Did the economy lose its mojo?

US reports meager job growth in December

By Christopher S. Rugaber
Associated Press

WASHINGTON — The weakest month of hiring in three years ended 2013 on a sluggish note and raised questions about whether the U.S. job market can sustain its recent strong gains.

Employers added a scant 74,000 jobs in December after averaging 214,000 in the previous four months. Economists cautioned that cold weather likely played a role in the sharp slowdown.

Many analysts said they would need to see more data before they could tell whether the job market had lost momentum.

The Labor Department said Friday that the unemployment rate fell from 7 percent in November to 6.7 percent, its lowest level since October 2008.

But the drop occurred mostly because many Americans stopped looking for jobs

. Once people without jobs stop looking for one, the government no longer counts them as unemployed.

The proportion of people either working or looking for work fell to 62.8 percent, matching a nearly 36-year low.

Last month's expiration of extended unemployment benefits for 1.3 million long-term unemployed could accelerate that trend if many of them stop looking for work. Beneficiaries had been required to look for work to receive unemployment checks.

Will wages rise?

It's unclear whether the sharp hiring slowdown might lead the Federal Reserve to rethink its plan to slow its stimu-

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A sign posted on a shopfront window offers employment opportunities in Pasadena, Calif. AFP/GETTY IMAGES



Cars travel past the Chamber of Commerce building in Washington, D.C. The economy added just 74,000 jobs in December. The figure, watched more closely as a sign of the health of the economy, was far less than the 197,000 analysts expected. AFP/GETTY IMAGES

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lus efforts.

The Fed decided last month to pare its monthly bond purchases, which have been designed to lower interest rates to spur borrowing and spending.

"I don't think the Fed is going to be panicked by this," said Joel Naroff, president of Naroff Economic Advisors.

Naroff suggested that the 6.7 percent unemployment rate — a drop of more than a full percentage point since 2013 began — will eventually lead many employers to raise wages.

"It doesn't change what they're thinking," Naroff said of the Fed.

Number 'curious'

Many economists said it would be premature to conclude from Friday's report that the economy is weakening.

"We stop short of making larger observations based on this number," said Dan Greenhaus, chief global strategist at brokerage firm BTIG.

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"The economy, based on any number of other indicators, has been picking up steam of late which makes today's number ... curious."

Unusually cold weather might have slowed hiring in December.

Construction companies, which are heavily dependent on weather conditions, cut 16,000 jobs, the biggest drop in 20 months.

Michael Hanson, an economist at Bank of America Merrill Lynch, estimated that the cold weather lowered hiring by about 75,000 jobs.

It would still be a weak report even if those jobs were added back in, Hanson said. But he cautioned against reading too much into a single month's jobs report.

Industry cuts

"It's a warning sign that things maybe weren't as strong as we thought," Hanson said. But "it's really hard to make an inference from one number."

Other economists were also skeptical. Mark Vitner of Wells Fargo noted that several industries reported unusually steep job losses. Accounting and bookkeeping services, for example, lost 24,700 jobs, the most in nearly 11 years.

And performing arts and spectator sports cut 11,600, the most in 2½ years. The movie industry shed 13,700 jobs.

"These are not the areas that tend to sway the employment report," Vitner said.

Health care cut 6,000 positions, that industry's first monthly cut in 10 years.

It could raise questions about the effect of President Barack Obama's health care reform.

Government cuts

Vitner noted that health care layoffs had been announced over the fall and that these figures appear to be "genuine."

Transportation and warehousing cut some jobs, suggesting that shippers hired fewer workers for the holidays. Governments cut 13,000 positions.

Despite December's sharp slowdown, monthly job gains averaged 182,000 last year, nearly matching the average monthly gains for the previous two years.

One bright spot was manufacturing. Factories added 9,000 positions, the fifth straight gain. Still, that's down from 31,000 in November. Retailers added 55,000 jobs.

Recent data have painted a picture of an economy on the steady rise. Exports hit a record level in November, lowering the U.S. trade deficit. Businesses have ordered more manufactured goods. Auto sales reached a six-year high in 2013.

Analysts now estimate that the American economy expanded at a healthy annual rate of 3 percent to 3.5 percent during the October-December quarter.

That's up from earlier forecasts of a 2 percent rate or less. It would follow a strong 4.1 percent growth rate reported for the July-September quarter.