

US adds more jobs than expected

The US economy added 337,000 jobs in October - a seven-month high and far more than Wall Street expectations.

In a welcome economic boost for newly re-elected President George W Bush, the Labor Department figures come after a slow summer of weak jobs gains. Jobs were created in every sector of the US economy except manufacturing. While the separate unemployment rate went up to 5.5% from 5.4% in September, this was because more people were now actively seeking work.

The 337,000 new jobs added to US payrolls in October was twice the 169,000 figure that Wall Street economists had forecast. In addition, the Labor Department revised up the number of jobs created in the two previous months - to 139,000 in September instead of 96,000, and to 198,000 in August instead of 128,000. The better than expected jobs data had an immediate upward effect on stocks in New York, with the main Dow Jones index gaining 45.4 points to 10,360 by late morning trading. "It looks like the job situation is improving and that this will support consumer spending going into the holidays, and offset some of the drag caused by high oil prices this year," said economist Gary Thayer of AG Edwards & Sons.

Other analysts said the upbeat jobs data made it more likely that the US Federal Reserve would increase interest rates by a quarter of a percentage point to 2% when it meets next week. "It should empower the Fed to clearly do something," said Robert MacIntosh, chief economist with Eaton Vance Management in Boston. Kathleen Utgoff, commissioner of the Bureau of Labor, said many of the 71,000 new construction jobs added in October were involved in rebuilding and clean-up work in Florida, and neighbouring Deep South states, following four hurricanes in August and September. The dollar rose temporarily on the job creation news before falling back to a new record low against

the euro, as investors returned their attention to other economic factors, such as the US's record trade deficit. There is also speculation that President Bush will deliberately try to keep the dollar low in order to assist a growth in exports.