Labor markets' vigorous growth showed no sign of abating in February. Nonfarm payrolls grew at a better-than-average rate, with industry gains and losses that reflected strong consumer spending, a healthy building market, favorable weather, and international economic turmoil. The unemployment rate rose slightly amid moderate growth in average hourly earnings.

Nonfarm payrolls increased 275,000 for the month. With January’s downward revision (217,000 instead of 245,000), the year-to-date average is little changed at 246,000. Payrolls in service-producing industries expanded by 263,000, led by employment increases in restaurants, department stores, and miscellaneous retail establishments. The pace of jobs growth in the construction industry surged as 72,000 jobs were added to payrolls. Manufacturing lost 50,000 jobs in its sixth consecutive month of contraction, bringing the number of jobs lost in the past six months to 201,000.

A decrease in household employment slightly outweighed a decrease in the labor force, causing the unemployment rate to creep up one-tenth of a percent to 4.4%. The employment-to-population ratio fell to 64.4%.

Since February 1998, hourly earnings have risen 3.6%, slightly more than the current expansion’s year-over-year average growth rate of 3.1%. Total earnings growth has recently been tempered by slower-than-average growth in goods-sector wages. Wages for service-sector jobs increased a solid 4.1%.