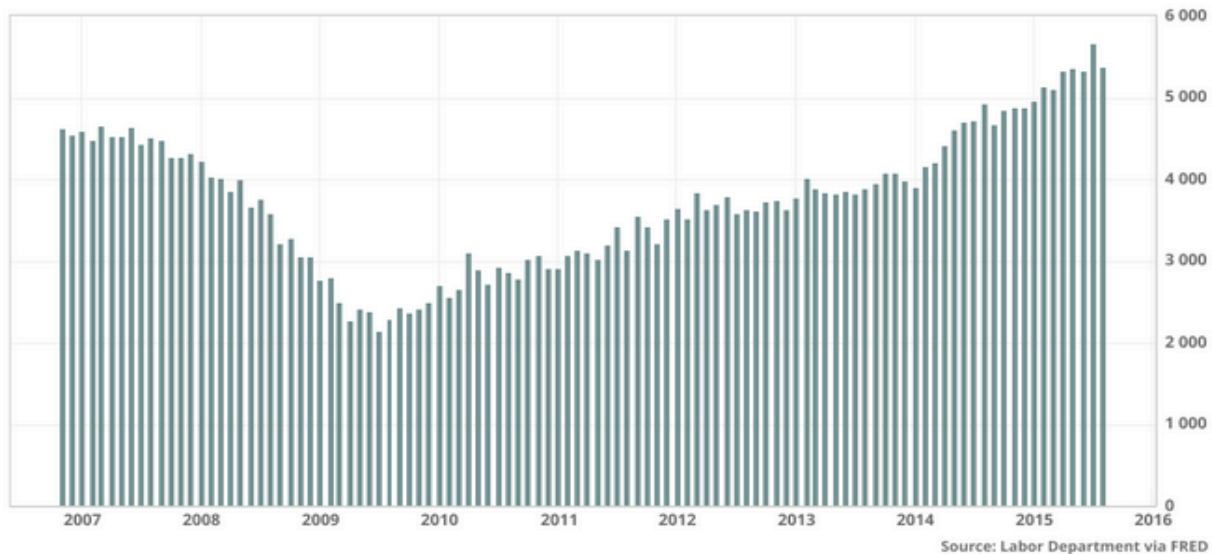


Whew! U.S. economy hasn't gone off the rails

By Jeffrey Bartash
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Record day-care jobs another clue pointing to strong labor market

Job openings In thousands



WASHINGTON (MarketWatch) — Seems the U.S. economy is doing fine after all.

The stunning 271,000 increase in new jobs in October quelled lingering unease over a slowdown in hiring at the end of summer. The government's employment report issued Friday also showed the strongest yearly wage gains since 2009 and the lowest unemployment rate in more than seven years.

Now that's not to say waning job creation in August and September was a mirage. What probably happened is that businesses got nervous after a global stock market selloff that erupted amid reports of a weakening Chinese economy.

The October employment report suggests executives have gotten over their anxiety, no doubt encouraged by fresh signs of steady U.S. growth and a rebounding stock market. Some of the people they might have hired several months earlier were offered jobs in October instead.

The October jobs report will almost certainly spur the Federal Reserve to execute long-simmering plans to raise a key interest rate for the first time since 2006. The so-called fed funds rate has been hovering near zero for seven years in an effort to stoke the economy.

The Fed won't see much between now and Dec. 15-16 — the date of its next big meeting — to throw it off course, either. The only big number left is the November jobs report that will arrive in the first week of December.

Still, a slew of secondary reports such as U.S. job openings and retail sales, both of which are this week's docket, are likely to bolster a seemingly iron-clad case for a Fed rate hike.

Job openings hit a record high of 5.7 million during the summer, and many companies say their biggest problem is finding suitably skilled workers. The high number of vacant positions also explains why so many economists were skeptical the labor market had taken a turn for the worse.

Retail sales, for their part, are expected to rise a solid 0.3% in October, as Americans continued to snap up new cars and trucks.

“Auto sales in October were 18.2 million units at an annual rate for a second straight month and 2015 will be the strongest year for sales since 2001,” said Stuart Hoffman, chief economist at PNC Financial Services.

Sales will probably look even stronger once gasoline is subtracted out. Tumbling gas prices have pulled down sales at gas stations and will depress the headline number.

Economist Bernard Baumohl of The Economic Outlook Group sees evidence a robust U.S. economy in an even quirkier place: day-care centers. He points out that hiring at day-care centers jumped by 2,700 to a record 877,300 in October.

“Typically, a rise in day-care employment indicates that more parents are finding jobs and have made arrangements to leave their young children at these locations,” he wrote in a report.

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