

June 3, 2005

U.S. Economy Added Only 78,000 Jobs in May

By REUTERS

WASHINGTON (Reuters) - U.S. employers added only 78,000 workers to their payrolls last month, far fewer than expected, a government report showed on Friday, but the unemployment rate edged down to its lowest level since September 2001.

"Payroll employment continued to grow over the month in health care and construction, but was little changed in the other major industry sectors," the Labor Department said in a report that was likely to fan concerns over a potential economic slowdown.

It was the weakest month for nonfarm job growth since August 2003, when payrolls edged up just 2,000, and well below expectations on Wall Street for 185,000 new jobs. It also marked a sharp slowdown in job creation after a 274,000 job surge in April.

However, the department said the unemployment rate moved down to 5.1 percent from April's 5.2 percent as its separate survey of households found employment growth slightly outstripping the expansion of the workforce.

Factory payrolls shrank by 7,000 jobs in May, a third straight monthly decline that brought manufacturing employment nearly down to its recent low hit in February 2004.

Manufacturing sector weakness has led to worries over a broader economic slowdown, although some economists think a pull-back in factory production simply reflects a temporary effort to whittle down inventories.

Construction firms added 20,000 workers to their payrolls, which have been expanding steadily as low mortgage rates have fueled a housing boom.

Health care employment expanded 26,000, with job growth concentrated in doctors' offices and hospitals.