

U.S. adds 313,000 jobs in February, but wage gains cool

By Lucia Mutikani

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U.S. job growth surged in February, recording its biggest increase in more than 1-1/2 years, but a slowdown in wage gains pointed to a gradual increase in inflation this year.

Nonfarm payrolls jumped by 313,000 jobs last month, boosted by the largest gain in construction jobs since 2007, the Labor Department said on Friday. The increase in payrolls last month was the biggest since July 2016 and was well above the roughly 100,000 jobs per month the economy needs to create to keep up with growth in the working-age population.

Average hourly earnings edged up four cents, or 0.1 per cent, to \$26.75 in February, a slowdown from the 0.3 per cent rise in January. That lowered the year-on-year increase in average hourly earnings to 2.6 per cent from 2.8 per cent in January.

The unemployment rate was unchanged at a 17-year low of 4.1 per cent in February as more people entered the labor force in a sign of confidence in the jobs market. The average workweek rebounded to 34.5 hours after declining to 34.4 hours in January.

With Federal Reserve officials considering the labor market to be near or a little beyond full employment, the moderation in wage growth last month will probably do little to change expectations that the U.S. central bank will raise interest rates at its March 20-21 policy meeting.

Slow wage growth, however, could temper expectations that the Fed will change its rate forecast to four hikes this year from three. There is optimism that tightening labor market conditions will spur faster wage growth this year and pull inflation toward the Fed's 2 per cent target.

Speculation that the central bank would upgrade its interest rate projections was stoked by Fed Chairman Jerome Powell when he told lawmakers last week that "my personal outlook for the economy has strengthened since December."

While Powell said there was no evidence of the economy overheating, he added "the thing we don't want to have happen is to get behind the curve."

Broad employment gains

Some companies like Starbucks Corp and FedEx Corp have said they would use some of their windfall from a \$1.5-trillion income tax cut package to boost workers' salaries. Walmart announced an increase in entry-level wages for hourly employees at its U.S. stores effective in February.

Economists polled by Reuters had forecast payrolls rising by 200,000 jobs last month and the unemployment rate falling to 4.0 per cent. Average hourly earnings had been expected to increase 0.2 per cent in February.

The employment report suggested the economy remained strong despite weak consumer spending, home sales, industrial production and a wider trade deficit in January that prompted economists to lower their growth estimates for the first quarter. Gross domestic product estimates for the January-March quarter are around a 2 per cent annualized rate. The economy grew at a 2.5 per cent pace in the fourth quarter.

Economists expect the unemployment rate to fall to 3.5 per cent this year. The labor force participation rate, or the proportion of working-age Americans who have a job or are looking for one, rose to 63.0 per cent in February from 62.7 per cent in January.

Employment gains were broad in February. Construction employment rose by 61,000 jobs, the most since March 2007. Hiring at construction sites was likely boosted by unseasonably mild temperatures in February.

Manufacturing payrolls increased by 31,000 jobs. The sector is being supported by strong

domestic and international demand as well as by a weaker dollar. Retail payrolls jumped by 50,300 and the government added 26,000 jobs.

There were also increases in payrolls for professional and business services, leisure and hospitality as well as healthcare and social assistance.