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Payrolls grow by 166,000 in October, jobless rate holds steady

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Article Launched: 11/02/2007 05:47:10 AM PDT

WASHINGTON - Employers boosted payrolls by a surprisingly strong 166,000 in October, the most in five months, an encouraging sign that the nation's employment climate is holding up relatively well against the strains of a housing collapse and credit crunch.

The Labor Department's report, released today, also showed that the unemployment rate held steady at 4.7 percent for the second month in a row. It's a figure that is considered low by historical standards.

Job gains were logged for professional and business services, education and health care, leisure and hospitality, and for the government. Those employment increases more than offset jobs losses in manufacturing, construction and retail - casualties of the problems plaguing the housing market.

The latest snapshot of employment conditions around the country was better than economists were anticipating. Economists were forecasting payrolls to grow in October by about half the pace seen - around 80,000. They did correctly predict the unemployment rate would be unchanged.

Still, the trend this year has been toward softer job growth. And, that is beginning to show up in wages.

Average hourly earnings rose to $17.58 in October, a modest 0.2 percent increase from September. Economists were forecasting a slightly larger, 0.3 percent increase. Over the past 12 months, wages were up 3.8 percent.

Wage growth supports peoples' spending, a major shaper of overall economic activity.

A faltering job market can crimp wage growth. That could lessen people's appetite to spend, raising trouble for the economy.

The state of the nation's employment climate is a crucial factor determining whether the economy will, in fact, weather the financial storm. So far, decent job creation and solid wage growth have helped to offset some of the negative forces hitting some individuals from the housing slump, weaker home values and harder-to-get credit.

To be sure, problems challenging the economy are hitting some industries and workers hard. The construction industry cut 5,000 jobs, factories slashed 21,000 positions and retailers eliminated nearly 22,000 in October.

But strength in hiring elsewhere blunted those losses. Professional and business services added 65,000 jobs, education and health care industries expanded employment by 43,000. Leisure and hospitality added 56,000 positions and the government boosted payrolls by 36,000.

The economy, which grew at a brisk 3.9 percent annual rate in the third quarter, is expected to slow to about half that pace or less in the current October-to-December quarter. The toll of the housing collapse and credit crunch are expected to

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catch up to consumers and chill their spending.

"The pace of economic expansion will likely slow in the near term, partly reflecting the intensification of the housing correction," Federal Reserve policymakers said Wednesday as they decided to lower their key interest rate again.

The Fed sliced its key rate by one-quarter percentage point to 4.50 percent to protect the economy from undue economic weakness in the months ahead. It was the second rate reduction in six weeks. At the same time, the Fed hinted that it may not need to cut rates again for a while.