Although employment growth continued in 2004, it was disappointing compared to earlier expansions. Nonfarm payroll employment increased by 157,000 in December, better than November’s upwardly revised 137,000 net gain but still below the average monthly increase of 186,000 in 2004. Payroll employment has increased by 2.5 million jobs since August 2003 (2.2 million of them in 2004), less than the 2.7 million lost between March 2001 and August 2003.

Service-providing industries sustained their growth in December except retail trade, which lost nearly 20,000 jobs. The largest gains were in education and health services (47,000 jobs, of which roughly two-thirds were in health care and social assistance industries). Gains were also high in professional and business services (41,000) and financial activities (14,000). After declining for three consecutive months, manufacturing employment grew slightly (3,000) in December. Job gains in 2004 were concentrated in service-oriented industries, especially professional and business services (546,000) and education and health services (402,000). Manufacturing employment rose by 76,000 in 2004, the first calendar-year increase since 1997.

The unemployment rate held at 5.4% in December. Both the ratio of employment to population (62.4) and the labor force participation rate (66%) were nearly unchanged in 2004.

The diffusion index of employment measures the share of industries where employment growth over one month (or 12 months) plus half of those with unchanged employment.

NOTE: All data are seasonally adjusted

a. Financial activities include the finance, insurance, and real estate sector and the rental and leasing sector.

b. Professional and business services include professional, scientific, and technical services, management of companies and enterprises, administrative and support, and waste management and remediation services.

c. Percent of total nonfarm industries with increased employment over one month (or 12 months) plus half of those with unchanged employment.