

## US payrolls fall but jobless rate hits 5-month low

(Reuters)

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WASHINGTON - U.S. payrolls unexpectedly fell in January, but the unemployment rate surprisingly dropped to a five-month low, according to a government report on Friday that suggested the labor market was still improving slowly.

The Labor Department said the economy shed 20,000 jobs after losing 150,000 jobs in December. November's data was revised to a gain of 64,000, up from 4,000 though.

The unemployment rate, based on a separate survey of households, fell to 9.7 percent from 10 percent in December.

Analysts polled by Reuters had forecast payrolls gaining 5,000 and the unemployment rate to edge up to 10.1 percent. Median estimates from the top 20 forecasters expected payrolls to be unchanged last month.

"It shows net-net that we are seeing a slow improvement in the labor market. There are some encouraging signs in the report ... but it wasn't quite good enough to push us into positive territory just yet," said Boris Schlossberg, director of FX Research at GFT Forex in New York.

U.S. stock index futures turned positive, prices for U.S. government debt fell and the U.S. dollar rallied as traders saw the report suggesting U.S. interest rates would rise sooner than had been expected.

Economists were shocked at the big drop in the jobless rate. Many had expected unemployment to rise for a while as discouraged workers re-entered the labor force.

Instead, the labor force participation rate moved higher in January, with the percentage of the working age population employed also increasing.

"You won't see much improvement in the unemployment rate for the rest of the year because more people will start looking for jobs, but it appears the unemployment rate is on, at worst, a flat path," said Cary Leahey, economist at Decision Economics in New York.

Still, the number of 'discouraged job seekers' stood at 1.1 million in January up from 734,000 a year ago.

Annual benchmark revisions to the payrolls data showed job losses since the recession began were much deeper than originally thought. In all, the economy has lost 8.4 million jobs since the start of the recession in December 2007.

### Job politics

With Americans increasingly anxious about high unemployment, President Barack Obama has declared that job creation will be his top priority in 2010.

Obama's fellow Democrats fear voters could punish them in November congressional elections if the administration fails to make headway in tackling the high jobless rate.

"The economy is moving slowly and it takes time for companies to turn around from where they were to where they are going," said Torsten Slok, senior economist at Deutsche Bank in New York.

Financial markets have grown nervous about the prospect of unemployment in the United States remaining high for a long time. The economy resumed growth in the second half of 2009 and labor market healing is crucial for a self-sustaining economic recovery to take root.

While job losses in prior months were steeper than previously thought, details of the January report supported views the blood bath has stopped.

Last month, the services sector added 40,000 jobs after shedding 96,000 positions in December. The figure included a rise in federal government employment, partly as a result of the hiring for the 2010 Census.

In another positive trend, temporary help employment rose 52,000 last month, while manufacturing payrolls increased 11,000, the first gain since January 2007. Manufacturing employment dropped 23,000 in December.

But the construction sector continued to struggle, losing 75,000 jobs, likely because of unusually cold weather. Construction payrolls fell 32,000 in December.

In another sign of labor market improvement, the average workweek unexpectedly rose to 33.3 hours, the highest level in a year, from 33.2 hours in December. Total average hourly earnings increased to \$18.89 from \$18.84 in December.

Manufacturing overtime rose to 3.5 hours, the highest since September 2008

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