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### **Job data point to slowing economy** Investors hopeful Fed will step aside

*MICHAEL E. KANELL*

The engines of job growth sputtered in May, adding a disappointing 75,000 positions -- less than half the pace expected by most economists and another sign that economic growth is slowing.

However, the much-watched monthly report from the U.S. Bureau of Labor Statistics also delivered an encouraging message for investors and others who are more concerned with inflation than with job creation.

"It highlights the issue of whether good news on economic fronts are good news for capital markets," said Adrian Cronje, director of qualitative strategies for Wilmington Trust Investment Management in Atlanta. "The labor market sits at the heart of the dilemma."

For stock investors, the sign of slowing was reason to hope that the Federal Reserve would halt -- or at least pause -- its campaign of lifting short-term interest rates. Those 16 rate increases since June 2004 have made borrowing more expensive as the Fed tries to decelerate the economy to dampen inflation.

A slowdown in growth is what economists now predict through the rest of this year and into 2007. Most also project a gradual rebound without a downturn. Friday's report was seen as further evidence that the Fed's rate increases have already chilled expansion -- and that raising rates still higher would risk recession.

"It's a signal that inflation expectations are going to be kept in check," Cronje said. "It reduces the risk that the Fed will overdo it."

Before the jobs report, futures traders had put the chances of a Fed rate increase later this month at more than 70 percent. By midmorning, the odds had plunged to less than 50 percent. But new Fed Chairman Ben Bernanke has said his decisions will be based on data -- and there are still some critical indicators, including the Consumer Price Index, that will come before the next rate-setting meeting June 28.

"It looks like they'll hike in June and then stop," said Rajeev Dhawan, director of the Economic Forecasting Center at Georgia State University. "But this gives more ammo to a pause."

Whatever the impact on Fed policy, Friday's report is discouraging for many job seekers. Many sectors showed weak growth, while jobs were lost in a number of key areas: retail, information and manufacturing. The number of construction jobs was virtually unchanged, while leisure and hospitality grew slightly.

Average earnings for the month were up just a penny per hour, while the number of hours worked went down.

One month is no trend. But the larger picture shows average monthly job creation slowing: 125,000 a month during the past three months, 146,000 during the past six months and 158,000 for the past year.

Still, the current slowdown is not dramatic. And despite anemic hiring in some sectors, there are signs of an improving labor market overall -- even some pockets where hiring is hot. Expertise in financial services is still in demand.

Financial consultant Adam Smith, 26, started a job with Suwanee-based Ceto and Associates in early May. He has

working for a large bank in Charlotte for more than three years, but he and his wife wanted a move to Atlanta.

He called a recruitment company. He placed resumes online. He pored through newspaper ads. He called friends acquaintances.

"I took on the job search as almost a second full-time job," he said. "I interviewed with a couple of companies, but offer came through and I jumped on it."

The official unemployment rate, calculated from a separate, smaller and more volatile survey than the payroll data brightened slightly. The jobless rate for May slipped from 4.7 percent to 4.6 percent -- the lowest level since July 2

That survey showed more people with jobs in May. It also showed an increase in the number of Americans who had dropped out of the labor force -- people who were not counted as unemployed.

Staffing companies say they have not seen any weakening in the market.

Anteo Group, which specializes in technology professionals, has seen "constant, strong demand," said Dion DeLo company president.

Adecco, which places a broader range of workers, sees higher demand for finance and technical professionals, as well as skilled blue-collar workers, said David Bishop, regional vice president at the staffing firm. "We've seen a pickup maybe 7 or 8 percent increase in the past three months."

That disconnect might signal better-than-average hiring in Georgia. Or, staffing companies could be covering growth areas and avoiding the rest.

The economy has doggedly plowed through obstacles, faltering but never falling.

Energy prices have nearly tripled. A massive hurricane devastated a major city and hundreds of miles of coastline. Higher interest rates have nipped at the heels of homebuyers and homeowners. Domestic automakers have taken beating. The linchpin of growth -- housing sales -- has started to slow, threatening consumers and the construction sector.

"Weaker-than-expected employment and the downward revision in April's gains suggest that the economic slowdown is in place," wrote John Silvia, chief economist at Wachovia Corp. in a message to clients Friday. "How much and how rapid remains an issue."

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