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## Payrolls Grow Smallest Amount Since Oct.

Payrolls Grow by 138,000 in April, Smallest Since October; Unemployment Rate Holds Steady



Attendees to a job fair sponsored by the Hispanic Alliance for Career Enhancement file into the Jacob Javits Convention Center in this file photo from April 26, 2006 in New York. The Labor Department reported Friday, May 5, 2006 that new hiring slowed significantly in April as employers added just 138,000 people to their payrolls, the slowest pace of job growth in six months. (AP Photo/Mark Lennihan, File)

By JEANNINE AVERSA AP Economics Writer

**WASHINGTON May 5, 2006 (AP)**— New hiring slowed significantly in April as employers added just 138,000 people to their payrolls, the slowest pace of job growth in six months. The overall unemployment rate held steady at 4.7 percent.

The latest snapshot of labor market activity, released by the Labor Department on Friday, also showed a sharp jump in workers' wages, which is sure to raise inflation fears.

Wages grew by 3.8 percent over the last year, the biggest 12-month gain since August 2001.

The 138,000 gain in payrolls was the smallest since October when businesses still reeling from the blows of the Gulf Coast hurricanes added only 37,000 jobs.

The weakness in April's payrolls mostly reflected job losses in retailing. Manufacturers actually added the most number of jobs in nearly two years. Financial firms, professional services, construction and other companies all boosted employment during the month.

The payroll performance in April was weaker than economists were expecting. Before the release of the report, they were predicting a gain of around 200,000 jobs for the month.

"This suggests that companies are not aggressively hiring," said Lynn Reaser, chief economist at Bank of America's Investment Strategies Group. "Companies are showing some caution with the expectation that rising energy prices, higher interest rates and a slowing housing market may temper overall economic activity down the road," she said.

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Still, economists didn't believe that April's slower job growth was a sign that the economy is heading for a serious setback. They pointed out that other recent barometers including retail sales, manufacturing and service-sector activity all looked very healthy for April.

Job gains in February and March, meanwhile, turned out to be less than previously estimated. Payrolls grew by 200,000 in each month a still good showing. The government had reported a gain of 211,000 jobs in March and 225,000 in February.

The report comes as President's Bush standing with the public has deteriorated. Bush's job-approval rating, meanwhile, is now at 33 percent, the lowest in AP-Ipsos polling.

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Workers' average hourly earnings stood at \$16.61 in April, a big 0.5 percent jump from March. Economists were expecting a more moderate 0.3 percent rise. Over the last 12 months, earnings went up by 3.8 percent, the biggest 12-month gain since August 2001.

Wage improvement is good for workers but a rapid, sustained acceleration can ignite inflation concerns.

To fend off inflation, Federal Reserve Chairman Ben Bernanke and his colleagues are expected to bump up interest rates on May 10 by one-quarter percentage point to 5 percent. After that, some economists believe the Fed will take a break in its two-year rate-raising campaign. Others, however predict the Fed will push rates even higher.

On the payroll front, retailers cut just over 36,000 jobs in April, the most since September. Some economists said that the declines reflected a move by retailers to pare staffing after bulking up their employee ranks in March. Some said the drop was a byproduct of consolidation seen in retailing such as at department stores. Others suggested the decline was related toward the growth of self-service checkouts and the use of other technology at stores.

Information companies, including publishers, shed 2,000 jobs during the month.

But at other industries the hiring picture was much brighter. Manufacturers boosted payrolls by 19,000, the most in nearly two years. Leisure and hospitality companies added 20,000 jobs. Education and health services posted 35,000 job gains. Professional and business services added 28,000 positions. Financial firms increased employment by 26,000. Construction companies added 10,000 jobs.

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The report comes as analysts expect the economy to log slower growth in the April-to-June quarter, predicting it will expand by about 3 percent. Such growth would mark a moderation from the brisk 4.8 percent pace registered in the January-to-March period but would still be considered healthy.

Just how much strength the second quarter shows will be affected by the appetite of businesses and consumers to spend and invest.

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So far, they have been holding up under the strain of high energy prices.

Oil prices topped \$75 a barrel, a record high in late April. Oil prices, which have been gyrating since then, were hovering below \$70 a barrel on Thursday. Gasoline prices have marched higher and are above \$3 a gallon in some areas.

Separately, consumer confidence sank to a seven-month low as sticker shock from rising gasoline prices made Americans anxious about the economy's prospects and the strain on their own budgets.

The RBC CASH Index, based on results from the international polling firm Ipsos, showed confidence at 67.1 in early May. That marked a big deterioration from 89.4 in April.

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