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Job gains cut unemployment to 7.7 pct., 4-year low

By **CHRISTOPHER S. RUGABER** – March 8, 2013

(Washington) The American job market isn't just growing. It's accelerating.

Employers added 236,000 jobs in February and drove down the unemployment rate to 7.7 percent, its lowest level in more than four years. The gains signal that companies are confident enough in the economy to intensify hiring even in the face of tax increases and government spending cuts.

Last month capped a fourth-month hiring spree in which employers have added an average of 205,000 jobs a month. The hiring has been fueled by steady improvement in housing, auto sales, manufacturing and corporate profits, along with record-low borrowing rates.

Job growth was weaker much of last year. Employers added an average of 154,000 from July through October and only 132,000 from March through June.

"The recovery is gathering momentum," Paul Ashworth, an economist at Capital Economics, said in a note to clients.

The gains could boost consumer spending, adding momentum to the U.S. recovery and helping troubled economies in Europe and Asia.

The U.S. economy is forecast to grow a modest 2 percent this year. Growth will likely be held back by uncertainty about the federal budget, higher Social Security taxes and across-the-board government spending cuts that kicked in March 1. And unemployment remains high nearly four years after the end of the Great Recession. Roughly 12 million people remain out of work.

The unemployment rate declined in February from 7.9 percent in January mostly because more people found work. Another factor was that 130,000 people without jobs stopped looking for work last month. The government doesn't count them as unemployed.

The last time unemployment was lower was December 2008, when it was 7.3 percent.

The unemployment rate is calculated from a survey of households. The number of jobs gained is derived from a separate survey of employers.

Hiring would be rising even faster if governments weren't shrinking their workforces, as they have been for nearly four years. Governments cut 10,000 jobs in February.

Some \$44 billion in spending cuts kicked in last week after Congress failed to reach a budget deal. The cuts are expected to shave about a half-point from economic growth this year and lower total hiring by about 30,000 jobs a month from April through September, according to Moody's Analytics.

And most workers have had to absorb higher Social Security taxes this year. Someone earning \$50,000 has about \$1,000 less to spend in 2013. A household with two high-paid workers has up to \$4,500 less.

Stock prices rose after the report was released and strengthened later in the day. The Dow Jones industrial average rose 67 points to 14,397, its fourth straight record close.

Robust auto sales and a steady housing recovery are spurring more hiring, which will trigger more consumer spending and could lead to stronger economic growth. The construction industry added 48,000 jobs in February; it's added 151,000 since September. Manufacturing gained 14,000 jobs last month and 39,000 since November.

Among industry categories, the biggest job growth in February was in professional and business services, which added 73,000. This category includes higher-paying jobs in accounting, engineering and information technology as well as temporary positions that typically pay less.

Retailers added 24,000 jobs. Education and health services gained 24,000. And the information industry, which includes publishing, telecommunications and film, added 20,000, mostly in the movie industry.

The economy is generating more higher-paying jobs. That trend is raising average pay, which will help offset the hit that Americans took from higher Social Security taxes and gas prices.

Hourly wages rose 4 cents to \$23.82 last month. Wages have risen 2.1 percent over the past year, slightly ahead of inflation. Higher pay is vital to the economy because consumer spending drives 70 percent of economic activity.

Hotel chain Cambria Suites expects business travel to rise 5 percent this year and next. Cambria, a unit of Choice Hotels International, is building nearly 20 hotels around the country, doubling its total. It plans to add 110 jobs this year and 400 next year to its workforce of 600.

The improved job market can also benefit countries that sell goods and services to U.S. consumers and businesses.

"All you have to do is look at the trade numbers," says **Bernard Baumohl, chief global economist at the Economic Outlook Group**. "The strength in the U.S. economy is leading to faster growth in imports."

Imports rose 2 percent in January from December. Those from China surged 7 percent.

A stronger U.S. economy, **Baumohl** says, will also help a battered Europe, which is contending with high unemployment and a debt crisis. The United States is the No. 1 market for exports from the 27-country European Union.

"The extent to which the U.S. is recovering and potentially the labor market is improving is potentially an important dynamic that Europe would welcome," said Nick Matthews, an economist at Nomura in London.

The U.S. economy is benefiting from the Federal Reserve's drive to keep interest rates at record lows. Lower borrowing rates have made it easier for Americans to buy homes and cars and for companies to expand.

The Fed and key central banks overseas have taken extraordinary steps to pump money into their financial systems to try to spur borrowing and spending, boost stock prices and stimulate growth.

The Fed has said it plans to keep the benchmark rate it controls near zero at least until the unemployment rate has fallen to 6.5 percent, as long as the inflation outlook remains mild.

Friday's jobs report isn't expected to move up the Fed's timetable for any rate increase.

The brighter hiring picture has yet to cause a flood of out-of-work people who aren't looking for a job to start seeking one. The proportion of Americans either working or looking for work dipped one-tenth of a

percentage point in February to 63.5 percent, matching a 30-year low.

Even though the recession officially ended in June 2009, many Americans have remained discouraged about their job prospects and have given up looking. Others have returned to, or stayed in, school. And the vast generation of baby boomers has begun to retire; the oldest are now 67. Their exodus reduces the percentage of adults working or looking for work.

The pickup in hiring hasn't yet benefited the long-term unemployed. Nearly 4.8 million Americans have been out of work for six months or longer, nearly 100,000 more than in January.

Further strong hiring gains will hinge, in part, on healthy consumer spending. So far, higher gas prices and a Jan. 1 increase in Social Security taxes haven't caused Americans to sharply cut back on spending. But if the economy can continue to add 200,000 or more jobs a month, it means that many more people will have disposable income to spend.

A big source of strength has been home sales and residential construction: New-home sales jumped 16 percent in January to the highest level since July 2008. And builders started work on the most homes last year since 2008.

The year-over-year increase in home prices in January was the biggest in six years. Higher prices tend to make homeowners feel wealthier and more likely to spend. So do record-high stock prices.

"If my house is worth a little more, my 401(k) is going up ... maybe I can afford to go buy that car, or continue to spend," says Ed Hyland, investment specialist at JPMorgan Private Bank.

AP Business Writers Paul Wiseman in Washington and David McHugh in Frankfurt, Germany, contributed to this report.

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