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Solid Growth for U.S. Payrolls; An increase of 211,000 helps push the jobless rate down to 4.7% in March as all sectors except manufacturing post employment gains.; [HOME EDITION]

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Abstract (Document Summary)

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By contrast, however, the economy generated 240,000 jobs a month during the second half of the 1990s. Job creation during the entire decade of the 1990s proceeded at an average of 180,000 a month -- faster than in the current expansion even though the decade began with the 1990-91 recession.

Nigel Gault, U.S. economist for Global Insight, an economic consulting firm in Waltham, Mass., said the current level of job growth may prove more sustainable than that of the 1990s, which led to the 2001 recession.

Full Text (829 words)

The U.S. economy turned in a solid performance last month, adding a net 211,000 new jobs and driving the unemployment rate back to its lowest point in the current expansion, the government reported Friday.

March's unemployment rate fell to 4.7% -- down from 4.8% -- matching the level of two months earlier. That was the lowest rate since July 2001, when the economy was in recession.

The job gain exceeded economists' consensus forecast by 21,000. But the Labor Department revised downward its estimates of job growth in the prior two months by 34,000.

All major economic sectors added jobs in March except manufacturing, which lost 5,000.

Wages rose modestly. Average weekly earnings by production workers rose by $1.01 to $557.36, 3.7% more than a year earlier. But adjusted for price inflation, wages rose only 0.1% in the last year.

Friday's job report provided the latest evidence that the economy had rebounded strongly from a slump at the end of last year.

But policymakers at the Federal Reserve have warned that "possible increases in resource utilization" -- Fed-speak for lower unemployment and higher factory usage -- could stoke inflation.

Seeing the latest report as potentially inflationary, economists on Friday generally nudged higher their expectations of where the Fed would take short-term interest rates. At each of its last 15 meetings, the Fed's policymaking committee has raised its benchmark short-term rate by one-quarter of a percentage point in an effort to restrain inflation. The rate now stands at 4.75%.

Most economists already expect at least one more increase in May, to 5%. Jan Hatzius, chief U.S. economist for Goldman, Sachs & Co., said Friday's job report made it somewhat more likely that the Fed would go to 5.25% in June.

Such predictions disappointed investors hoping for an end to Fed rate hikes, sending stock prices lower and bond yields higher.

The Bush administration, however, trumpeted the employment report as a rare and welcome piece of political good news. Within an hour of its release, President Bush said "These millions of new jobs are evidence of an economic resurgence that is strong, broad and benefiting all Americans."

He credited the American entrepreneurial spirit and the tax cuts of his first term for creating "jobs and growth for the American people," and he urged Congress not to let the tax cuts expire.

In rebuttal, Rep. George Miller (D-Martinez) accused Bush of being "completely out of touch with reality." For all but the "Rolls- Royce Republicans," he said, wages have stagnated or worse.

The administration made much of the fact that the March job report sent the economy's total job gain above 5 million since the low point in August 2003. The economy has added jobs at a rate of 167,000 a month since then.

By contrast, however, the economy generated 240,000 jobs a month during the second half of the 1990s. Job creation during the entire decade of the 1990s proceeded at an average of 180,000 a month -- faster than in the current expansion even though the decade began with the 1990-91 recession.

Nigel Gault, U.S. economist for Global Insight, an economic consulting firm in Waltham, Mass., said the current level of job growth may prove more sustainable than that of the 1990s, which led to the 2001 recession.

"Business had hired people it turned out not to need, and the recession was the payback for false expectations," Gault said.

Today's job environment is a healthy one for suppliers of temporary workers. Bernadette Kenny, vice president of human resources for Adecco Staffing North America, said Adecco had placed an unusually high number of temps at other firms. Overall employment is growing, she said, not because companies are taking on more workers -- there are about 4.7 million hires every month -- but because fewer workers are leaving their jobs each month.

In some corners of the economy, however, Friday's job report was not so rosy. After losing an additional 5,000 jobs, the manufacturing sector was responsible for only 10.5% of all jobs in March.

Chi Nguyen, an economist with the National Assn. of Manufacturers, blamed "sky-high" natural gas prices for some of manufacturing's woes. "And strong productivity growth, spurred by low-cost global competition, isn't helping job creation either," Nguyen said.

Those dislocated by Hurricane Katrina are also still struggling. More than six months after the storm, slightly more than half of those who evacuated their homes have returned, and their unemployment rate was 5.3% in March -- only 0.6 of a percentage point more than the national rate, according to the Labor Department.

But among those who had not returned, the unemployment rate was 34.7%.

The Federal Reserve reported separately that consumer credit rose at an annual rate of only 1.8% in February. If maintained for a year, that rate would be the lowest of the decade. Consumer credit grew at an annual rate of 3.4% in January.

[Illustration]
Caption: GRAPHIC: Positive report; CREDIT: Los Angeles Times

Credit: Times Staff Writer