Jobs make Fed rate hike almost certain

As weather warms, hiring reaches robust 235,000 positions

Paul Davidson
@Pdavidsonusat
USA TODAY

Employers added 235,000 jobs in February as mild weather and increased business confidence spurred strong hiring for a second straight month, almost certainly cementing a Federal Reserve rate hike next week.

The unemployment rate, which is calculated from a different survey, fell to 4.7% from 4.8%, the Labor Department said Friday, as a large increase in the labor force — the number of Americans working or looking for jobs — was more than offset by an even bigger rise in employment.

Economists had forecast a gain of 190,000 jobs, according to the median estimate of a Bloomberg survey.

Average hourly wages rose 6 cents to $26.09, nudging annual gains back near a seven-year high at 2.8% from 2.5%. Pay increases unexpectedly slowed in January despite minimum wage hikes by 19 states, and many economists predicted the higher base pays and tight labor market would spur a rebound in February. Pay gains are likely to accelerate as the low unemployment rate forces employers to bid up to attract a smaller pool of workers.



ALAN DIAZ, AP

Economists expected strong job growth in February.

The better-than-expected report "will erase any lingering doubts" about a Fed rate increase next week, economist Paul Ashworth of Capital Economics wrote in a note to clients. Fed officials indicated last week a hike was all but certain. The Fed raised its benchmark rate in December for just the second time in the past decade, and central bank officials have forecast three rate increases this year to head off a surge in inflation in an improving economy.

Businesses added 227,000 jobs last month across a broad base of industries. Federal, state and local governments added 8,000. A federal hiring freeze had been expected to reduce public-sector payrolls, but that didn't materialize.

Job gains for December and January were revised up by 9,000. December's was revised down to 155,000 from 157,000, but January's was raised to 238,000 from 227,000. Another encouraging sign: A broader unemployment measure that includes discouraged workers and part-timers who prefer full-time jobs fell to 9.2% from 9.4%.

Many analysts expected a healthy showing, noting that mild winter weather probably boosted hiring, particularly in sectors such as construction. Contractors, in fact, added an outsized 58,000 jobs last month.