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Job Losses Moderate, but Unemployment Rate Hits 9.7%

By SUDEEP REDDY

Employers cut jobs in August at their slowest pace in a year, but a jump in the unemployment rate to a 26-year-high of 9.7% reinforced worries that a weak labor market could weigh on consumer spending and the vigor of the economic recovery.

Nonfarm payrolls fell 216,000 for the month, fewer than the 276,000 lost in July, the Labor Department said Friday. The economy has shed 6.9 million jobs since the recession began in December 2007. The data reinforced expectations that employers will begin adding jobs by early next year, though the pace of job creation remains uncertain.

The latest figures are consistent with an economy pulling out of its deepest downturn since the Great Depression. But rising unemployment portends persistent weakness in consumer confidence, income and spending even as manufacturers start bouncing back and the stock market revives. The construction and manufacturing sectors together accounted for more than half of August's job losses. Losses in retail and business services narrowed substantially. The biggest gains came in health care.

Stephen Stanley of RBS Securities said the report "strengthens our conviction of a relatively upbeat economic outlook," but added that "it was not far enough away from expectations to change the views of either optimists or pessimists."

Rising joblessness is likely to heat up the political debate in Washington about the efficacy of the $787 billion fiscal stimulus. Government payrolls declined 18,000 in August. If not for federal support for state and local budgets, they probably would have fallen further. But the stimulus spending is proving to be too slow to offset ongoing cuts among private employers.

"I want to be clear about something: less bad is not good," Vice President Joseph Biden said Friday. "That's not how President Obama and I measure success."

The spike in the unemployment rate, after dipping to 9.4% in July, came as more Americans returned to the workforce. Teenage unemployment hit 25.5%, the highest since the government started keeping records in 1948. The jobless rate for men rose to 10.1% -- well above the 7.6% rate for women -- as male-dominated fields such as construction and manufacturing continued to bleed jobs.

A broader measure of joblessness, which counts people who have stopped seeking work and those working part-time but want full-time jobs, rose half a percentage point to 16.8%.

Most economists expect the official jobless rate to top 10% in the coming months and remain above 9% through 2010 as people re-enter the workforce seeking jobs. The prospect of protracted labor-market weakness led financial markets

to downgrade expectations for a Federal Reserve rate increase next March. Traders in futures markets put the odds of March rate increase at 50% after the jobs report; before the report, they were at 65%.

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