U.S. Factories Help Job Recovery Endure In March

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WASHINGTON (AP) — A resurgent U.S. job market that has lifted the economy appears to be enduring.

Factories in the Northeast kept hiring in early March. And the number of people applying for unemployment aid last week fell back to a four-year low. The economy is adding jobs at a time when inflation remains relatively mild outside of higher gas prices.

Upbeat government reports Thursday reinforced the message sent by last week's encouraging February job figures.

The good economic news drove stocks higher. The Standard & Poor's 500 index closed above 1,400 for the first time since June 2008. The Dow Jones industrial average finished up for the seventh straight session at 13,252.76 — the highest close since the last day of 2007.

"More solid U.S. economic data (are) pointing to a gradually improving labor market, a bounce-back in manufacturing and no material ... inflation pressure," said Robert Kavcic, an economist at BMO Capital Markets.

Applications for unemployment aid dropped to a seasonally adjusted 351,000, the Labor Department said Thursday. That matched a four-year low reached last month. The four-week average, which smooths fluctuations, was unchanged at 355,750, also a four-year low.

Applications have declined 14 percent since October. When applications drop consistently below 375,000, it usually signals that hiring is strong enough to lower the unemployment rate.

The steady decline has coincided with the best three months of hiring in two years. From December through February, employers added an average of 245,000 jobs a month. The unemployment rate has fallen to 8.3 percent, the lowest in three years.

The figures "indicate that the labor market is steadily, if slowly, improving," said Steven Wood, an economist at Insight Economics. "Another month of 200,000-plus payroll employment in March is likely."

U.S. factories in the Northeast are likely to contribute to those March payroll gains, based on two surveys conducted by the Federal Reserve Bank of Philadelphia and the Federal Reserve Bank of New York.

The Fed banks said manufacturing in both regions is growing at a healthy pace in March. The Philadelphia Fed manufacturing index posted its highest reading since April 2011; the New York Fed index hit a 21-month high.

The two surveys also showed that factories in those areas are hiring more workers.

Factories have played a leading role reviving job growth. The Labor Department reported last week that manufacturing jobs grew by 31,000 in February. Over the past year, manufacturing added 227,000 jobs.

Rising auto sales and increasing demand for heavy equipment, such as mining and agricultural machinery, have kept factories busy.

Still, there were some cautionary signs in the Fed surveys. Both showed that new orders and shipments slowed, indicating that output may decelerate in coming months.

Higher gas prices could also force consumers to cut back on discretionary spending. That could weigh on growth and slow hiring.

On Thursday, the average price nationally for a gallon of gas rose to $3.82, according to AAA. That's 51 cents higher than a month ago.

Rising gas costs drove U.S. wholesale prices up last month, according to a separate Labor Department report. But excluding the big jump in gas, inflation was mostly tame.

In the past 12 months, wholesale prices have increased 3.3 percent. That's the smallest year-over-year gain since August 2010.

The report "suggests that inflationary pressures are still contained," Paul Ashworth, an economist at Capital Economics, said in a note to clients. "More evidence that the U.S. economy could finally be on the right track."

The Federal Reserve said this week that it expects oil and gas prices to temporarily boost inflation. But it predicted longer-term inflation should remain stable.

Fed policymakers sketched a slightly more upbeat view about the recovery after their one-day meeting on Tuesday, largely because of the surge in hiring. They said unemployment should continue to decline gradually as the economy expands. And they noted that consumer spending and business investment have picked up.

The central bank took no further steps to aid the recovery and repeated its plan to keep short-term interest rates near zero through 2014.

The job market has a long way to go to fully recover from the Great Recession. More than 12.8 million people remain unemployed. And the economy still has 5 million fewer jobs than before the downturn.

But the more robust job market has caused many so-called "discouraged workers" who had stopped looking for jobs to start looking again. The workforce surged by 476,000 in February and by nearly 750,000 in the past two months.

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