Slowdown in economy hits hiring

Disappointing 160,000 jobs added in April could dissuade Fed from raising interest rates

Paul Davidson
@Pdavidsonusat
USA TODAY

Payroll growth slowed in April as employers added 160,000 jobs, raising concerns weak economic growth may finally be crimping the U.S. labor market.

The unemployment rate, which is calculated from a different survey, was unchanged at 5%, the Labor Department said Friday, as a fall in the number of Americans employed was offset by a similar decline in the number working and looking for jobs.

Economists expected 200,000 new jobs, according to the median forecast of those surveyed by Bloomberg. Businesses added 171,000 jobs, led by professional and business services, health care and financial activities. Federal, state and local governments cut 11,000 as the total gains sank to a seven-month low. Payroll advances for February and March were revised down by 19,000.

Average hourly wages rose 8 cents to $25.53 and are up 2.5% the past year, a bit faster than the just over 2% pace in the recovery and a possible sign earnings growth is picking up. The Federal Reserve is seeking more rapid wage growth before raising interest rates again.

Economist Paul Ashworth of Capital Economics says April's weak showing could mark the start of a longer-term slowdown in job growth. Gains of more than 200,000 a month "are simply unsustainable in an economy with a potential economic growth rate of less than 2%," he wrote in a note to clients.

But Joel Naroff of Naroff Economic Advisors says, "I think it's a blip." He notes the acceleration in wage growth may be another signal employers are simply struggling to find skilled workers.



JUSTIN SULLIVAN, GETTY IMAGES

The unemployment rate remained steady in April at 5%.

And Wells Fargo economist Mark Vitner says the decline in payroll growth largely reflects layoffs by retailers and modest additions in construction after those sectors ramped up hiring early in the year amid unusually warm winter weather. Retailers cut 3,000 jobs while contractors added just 1,000. Professional and business services added a robust 65,000 jobs; health care, 38,000; leisure and hospitality, 22,000; and financial activities, 20,000.

Still, Barclays says the lackluster gains will likely dissuade a cautious Fed from raising interest rates again in June. The Fed lifted its benchmark rate in December for the first time in nine years but has held it steady since.