

Strengthening private sector fuels job gains

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Many industries shrugged off political melodrama in Washington, adding workers.

A surprisingly strong report on October job growth Friday shows that the recovering private sector is increasingly shrugging off political stalemate in Washington, D.C., economists say.

Despite the government's Oct. 1-16 partial shutdown, employers added 204,000 jobs last month, far above economists' median forecast of 122,000.

Businesses added 212,000, and federal, state and local governments cut 8,000, the Labor Department said. Upward revisions of 60,000 for August and September left monthly gains from August through October averaging a healthy 202,000.

The advances were broad-based, with leisure and hospitality, retailers, professional and business services, manufacturers and construction firms all posting solid increases.

The unemployment rate rose to 7.3% from 7.2% in September, reflecting some impact from government and private workers on furlough last month.

Capitol Economics' Paul Ashworth and several other economists said the report increases the chances that the Federal Reserve next month will begin to taper its monthly bond purchases, which are intended to hold down long-term interest rates for mortgages and other kinds of loans. Action Economics says the Fed remains likely to wait until next year partly because of another looming budget battle in Congress.

The shutdown was expected to have a bigger effect on employment gains. Although furloughed federal employees received back pay and were counted as employed, many economists thought payroll gains would fall below September's because of the temporary layoffs of private-sector workers, including federal contractors.

Many economists had forecast that the economy would remain sluggish until next year, largely due to Washington's budget fights. But Friday's upbeat jobs report suggests a pickup is in progress, some economists say.

"What's happening is a growing desensitization in the private sector to the follies going on in Washington," says **Bernard Baumohl, chief economist of The Economic Outlook Group.**

Baumohl says the private sector is getting healthier as housing's recovery strengthens and household and corporate debt remain low. Recent measures of manufacturing and service sector activity have surged, he says.

Last week's better-than-expected report on third-quarter economic growth masked weak consumer and business spending. But JPMorgan economist Robert Mellman expects consumers to open their wallets in coming weeks because of strong job growth, falling gas prices and a stock rally, fueling further hiring.

Other barometers of the labor market were mixed last month. The average workweek was unchanged at 34.4 hours. Employers often increase the hours of existing workers before adding new ones. And average hourly earnings rose 2 cents to \$24.10.

A broader gauge of joblessness called the underemployment rate rose to 13.8% from 13.6%. It includes part-time workers who prefer full-time jobs and those who've stopped looking for work, as well as the unemployed.

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