

Employers Nearly Double New Jobs in May

By Jeannine Aversa

Posted 01 June 2007 @ 06:46 pm EST

The country's economic health may be improving. Employers nearly doubled the number of jobs they added to payrolls in May, allowing the unemployment rate to hold steady at a relatively low 4.5 percent.

The fresh employment picture provided by the Labor Department on Friday showed job creation bounced back, with payrolls growing by 157,000 last month. That was an improvement over the 80,000 new jobs generated in April, the fewest in two and a half years.

Jobseekers found more opportunities last month in health care, education, accounting, engineering, Internet-related activities, banking, food services and government. However, they met fewer job availabilities in manufacturing and retailing, which cut positions. Construction jobs were flat. Those pockets of weakness mostly reflected problems related to the troubled housing and automotive industries.

"I think for jobseekers the climate is pretty good right now but it does vary," observed Mark Vitner, economist at Wachovia. "But I think companies are looking at each new hire more carefully than in the past. No question about that," he added.

The 157,000 jobs generated in May is good - not fantastic- but it does bode well for the hoped-for economic rebound in the current April-to-June quarter, Vitner and other analysts said.

Many economists believe the economy in the current quarter is growing at a pace of around 2.3 percent. Others think economic growth will be better - topping 3 percent. Either way, it would mark a considerable pickup from the anemic 0.6 percent growth rate registered in the January-to-March quarter, the worst in more than four years.

Federal Reserve Chairman Ben Bernanke and his colleagues also are betting economic growth will perk up.

In another hopeful sign for the anticipated rebound, factories gained ground last month.

The Institute for Supply Management's manufacturing index rose to 55 in May, the best showing in a year. A reading above 50 indicates growth, while a reading below 50 indicates contraction.

On Wall Street, investors also were encouraged by the latest batch of economic data. The Dow Jones industrials gained 40.47 points to close at 13,668.11, the index's 26th record close for the year.

In the labor report, the performance was better than economists were expecting. They were forecasting that employers would add 135,000 jobs in May. They did, however, say they believed the overall unemployment rate would stay at 4.5 percent, considered relatively low by historical standards.

"Coming off a very weak first quarter ... this stronger-than-expected job report is a welcome shot in the arm," said Bill Cheney, chief economist at John Hancock Financial Services.

The main reason the employment climate has been holding well through the economy's nearly yearlong period of sluggishness is because most of the weakness has been concentrated in the housing and

automotive industries. Those problems spots, thus far, haven't spread widely through the rest of the job market.

That being said, those pockets of weakness are surely being felt.

In the first five months of this year, job growth averaged 133,000 a month, compared with 189,000 a month in 2006.

Across the country, the job hunt got shorter.

The average time the 6.8 million unemployed people spent in their job searches was 16.7 weeks in May, down from 17.1 weeks in April.

Even though the overall jobless rate didn't budge last month, some people had a more difficult time finding work than others. The unemployment rate for blacks climbed to 8.5 percent, a six-month high. The jobless rate for Hispanics rose to 5.8 percent, the highest in 17 months. The unemployment rate for whites was unchanged at 3.9 percent.

Workers saw modest wage gains.

Average hourly earning rose to \$17.30 in May, a 0.3 percent increase from the previous month. That matched economists' expectations. Over the last 12 months, wages grew by 3.8 percent.

Wage growth is important to workers and supports consumer spending, a vital ingredient to the economy's health. The modest wage increase alleviated some inflation fears. Workers, though, stung by the recent run-up in gasoline prices, may not feel their paychecks are growing as much as they would like.

Another report, released by the Commerce Department, showed consumer spending rose 0.5 percent in April, the biggest increase in two months.

Peoples' incomes, however, dipped by 0.1 percent in April, a month when job and wage growth had slowed. Economists said they weren't worried by the decline and believed it was exaggerated by adjustments related to incentive and bonus payments.

An inflation barometer - excluding food and energy prices - closely watched by the Fed moderated in April. The measure showed prices rising 2.0 percent over the last 12 months. That was down from a 2.1 percent increase for the 12 months ending in March.

Given mostly positive signs on inflation and expectations for a rebound in economic growth, the Federal Reserve is expected to leave a key interest rate at 5.25 percent when it meet next on June 27-28.

On the Net:

Employment report: <http://www.bls.gov/>

Read the full article of:

<http://www.ibtimes.com/articles/20070601/economy.htm>

Copyright 2007 The Associated Press. All rights reserved.