Fed officials fear job gains will fade if economy slows

By Martin Crutsinger
The Associated Press

WASHINGTON — Federal Reserve policymakers are worried that recent strong gains in hiring could fizzle if U.S. economic growth doesn't pick up.

Minutes of the Fed's March 13 meeting show that members expressed those concerns before sticking with a plan to keep interest rates at record lows until at least late 2014.

A couple of members said they want to take further steps to boost the economy if conditions worsen or inflation remains tame, according to the minutes, which were released Tuesday.

The Fed sketched a slightly sunnier view of the economy after its last meeting, largely because of the best three months of hiring in two years. But members noted that there have been similar bursts of hiring in the past two years that ended up fading.

The readout from the Fed's last meeting largely echoed a speech Fed Chairman Ben Bernanke delivered last week to a gathering of economists.

The Fed is concerned that the recovery could falter, as it did last year. Americans aren't receiving meaningful pay increases. Gas prices are high. And Europe's debt crisis could weigh on the U.S. economy.

As long as inflation remains tame, analysts think the Fed will likely hold in-

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terest rates down to give the economy more support. Most economists don't think Fed officials will change their interest-rate policy at their next meeting on April 24-25 and will ease credit only if the economy slows further.

Still, the outlook for the U.S. economy is improving.

Employers added an average of 245,000 jobs a month from December through February. The unemployment rate has fallen nearly a full percentage point since summer, to 8.3 percent.

The government will report Friday on the job market in March. Many economists believe that report will show another strong month of job creation with a net gain of 210,000 jobs. They expect the unemployment rate will hold steady at 8.3 percent.

U.S. consumers boosted their spending in February by the most in seven months, raising expectations for stronger growth at the start of the year.

Americans spent more even as their income barely grew. To make up the difference, many saved less.

Many people are more confident in the economy, despite stagnant wages and higher gas prices. The University of Michigan Consumer Sentiment Survey index rose last month to its highest level since February 2011.

The economy grew at an annual pace of 3 percent in the October-December quarter. Most economists expect slightly slower growth in the current January-March quarter.

Bernanke said the combination of modest economic growth and rapid declines in unemployment is something of a puzzle. Normally, it takes growth of roughly 4 percent annual growth to lower the rate by 1 percentage point over a year.

Bernanke cautioned that he doesn't expect the unemployment rate to keep falling at its current pace without much stronger growth and more robust hiring.