Private Sector Job Gains Offer Hope for Labor Market

Private-sector employers shrugged off a looming budget crisis and stepped up hiring in December, offering further evidence of underlying strength in the economy as 2012 ended.

While other data on Thursday showed an increase in the number of Americans filing new claims for unemployment benefits, the trend remained consistent with steady job growth.

“The underlying economy has momentum, and the employment data confirms that. The hope and prayer of the market is that our political leaders don’t screw it up,” said John Brady, managing director at R.J. O’Brien & Associates in Chicago.

Although Congress this week approved a deal to avoid the so-called **fiscal cliff**—a combination of sharp government spending cuts and higher taxes that would have sucked about $600 billion from the economy—the budget problems are far from resolved.

The ADP National Employment Report showed the private sector added 215,000 jobs last month after increasing their payrolls by 148,000 in November. The report is jointly developed with Moody’s Analytics.

The job gains came even as companies worried the economy might fall off the fiscal cliff.

However, the ADP data tends to overstate job gains in December because of a year-end accounting quirk.

“While we are encouraged by the better tone in the ADP employment report, we are cautious about reading too much into it, particularly given its tendency to exaggerate the performance of the labor market in December,” said Millan

Mulraine, a senior economist at TD Securities in New York.

Still, the report added to other data ranging from consumer spending to manufacturing that have suggested the economy was in a much better shape than previously thought.

It was released ahead of the government's more comprehensive employment report on Friday. That report is expected to show employers added 150,000 jobs to their payrolls in December, according to a Reuters survey of economists, up from 146,000 in November.

Prices for U.S. Treasury debt fell on the ADP report. The dollar rose broadly, while stocks on Wall Street were flat after a recent rally.

Steady Job Gains

A separate report from the Labor Department showed initial claims for state unemployment benefits increased 10,000 to a seasonally adjusted 372,000 last week. However, claims data for nine states, including California and Virginia, was estimated because of the Christmas and New Year holidays.

The four-week moving average for new claims, a better measure of job market trends, was little changed at 360,000, a sign labor conditions continue to improve at a steady pace.

"The claims data are not always reliable labor market indicators around the holiday season because of issues seasonally adjusting the data, but it is still a somewhat encouraging sign to see the trend in the data remain relatively low," said Daniel Silver, an economist at JPMorgan in New York.

Job gains in the first 11 months of last year averaged about 151,000 per month, not enough to significantly lower unemployment. The jobless rate dropped by 0.2 percentage point to 7.7 percent in November and is expected to have held at that level last month.

The steady labor market was also captured by a third report showing planned layoffs at U.S. firms fell in December for the first time in four months, while the overall job-cut total in 2012 was the lowest since 1997.

“The key to job creation is the pace at which companies are willing to hire new workers since it appears they are already retaining existing employees at a high rate,” said John Ryding, chief economist at RDQ Economics in New York.

Better job security is helping to support domestic demand and in December, several major U.S. retailers such as Costco Wholesale Corp and high-end chain store Nordstrom Inc reported better-than-expected sales.

Sales at stores open at least a year rose 4.5 percent, topping analysts’ estimates for 3.3 percent growth for December across 17 chains.

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