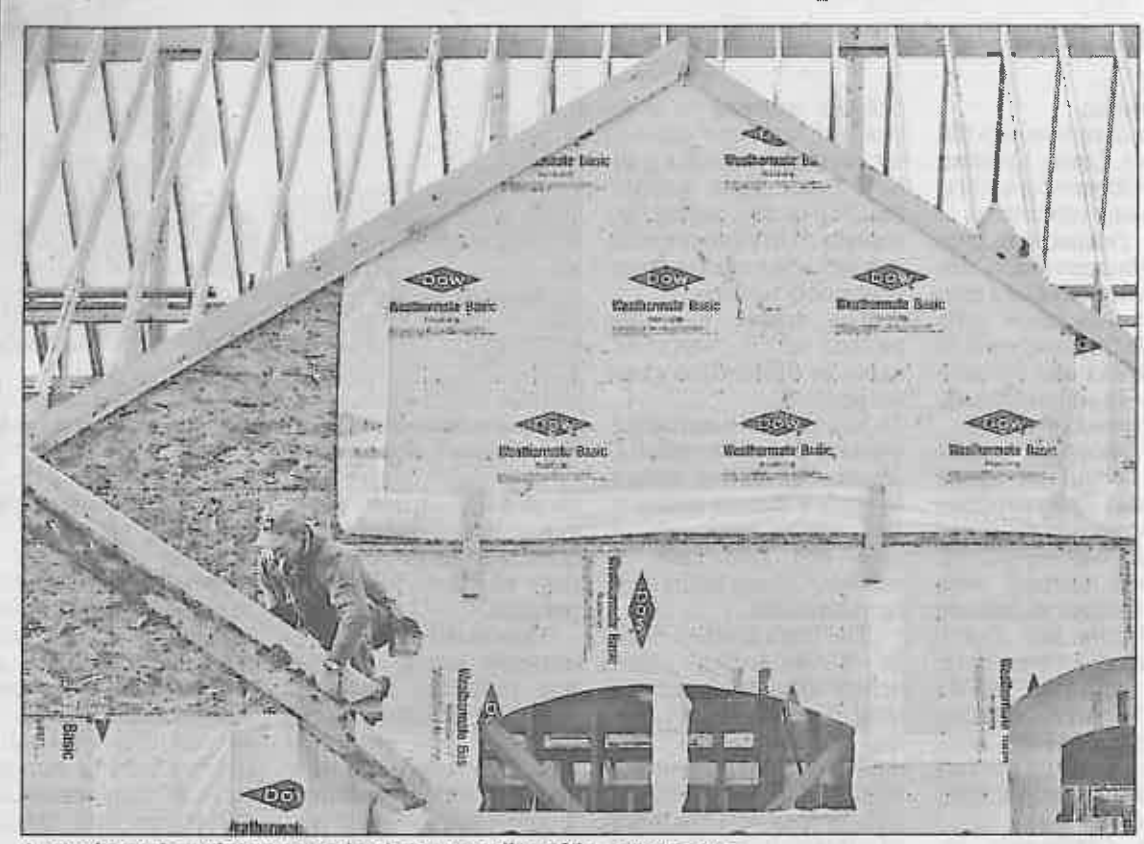
Labor market hits new peak



A new home is under construction in Pepper Pike, Ohio. TONY DEJAK/A P

FULL JOBS REBOUND RELIES ON HOUSING

Construction-sector employment still the key to real recovery

By Paul Davidson
USA Today

HIGHER HOUSING STARTS PREDICTED

Patrick Newport of IHS Global Insight predicts housing starts of 966,000 in 2013, up from 781,000 in 2012. He said he doesn't expect a normal level of 1.5 million until 2015, citing high mortgage debt and cautious lenders.
» Zandi said rising home prices and falling mortgage delinquencies will open the lending spigots sooner. He expects 1.7 million housing starts in 2014 and much stronger job growth, he said.

The labor market quietly reached a milestone of sorts last month.

Private-sector employment topped its prerecession high — if housing-related sectors are excluded.

The achievement, noted in an RBC Capital Markets study, shows much of the job market is chugging along.

But it underscores housing's outsize effect on the economy and the reality that the recovery isn't likely to take off until housing does.

"Housing has massive tentacles," RBC economist Tom Porcelli said. Home sales mean furniture sales that spark manufacturing jobs, and so on.

Housing began to rebound in 2012, but many economists say the recovery is likely to be slow.

Excluding housing-related sectors, private payrolls increased to 99.5 million jobs in January, exceeding the previous high of 99.4 million in January 2008, the RBC study says.

That shows the industries haven't completely recovered: Job totals should be even higher in a healthy market in light of population growth.

A more vigorous housing recovery would indirectly boost sectors such as professional services and tourism.

Still, RBC's analysis shows the private sector, excluding housing, is "in full recovery mode," said economist Mark Zandi of Moody's Analytics.

By contrast, employment in housing-sensitive sectors — such as construction, furniture sales and architectural services — was 13.5 million last month. That's 500,000 above their 2010 low but 3 million below their prerecession total in 2007.