

Unemployment rate slumps to four-year low

WASHINGTON (AP) - The nation's unemployment rate dipped to a four-year low of 4.9 percent in August as companies added 169,000 jobs, a sign that the labor market continued to gain traction before Hurricane Katrina struck.

The latest snapshot of the United States' jobs climate, released by the Labor Department on Friday, buttressed observations by Federal Reserve Chairman Alan Greenspan and his colleagues that the hiring situation was gradually improving — a bit of good news for workers as they headed into the Labor Day weekend.

But the future of the nation's employment picture is murky — clouded by fallout from the devastating hurricane.

Friday's figures don't reflect the impact of Katrina, which slammed into New Orleans and a swath of Gulf Coast communities, because the employment information was collected before the storm hit.

The 4.9 percent unemployment rate reported for August was down a notch from July's 5 percent rate and was the lowest since August 2001.

"The economy is motor-ing along and we are indeed creating more than a decent amount of jobs. But there are a number of hurdles that lie in our path of prosperity — record energy prices and the economic consequences of Hurricane Katrina," said Richard Yamarone, economist at Argus Research.

On Wall Street, the Dow Jones industrials were flat in late morning trading.

President Bush, whose job approval ratings have been sinking in recent polls, has been confronted by new economic challenges from Hurricane Katrina, which has catapulted lofty gasoline and other energy prices even higher.

Many economists believe the hurricane's fallout will slow overall economic growth in the months ahead as higher energy prices crimp consumers' and businesses' appetite to spend.

Some believe growth in the final quarter of this year could come in at an anemic pace of around 2 percent.

Businesses around the country are expected to become more cautious in their hiring.

Some economists predict that September's employ-

ment report will show the nation's payrolls shrinking and the unemployment rate rising.

The government releases September's report early next month.

Hundreds of thousands of people have been thrust out of work in parts of Louisiana, Mississippi and Alabama because of Katrina.

The situation probably will propel area unemployment rates now in the single digits to the double digits in coming months — even

when one accounts for employment gains from rebuilding efforts, economists said.

Against the backdrop of economic uncertainty created by the hurricane and skyrocketing energy prices, a few economists believe the Federal Reserve may decide to hold interest rates steady at its next meeting on Sept. 20.

Others, however, continue to predict another quarter-point rate increase.

In Friday's report, U.S. employers added 169,000

jobs in August, reflecting increased employment in industries, including construction, professional and business services, health care and education, and financial activities. But manufacturers shed jobs for the third straight month, reflecting the industry's sometimes bumpy road to recovery from the 2001 recession.

Also encouraging was that payroll gains were revised up for both June and July. Employers in July added 242,000 jobs, an im-

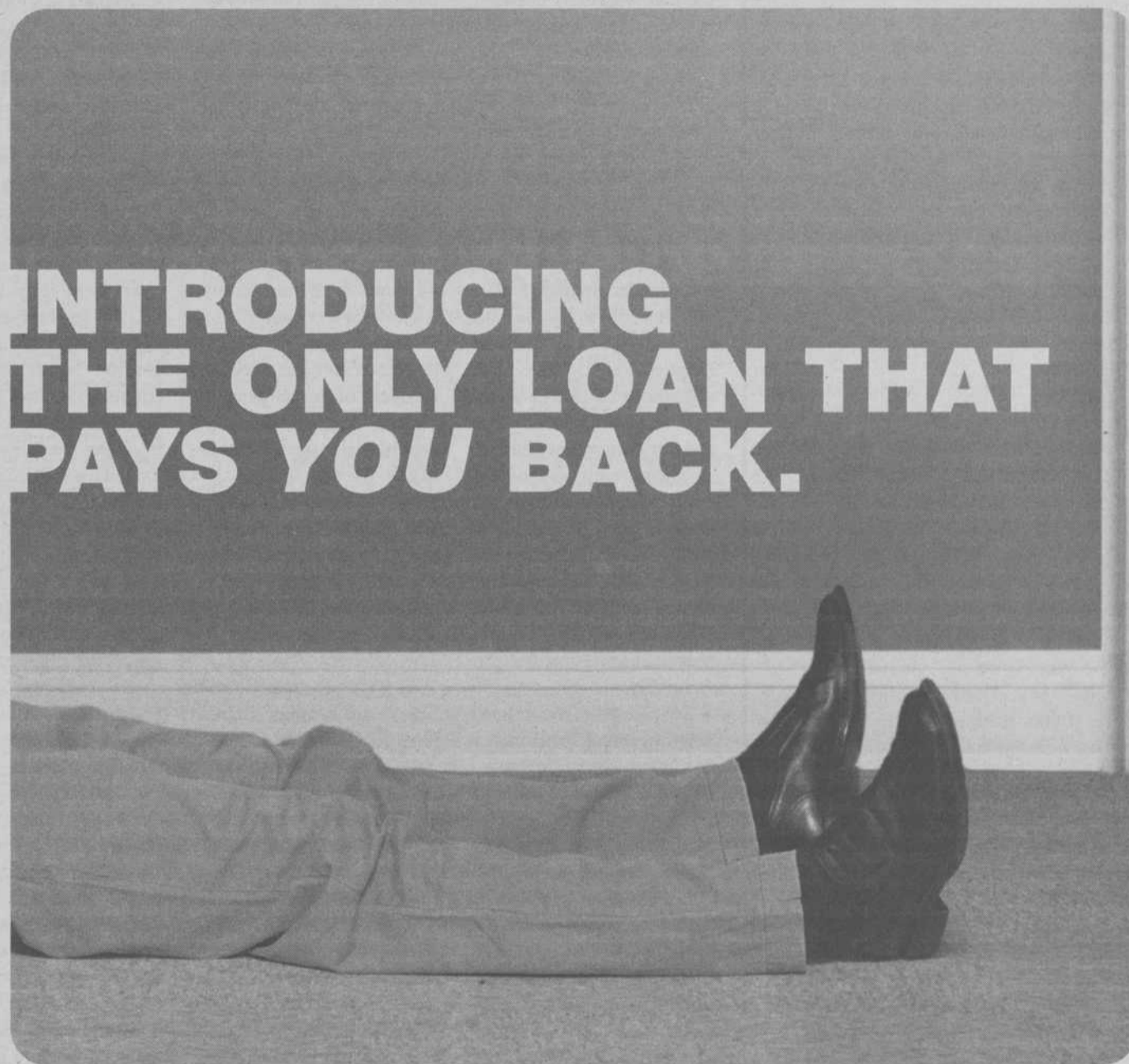
provement from the government's initial estimate of 207,000 net job gains. For June, 175,000 jobs were added, up from a previous estimate of a 166,000 jobs gain.

The payroll gain of 169,000 reported for August was less than the 190,000 new jobs some economists were forecasting before the release of the report.

Economists were predicting the unemployment would hold steady at July's 5 percent rate.

Professional and business services added 29,000 jobs in August. Financial companies added 15,000. Education and health services expanded employment by 43,000. Leisure and hospitality added 34,000 jobs. Retailers added close to 12,000 during the month. Construction companies boosted payrolls by 25,000.

But factories cut another 14,000 jobs in August. Auto makers accounted for the biggest chunk of those job losses.



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