YELLEN NOT FAZED BY JOBS REPORT

Fed chair paints rosy picture of economy, gives no hints on hike

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Federal Reserve Chair Janet Yellen on Monday sketched a generally positive picture of the economy and labor market, saying Friday's dismal jobs report was "concerning," but policymakers still plan to gradually raise interest rates.

She did not specify whether a rate hike at the Fed's June 14-15 meeting was still feasible, but financial markets are giving less than 5% odds of such a move, and Yellen said nothing to alter that view. She also didn't tip her hand on the likelihood of a July rate increase, though fed fund futures say the chances are 27%, down from 31% before the speech.

Generally, however, Yellen emphasized the labor market's cumulative progress and voiced only measured concern about Friday's report, which revealed that just 38,000 jobs were added in May, a nearly six-year low. The Labor Department also revised down its estimates of April employment additions to 123,000.

"Although this recent labor market report was, on balance, concerning, let me emphasize that one should never attach too much significance to any single monthly report," Yellen said in a speech at the World Affairs Council of Philadelphia. She noted that other key labor market indicators, such as initial jobless claims, remain low.



JESSICA KOURKOUNIS, GETTY IMAGES

Fed Chair Janet Yellen arrives to deliver her speech Monday in Philadelphia.

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Fed Chair **Janet Yellen**



Yellen pointed out the economy added an average 230,000 jobs a month in 2015, and the unemployment rate has fallen to 5% from 10% in 2009. Meanwhile, she said, wage growth is picking up, the pace of job openings hit a record high in March, and the number of Americans switching jobs are near prerecession levels.

"If incoming data are consistent with labor market conditions strengthening and inflation making progress toward our 2% objective, as I expect, further gradual increases in the federal funds rate are likely to be appropriate," she said. But she didn't provide a timetable, a retreat from her remarks in late May that a favorable economy likely would lead to a rate increase "in coming months."

"Recent signs of a slowdown in job creation bear close watching," she said.

"Unfortunately, as I noted earlier, new questions about the economic outlook have been raised by the recent labor market data," Yellen said. "Is the markedly reduced pace of hiring in April and May a harbinger of a persistent slowdown in the broader economy? Or will monthly payroll gains move up toward the solid pace they maintained early this year and 2015?"

Some economists have said the Fed likely will want to see at least two solid employment reports before lifting rates. Yellen's mixed assessment probably means a July rate hike is still on the table but economic data "will likely need to bat a thousand for that to occur," economist Michael Feroli of JPMorgan Chase says.