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Employers kept hiring at a steady pace in April and the government revised up job tallies for February and March, easing fears that the economy is tumbling into a spring slump and propelling blue-chip stocks to record highs.

Nonfarm payrolls rose by 165,000 last month and the jobless rate ticked down to 7.5%, the lowest level since December 2008. The Labor Department also significantly raised hiring estimates for the two prior months, by a combined 114,000 jobs.

But the job gains in April, which were tilted toward the retail and business-services sectors, come alongside mixed signals for the economy almost four years into the recovery. While the housing and auto sectors are accelerating after years of industry turmoil, other major sectors are showing signs of trouble. In short: The Federal Reserve is looking for more broad-based and sustained job growth before easing up on its easy-money policies.

Still, investors were cheered. The Dow Jones Industrial Average rose 142.38 points, or 1%, to 14973.96, crossing the 15000 mark for the first time. The dollar strengthened against the yen. Crude oil hit a one-month high and copper surged almost 7% in its biggest gain in 18 months, reflecting improving investor sentiment after weeks of deepening worry about growth. Meanwhile gold futures faltered and the price of safe-haven Treasury bonds fell.

Federal budget cuts that started in March as part of the so-called sequester are weighing on private-sector contractors and clipping the incomes of government employees hit by furloughs. Higher payroll taxes on employees and weakness in workers' wages—reflected in Friday's report—are exerting pressure on corporate revenue, suggesting slower growth ahead after growth in first-quarter gross domestic product came in at a disappointing 2.5% pace.

"It's still an uneven backdrop," said Tom Porcelli, chief U.S. economist at RBC Capital Markets. "Companies are more likely to protect the bottom line and to keep head count relatively steady, at best."

The dynamics are likely to keep the Fed on track with its bond-buying program intended to keep interest rates low and encourage growth. The central bank said Wednesday after its policy meeting that it could increase or decrease the pace of its bond-buying based on the evolution of the labor market and inflation. The stronger jobs report may end any expectation of an increase in bond buying, while slowing inflation has taken pressure off the Fed to pull back soon.

Some Fed officials and private-sector economists are adjusting their hopes for a stronger economic rebound. Growth, while choppy from quarter to quarter, has averaged about 2% a year during the recovery.

"We are likely to see brief swings above and below that rate from time to time, but I don't see a compelling case for a sustained departure anytime soon," Jeffrey Lacker, president of the Richmond Fed, said in a speech Friday.

The increase in 176,000 private-sector jobs, on top of a loss of 11,000 government jobs, was concentrated in a handful of service industries. The professional and business-services sectors added 73,000 jobs, including 31,000 temporary workers. Manufacturing employment stalled and construction employment contracted after gains earlier in the year. But a surge in housing activity is expected to boost construction this year and support firms tied to the housing sector.

Fortune Brands Home & Security Inc., a Deerfield, Ill., maker of faucets, cabinets, doors and other home fittings, on Thursday bumped up its forecast for sales growth in 2013 to between 9% and 11% from the previous 7% to 9%.

"It looks like this year will be a bit better than everyone thought at the beginning of the year," Chief Executive Chris Klein said in an interview. The company is increasing employment at some of its cabinet plants in the U.S. and plans to add a total of 320 people at those plants in 2013, with the hiring spread throughout the year, he said. The company had about 5,900 workers at its U.S. cabinet plants at the end of 2012.

Still, many businesses remain cautious as demand proves fitful amid the sluggish expansion in the U.S. and abroad. "We're at anemic, pathetic growth right now," said [Drew Greenblatt, president of Baltimore-based Marlin Steel Wire Products LLC](#), which makes [high-end baskets and other steel products for other manufacturers](#). "You don't want people contemplating their navel when they should be out there hiring people."

Mr. Greenblatt said troubles in Europe are intensifying just as worries about higher health-care costs weigh on him and his customers. The company hopes to expand its \$5 million in annual revenue by 20% this year, he said, but he's limiting his hiring while investing in automation. Marlin Steel has one temporary worker on board, alongside 28 regular employees, but hasn't hired a new full-time worker since November. "We hire people when we have demand," Mr. Greenblatt said. "We have demand when there's a lot of optimism."

Other data also indicate a deceleration in the economy. The Institute for Supply Management's service-sector gauge released Friday fell to 53.1 in April, down 1.3 points from March and its lowest reading since last July. The reading above 50 still indicates an improvement for the nonmanufacturing sector, but at a slower pace.

"What we're seeing is a leveling off in growth," said Anthony Nieves, chair of the ISM's nonmanufacturing survey committee. "We're going to see this go sideways for the next few months."

The pool of available workers remains substantial. About 11.7 million Americans are looking for work and 4.4 million of them have been searching for six months or more. A broader measure

of underemployment ticked up to 13.9% in April, accounting for discouraged job seekers who quit looking for work and part-timers who want full-time work.

"The economy is up and down like a yo-yo," said Galen Heffner, a Frankfort, Mich., resident who has been in and out of part-time jobs since 2009.

Mr. Heffner, 48 years old, worked in manufacturing jobs for more than 15 years and then struggled to find new factory work. Instead, he worked for an office-cleaning company for six years before his hours dried up during the recession. His latest temp job, earning \$8.50 an hour at a smaller manufacturer, ended last fall. He recently learned that his unemployment checks will be cut by \$20 a week to \$158 due to federal budget cuts.

While he's scouting job fairs and looking for work, Mr. Heffner said he knows he'll still earn barely enough to survive. "I can work for peanuts," he said, "but that's only going to last for a few months."

—Matt Jarzemsky and James R. Hagerty contributed to this article.

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