

Jobs Data Suggest Economy Picking Up Steam

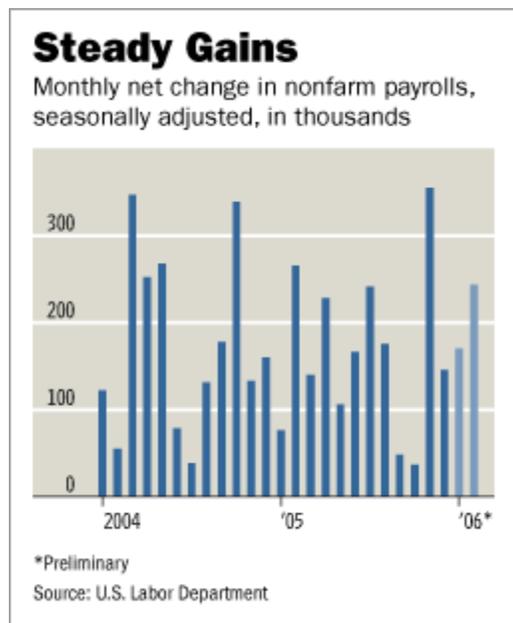
**Payroll and Wage Gains
Should Buttress Spending;
Rate Expectations Firm**

By RAFAEL GERENA-MORALES

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U.S. businesses created new jobs at a brisk pace last month, raising the prospect that the economy could pick up momentum as additional wage income supports consumer spending.

The Labor Department reported Friday that nonfarm payrolls jumped 243,000 in February, the largest such expansion since November. Last month's gain followed a revised increase of 170,000 jobs in January, according to the Labor Department, and brings the total number of jobs created in the past 12 months to 2.1 million. The unemployment rate, meanwhile, edged up to 4.8% last month, from 4.7% in January, as more Americans entered the labor market seeking work.



Read the [complete text](#) of the Labor Department's report on the February employment situation, and [analysis](#) from Briefing.com.

"This is a healthy report for the economy," says Stephen Gallagher, chief U.S. economist at SG CIB in New York. He said that businesses have "shaken off the fears" that plagued them last year, including the war in Iraq, the hurricanes and high energy prices. He estimates that job growth will expand an average of 200,000 a month this year, buoyed by strong corporate profits and healthy business investment. In 2005, job growth averaged 165,000 a month.

Average hourly wages rose five cents to \$16.47 last month, up 0.3% from January. When compared with February a year ago, average hourly wages are up 3.5%, the largest annual gain since September 2001.

The combination of rising wages and widening payrolls "will allow many households to remain active spenders," says Michael Moran, chief economist at Daiwa Securities America Inc. Consumer spending represents about 70% of economic activity.

The strength in employment locked in expectations that the Federal Reserve will raise its short-term interest-rate target by a quarter of a percentage point at its next meeting on March 27-28, which will be the first under the new chairman, Ben Bernanke, and at the meeting after that, on May 10. That would take its short-term rate target to 5% from its current 4.5%. Before Friday's employment report, many economists were forecasting that after the May interest-rate increase, monetary tightening would be put on hold. But Friday, some economists revised that view and they now expect a possible third increase to 5.25% in June.

Friday's report showed solid gains across all industries: education and health services added 47,000 jobs, professional and business services added 39,000 jobs, and state and local governments added 36,000 jobs. The manufacturing sector lost 1,000 jobs last month, but excluding car makers the industry added 9,600 jobs.

The construction industry expanded its payroll by a healthy 41,000 jobs, accounting for one-fifth of all private-sector jobs added. According to the Associated General Contractors of America, a trade group based in Arlington, Va., the civil-engineering construction category has been especially strong, boosted by recent gains in highway construction and efforts to rebuild the water levees in New Orleans.

In the past two months, for example, Control Specialists Co., Winter Park, Fla., which builds and manages traffic-light control systems, has acquired \$1.5 million of new contracts in Central Florida, where rapid population growth is leading local governments to upgrade their road infrastructure. The 38-employee company recently hired 10 workers and plans to add another dozen in the next six months. This year "is going to be huge," said Bruce O'Donoghue, the company's president, who projects annual sales will reach a record \$7 million.

In some parts of the country, there are signs that labor is becoming tight. In Idaho, Concrete Placing Co., a highway-construction company in Boise, recently hired 10 to 12 people, bringing the total work force to about 55. In the next few weeks, the company plans to hire more, but because of demand in the area, finding workers has been difficult, says Mike Burke, the company's controller.

John Challenger, chief executive of Challenger, Gray & Christmas Inc., a global outplacement firm based in Chicago, says companies are considering giving signing bonuses to skilled workers, again. Employee poaching is picking up. And employees are

being wooed with tuition reimbursement and telecommuting programs. "There's a war for talent, again," Mr. Challenger says.

The average workweek slipped 0.1 hour to 33.7 hours last month. Weekly hours have fluctuated between 33.6 and 33.8 hours for more than two years, notes Steven Wood, an economist at Insight Economics. Also, the number of long-term unemployed, those looking for work for 27 weeks or longer, surged. And while the unemployment rate improved for Hispanics, falling to 5.5% from 5.8%, it rose for African-Americans to 9.3% from 8.9%. The rate for whites remained unchanged at 4.1%.

Nevertheless, the jobs report reinforces the view held by Fed officials that the economy has momentum. Officials see strong first-quarter growth as compensation for a weak fourth quarter, and consider the average over both -- a little over 3%, at an annual rate -- to be the true underlying trend.

---- Greg Ip and Kemba Dunham contributed to this article.