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U.S. Adds 227,000 Jobs in January While Trump Pushes for Even More

The U.S. added 227,000 jobs during the month of January, while the unemployment rate ticked up slightly to 4.8%.

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By: Valerie Young

U.S. employers added 227,000 positions last month, the largest increase since June, the Labor Department reported Friday as recently inaugurated President Donald Trump met with top business executives to discuss his economic strategy.

The number, which included gains in retail, construction and finance, beat economists' estimates of 195,000 and compared with a revised increase of 157,000 in December.

Even though January's job report may be slightly inflated -- the month offered better weather conditions for construction than December and there were fewer post-Christmas layoffs at retailers because of lower seasonal hiring -- employment growth remains very strong, said Ryan Sweet, director of real time economics for Moody's Analytics.

"It gets us on the path towards achieving full employment," Sweet said in a phone interview. The Trump administration is "inheriting a very strong economy. The one concern is that their stance on trade may be more disruptive to growth this year, but other than that, the economy's fundamentals are rock solid."

The unemployment rate ticked up slightly, moving from 4.7% in December to 4.8% in January, as labor force participation increased 0.2% to 62.9%, according to the report.

"Ironically, it's encouraging that the unemployment rate ticked up because it rose for the right reason," Sweet said. "The increase in the labor force participation rate, which nudged the unemployment rate higher, is good news. An increase in the labor supply is important because business are already grumbling about their difficulty finding qualified workers."

One area of concern, however, is that average hourly earnings increased only 3 cents to $26, despite the minimum wage rising in 19 states, Sweet added.

"The last few months' average hourly earnings have come in on the weak side," he said. "The general takeaway from wages is that the economy is not at full employment yet. We are getting there, but we still have a little bit more slack to absorb before we start to see a noticeable acceleration in wages."

Still, pay jumped 2.5% over the past year, which is a positive for workers though it may tighten profit margins for employers.

"The big challenge," said James Cassel, an investment banker and co-founder of Cassel Salpeter, "is going to be whether the wage growth causes margin compression for businesses, or whether they can do one of two things: either get some pricing power, in terms of raising their prices to accommodate for that, or alternatively they can get increased productivity."

That's an issue on which President Trump may turn to his economic advisory council, which met Friday morning and includes CEOs from **Tesla** (TSLA) , **Wal-Mart** (WMT) , **Blackstone Group** (BX) , **Disney** (DIS) , **JPMorgan Chase** (JPM) , and **IBM** (IBM) .

Known as the president's Strategic and Policy Forum, the group's mission includes helping the president buoy job growth.

The overall strength of the U.S. labor market, which has shown marked improvement since unemployment peaked at 10% in 2009, was a factor in the

Federal Reserve's decision to raise short-term interest rates by 25 basis points in December.

The hike, only the second since rates were cut to nearly zero during the 2008 financial crisis, may be followed by as many as three this year, the central bank projected. During the Fed's latest meeting, the committee members decided to leave interest rates unchanged.

"From the Fed's perspective, this is as good as it gets," Sweet said. "The unemployment rate is falling well below their estimate of full employment, and wage growth isn't strong enough where it suggests that they need to create any sense of urgency in raising rates."