Job market is slowly improving

Economists: Hiring will dip, then pick up

By Paul Davidson and Barbara Hansen
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Job growth will dip in the next few months before accelerating into next year despite a lackluster economy, according to a USA Today survey of economists.

Monthly job gains that have averaged about 200,000 so far this year will slip to a still-solid 178,000 in the July-September quarter, according to the median estimate of 42 top economists. January's increase in payroll taxes and federal spending cuts are crimping economic growth.

Hiring has been strong in light of the soft economy, and most economists expect that to continue.

Average monthly job gains are forecast to end the year weaker than they started, before returning to close to 200,000 by the January-March quarter. The unemployment rate, now 7.6 percent, is expected to hit 7.0 percent by mid-2014.

According to their latest estimates, many economists now believe the U.S. economy weakened last quarter more than they had expected, slowing to an annual growth rate of 1.4 percent compared with 1.8 percent in the first quarter.

They predict growth will pick up gradually later this year and in early 2014.

By then, the effects of federal deficit-cutting will fade, and private sector spending will be surging.

"It's a recovery that's gradually picking up steam but during 2013 is being held back" by federal spending cuts and tax increases, says IHS Global Insight Chief Economist Nariman Behravesh.

Typically, economic growth of at least 3 percent is needed to generate 200,000 jobs a month.

Vincent Reinhart, chief economist of Morgan Stanley, partly attributes the labor market's surprising performance to employers who are making up for laying off too many workers in the recession and hiring too slowly earlier in the recovery. Also, he says, companies are preparing for better sales later this year.

Some economists are less encouraged by the payroll gains. Diane Swonk, chief economist at Mesirow Financial, notes that much of the recent hiring is for part-time jobs in low-wage industries such as restaurants and retail.

"That's not a sign of confidence," she says.