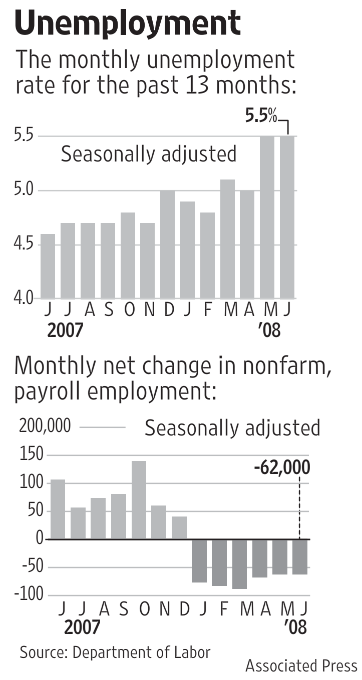
The jobless rate held steady at 5.5% after jumping in May by the most in two decades. Still, June's jobless rate was considerably higher than the 4.6% of a year ago. The unemployment rate is expected to climb through the rest of this year and top 6% early next year.

Michigan's unemployment stood at 8.5% during May, a level not seen since October 1992.

Just in the past few days, Chrysler LLC said it would close a plant and Starbucks Corp. said it would shut about 600 stores in the next year, meaning more lost jobs ahead. American Airlines recently said it may cut flight attendant jobs.

Heavy job losses were reported in construction, manufacturing and financial services — the worst casualties of the housing, credit and financial debacles.

Cutbacks also came in retailing, temporary help, trucking and publishing.



GM | Analyst says firm may need to raise $10 billion

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cash on the books as of the first quarter," as well as $4.6 billion in undrawn credit, "its 'minimum required cash' to fund intra-quarter working capital swings and to compensate for cash trapped overseas is likely about 5% of sales or $9 billion to $10 billion. That said, we do not believe management is comfortable operating the business at levels below $15 billion. ... suggesting to us that GM needs to raise as much as $10 billion."

GM has said it has sufficient liquidity and untapped credit lines, but would consider other operating measures to conserve cash if current economic conditions persist or deteriorate further.

GM has already announced plans to cut production by 170,000 trucks yet this year and close plants and a spokeswoman said it will consider seeking financing from global capital markets.

Ford, Patel wrote, "should be able to weather a prolonged automotive sales downturn for two years."

Ford closed up 1.38% at $4.42 on Thursday.

But Patel said Chrysler, which is no longer publicly traded, may face a cash crunch.

"Of the Detroit 3," Patel wrote, "we think Chrysler faces the highest liquidity risk. A failure of any major automaker is likely to result in near-term industry-wide pricing pressure as the failed company would likely have to cut pricing to protect what are likely to be accelerated volume declines."

Patel wrote that Chrysler had $9 billion of cash at the end of 2007 and could face a cash crunch in the second half of 2009.

Chrysler has repeatedly denied that it is at risk of failure and issued statements in June saying the company was not considering bankruptcy.

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POPCORN | New location boosts foot traffic, sales

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$3 million this year — a huge turnaround from the $1.4 million in sales it generated when he purchased the business three years ago.

Farber has added six full-time employees, bringing his total full- and part-time staff to 28. The company also partners with the JVS program in Southfield in providing special-needs workers with jobs making cotton candy.The number of walk-in customers has surged since the move, going from 50 per day to 200 daily.

"Because of the stigma on Detroit, women don't want to go to the inner city," Farber said. "And where 70% of our" walk-in "clientele are women, we had to go where our customers go. It's all about marketing and location, location, location."

And with a changing market, it's all about retail, too, Farber said. Given that there are fewer independent grocers — which used to be major customers for Detroit Popcorn — the company needed to expand its base.

"Growing retail is easier than being a wholesale player, so we did that. We found our niche, and we're doing a good job in it," Farber said.

While Detroit Popcorn Co. is still in the wholesale segment, Farber isn't chasing that one big customer.

"It's like putting all of your eggs in one basket. It's great when you have it, but it's terrible when you lose it," he said. "Honestly, if I get a million-dollar deal from a big company like Wal-Mart today, I probably wouldn't take it."

Michael Bernacchi, professor of marketing at the University of Detroit Mercy, agrees that retail is the way to go for the company.

"Going from wholesale to retail is a smart move. With economic grief and difficulties, the consumer has held up remarkably well. By going closer to the consumer, they're controlling their own destiny, which is an invaluable resource," Bernacchi said.

Detroit Popcorn Co. is working to do just that. In its objective to become a one-stop shop, the firm offers a variety of concession supplies ranging from hot dogs, nachos and ice cream to eating utensils. It also rents and services equipment.

"We also have a list up front for customers to request items that we don't have," Farber said. "About 100 new items were added since we moved here."

Detroit Popcorn also has stepped up its visibility in the community.

The company is a product supplier to 500 public schools in southeast Michigan and gives tips on how to fund-raise effectively, from the best kettles to pop with to the type of oil that should be used to keep them working.

"There's a science to the business," Farber said. "It's not just throwing seeds on a kettle."

Detroit Popcorn Co. even packages flour, salt and kernels separately to preserve them longer for schools.

"I like to take care of customers. I see it as a long-term relationship. I don't look at one sale as a good sale," Farber said. "If they keep coming back, it's a good sale."

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Photos by MANDI WRIGHT/Detroit Free Press

Customers can shop for popcorn products or rent popcorn poppers for events at the Detroit Popcorn Co.'s new showroom in Redford Township. The shift to the retail market has helped sales, the president says.

Darlene Collier, 47, of Detroit weighs the Caramel Corn last week at the Detroit Popcorn Co. showroom in Redford Township.

INCENTIVE | Most automakers spend more to sell trucks

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todata, said Thursday.

Brian Johnson, an analyst with Lehman Brothers, said he expects the automakers to suffer the consequences of their big increases in incentive spending.

"We believe that GM and the industry will see a large payback in the coming months," he said.

Given the size of the deals on trucks and the price of gas, Puneet Manchanda, associate professor of marketing at the Ross School of Business at the University of Michigan, observed: "It actually almost makes economic sense to buy an SUV now."

Take the Chevrolet Tahoe as an example.

The federal government estimates that it costs $3,586 a year to drive the Tahoe, assuming gas costs $4.10 a gallon and that the driver covers 15,000 miles a year. According to GM's Web site, the automaker is offering $6,000 in cash back on the Tahoe. That means the automaker is essentially paying for a year and half of gas.

Despite the growing size of the deals on slow-selling trucks last month, overall incentive spending crept up just 4.4% in June, compared with the same month a year ago, to an average of $2,812 last month.

That's because many automakers slashed their incentive spending on cars, which have been increasingly popular while gasoline is $4 a gallon.

Car incentives actually declined 2.1% last month, to an average of $2,053 per vehicle, while truck incentives jumped 14.8%, to an average of $3,762 per truck.

Ford, which has been offering a special "You Pay What We Pay" deal on the outgoing body style of the F-150, spent the most on truck discounts during the month, an average of $4,847, according to Autodata. That's an increase of 11.4% for the automaker.

At the same time, Ford slashed its car discounts by 32.4%, for an overall decline of 5.2% in incentive spending.

General Motors Corp., meanwhile, registered one of the biggest increases in truck discounts. Its spending shot up 42.3% in the month, to $3,962 per truck, as the automaker launched a late-month sale that featured zero-percent financing for 72 months. GM has now extended that program through this weekend.

At the same time, GM's spending on car incentives fell 7.7%. That translated into a 21.2% increase in incentives at GM.

At Chrysler LLC, however, a different trend took shape.

Incentive spending increased 21.6% for cars and declined 3.6% for trucks, a dynamic that suggests more car buyers are taking Chrysler up on its "Let's Refuel America" program. Launched in May, that deal locks in gasoline at $2.99 a gallon for three years on most new Chrysler, Dodge and Jeep vehicles.

On Tuesday, Chrysler, whose overall incentive spending grew 2.7% in June, announced its second extension of that campaign, through July 31.

Lucas noted that while Japanese automakers have been disciplined in the past in using incentives, the current environment is encouraging them to ramp up the deals, too.

Incentive spending on trucks rose 53.4% at Honda Motor Co., to an average of $2,082, and 22.6% at Toyota Motor Corp., to an average of $2,332.

Lucas added that Toyota spent as much as $5,500 on discounts for its Tundra full-sized pickup, which came to market last year.

Lucas observed that the discounts offered by Japanese automakers are still a lot smaller than those from Detroit's automakers, and he said the Japanese automakers held off "as long as they could."

Toyota also increased incentive spending on its cars by 30.1%, to $994 per vehicle.

Honda, by contrast, cut its incentive spending on cars by 19.1% and still managed to post a 19.3% sales increase with its wildly popular Civic (up 10%) and Accord (up 37%).

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