December's labor market data continued to indicate strength, closing out an impressive year. In 1998, job creation was above trend, the unemployment rate fell to its lowest annual average in more than 35 years, and the employment-to-population ratio reached an all-time high.

Employment as reported by establishments posted its largest 1998 increase in December, with 378,000 new jobs added to the economy. Payrolls were up 2.9 million for the year, slightly higher than the expansion annual average of 2.2 million. December’s hefty increase reflected large gains in construction employment, attributable to unseasonably warm weather and low interest rates.

Increases in construction employment and widespread gains in the service sector were offset slightly by continued job losses in manufacturing. Service-sector employment was up 290,000 in December, with especially large gains in transportation and retail trade. Business service employment increased 49,000. Personnel supply, which includes temporary employment services, experienced its largest increase since August.

For the year as a whole, goods-producing industries grew at the slow rate of 0.3%. Construction was the only major goods-producing industry with a positive growth rate, increasing 6.0%. Service-producing industries grew 2.8%, with strong increases in transportation, finance, and services.

The unemployment rate dipped slightly to 4.3% from November’s 4.4% rate. The 1998 average unemployment rate was 4.5%; this was the lowest peacetime rate since 1957 and the lowest rate overall since 1969, the height of the Vietnam War. The employment-to-population ratio hit an all-time high of 64.2%, breaking the record set earlier this year.