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Employment outlook remains mixed

By Michael A. Fletcher

Indications are that the nation's gloomy jobs picture continues to brighten, but experts disagree on two crucial points: the pace of improvement and whether the recent gain in momentum will continue through 2012.

The Labor Department will add a piece to the puzzle Friday when it releases its monthly jobs report offering the official take on what happened last month in the nation's job market.

The consensus estimate is that 150,000 jobs were added in December, although some predictions ranged much higher. Forecasters expect the unemployment rate to rise from 8.6 to 8.7 percent, which would mean that more people began looking for work.

If the consensus prediction is correct, it would mean that employment growth was stronger in December than a month earlier when employers added 120,000 jobs, helping to push the jobless rate to its lowest level in more than two years.

Some of the optimism on jobs derives from recent data.

The government reported Thursday that claims for unemployment benefits declined in the final week of December, moving the average over the past four weeks to its lowest level in more than three years.

The Institute for Supply Management reported this week that its employment index for December was 55.1, the highest reading since June. A reading above 50 means that more companies are creating jobs than cutting them.

The nation's factories have added about 300,000 jobs since the beginning of 2010 — about 13 percent of what was lost during the recession — marking the first sustained increase in manufacturing employment since 1997, according to the Bureau of Labor Statistics.

Several analysts cautioned that some are making too much of the good news.

ADP, the payroll processing firm, estimated that private employers added 325,000 jobs in December, far exceeding most private forecasts.

“This is spectacular, and it fits our view that the economy is in a better shape than is generally believed, but we have to be cautious,” said Ian Shepherdson, chief U.S. economist for High Frequency Economics. “The decline in jobless claims and the improvement in indicators of labor demand clearly suggest the labor market is improving, but not to this extent.”

Bernard Baumohl, chief economist for the New Jersey-based **Economic Outlook Group**, said that regardless of what happens with the December unemployment number, the economy faces significant hurdles in 2012.

Europe's economy is teetering on the edge of recession and China's roaring economy is beginning to cool, he said, developments that pose substantial risk to U.S. economic and employment growth. In addition, he said, oil prices are likely to rise next year as tension increases in the Persian Gulf and the broader Middle East.

Meanwhile, he added, business and individual consumers are likely to cut back, after opening their wallets, which helped increase economic growth by an estimated 3 percent in the final quarter of 2011. “The recent uptick in shopping, while cathartic, is simply unsustainable,” the firm wrote in its 2012 economic forecast.

Any or all of those factors could slow job growth in the early months of 2012.

“I have my concerns that the pace of job growth will likely slow in the first half of this year as the economy slows,” **Baumohl** said. “We just do not have a basis for optimism that the economy or job market has turned the corner.”