

BUSINESS

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Job growth misses predictions

President trumpets unemployment drop as sign of economic health

By JEANNINE AVERSA
THE ASSOCIATED PRESS

WASHINGTON

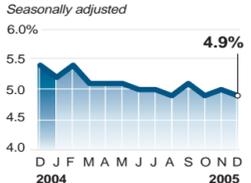
Businesses boosted payrolls modestly in December, and the unemployment rate dropped to 4.9 percent, evidence, President Bush said, of the economy's resiliency in the face of last year's hurricanes and high energy costs. For all of 2005, employers added 2 million new jobs.

The employment report released by the Labor Department on Friday suggested that the job market headed into the new year in pretty good shape, private analysts said.

Payrolls grew by 108,000 in

Unemployment

Monthly unemployment rate for the past 13 months:
Seasonally adjusted



SOURCE: Department of Labor AP

December, a figure that was restrained by job losses in construction, which were blamed on bad weather in some parts of the country, as well as job cuts in retailing.

Employers, however, ended up adding 71,000 more jobs in October and November combined than previously reported. That took the sting out of December's figure, which was about half of what had been expected.

For all of 2005, the economy added 2 million jobs, an amount economists described as solid, and in line with the 2.2 million jobs created the year before.

The economy lost jobs in 2001 and 2002 but saw a small gain in 2003.

The unemployment rate averaged 5.1 percent last year, an improvement from the 5.5 percent average registered in 2004.

"We have a sturdy job market,"

said Mark Zandi, chief economist at Moody's Economy.com.

He expects another 2 million jobs will be created this year and the average unemployment rate for all of 2006 will drop to 4.9 percent.

Bush, whose standing with the public has improved but still remains relatively low, has shifted into a campaign-like mode to shine a spotlight on the economy's good points in speeches around the country, including an appearance in Chicago on Friday. His economics team also fanned out to talk about the economy.

"The American economy heads into 2006 with a full head of

steam," Bush declared.

"We've been through a lot," he said, referring to the 2001 recession, terror attacks, corporate accounting scandals, high energy prices and the Gulf Coast hurricanes that have punctuated the economic landscape in the past five years.

Bush credited his tax cuts with helping the economy and called on Congress to make them permanent.

Democrats contend that the tax cuts mostly helped the wealthy and thrust the nation's balance sheets into red ink. The middle class, they say, is getting squeezed by high health care and energy costs.

MARKETS

The Associated Press

Indianapolis grain

Estimated grain prices Friday at Indianapolis-area elevators: Corn: cash \$1.97, March \$2.01. Soybeans: cash \$5.85, March \$5.87. Wheat: \$3.20.

Eastern Cornbelt direct hogs

Eastern Cornbelt Lean Value Direct Hogs report for Friday:
Trend: Barrows and gilts were 62 cents lower compared with previous day's close.

Base-market carcass basis plant-delivered: 0.9 to 1.1 square inches of back fat, \$48.00-\$57.00, weighted average \$55.45.

Net prices, including premiums: 0.9-1.0, \$48.00-\$58.65; 1.0-1.1, \$48.00-\$57.65; 1.1-1.2, \$48.00-\$56.65.

Daily movement estimate: 6,329.

Wall Street

NEW YORK — Mixed employment data helped Wall Street extend its New Year's rally Friday, as investors saw a slowdown in monthly hiring as a precursor to the end of the Federal Reserve's interest rate hikes. The major indexes surged this week, finishing at their highest levels since mid-2001.

Strong advances for Yahoo Inc. and Google Inc. drove the technology sector, building on the market's energetic start to 2006. An upbeat reaction to IBM's pension news lifted the Dow Jones industrials without reach of 11,000.

Traders were mostly optimistic about a Labor Department report that employers added 108,000 jobs last month, about half the 200,000 increase forecast by economist and well behind November's 305,000 gain.

The languishing job growth signaled a slowing economy, one reason analysts believe the Fed will soon halt its string of rate increases. But a 0.3 percent jump in hourly wages — topping estimates for a 0.2 percent rise — renewed worries about inflation if that pattern is sustained.

"After the market rallied hard on the Fed minutes earlier this week, the perception had been building that good, but not strong, economic data is positive because that signals the Fed having to raise rates less," said John Caldwell, chief investment strategist for McDonald Financial Group. "It's one of those cases where good news is bad news for the economy."

The Dow gained 77.16, or 0.71 percent, to 10,959.31. The Dow advanced 165 points through Thursday, the average has not closed above 11,000 since June 7, 2001, before the Sept. 11 attacks.

Broader stock indicators had their best finish since May 2001. The S&P 500 was up 11.97, or 0.94 percent, at 1,285.45, and the Nasdaq climbed 28.75, or 1.26 percent, to 2,305.62.

Bonds were little changed, with the yield on the 10-year Treasury note rising to 4.37 percent from 4.36 percent Thursday. The dollar was mixed against most major currencies, while gold prices drifted lower.

A spike in crude futures did little to stop the market's momentum, further expanding this week's gains as political uncertainty in the Middle East sent jitters through the energy market. A barrel of light crude added \$1.42 to settle at \$64.21 on the New York Mercantile Exchange.

Stocks raced out of the starting gates this week, with the major indexes each gaining more than 2 percent in the first four sessions of 2006. Much of the advance was fueled by the Fed's latest report on Tuesday, launching the Dow up 130 points.

For the week, the Dow gained 2.26 percent, the S&P 500 jumped 4.55 percent and the Nasdaq rose 2.98 percent.

Aside from hopes that moderating economic growth will cause the Fed to be more cautious about its monetary policy, Friday's employment data also provided evidence that the nation's work force is returning to average growth rates, said Christopher Piro, director of investment strategy for Prudential's Strategic Investment Research Group.

"If we are just at trend growth, essentially we're never going to get back the jobs we've lost in the last five years," Piro said, "but we're no longer losing ground."

But Piro also noted a drop in construction hiring last month, another ominous sign for a housing market already headed for a downslide as mortgage rates rebound from almost two years of all-time lows.

MDC Holdings Inc. and Brookfield Homes Corp. reinforced those concerns Friday after the homebuilders reported a sharp dropoff in orders during the fourth quarter, pulling down most of the sector. MDC sank \$1.59 to \$64.50 and Brookfield lost \$1.48 to \$49.82, while D.R. Horton Inc. dropped 12 cents to \$37.25, and Pulte Homes Inc. fell 20 cents to \$41.62.

BRIEFS

LOCAL

Hospital staff member appointed to new post

Cindy Lewis has been named director of quality resources at Johnson Memorial Hospital in Franklin. She had been nursing manager at the hospital's cancer care center.

Lewis, who received a bachelor of science in nursing degree from the University of Indianapolis, has been with the hospital since 1996.

As nursing manager, Lewis led the effort to get the cancer care center accreditation with high commendation from the Commission on Cancer. She also achieved oncology certification for every nurse in the center, earning the hospital an award from the Oncology Nursing Society.

Information: www.johnsonmemorial.org

Builder honored for quality construction

Adams & Marshall Homes Inc., a builder of active adult communities, has received the national 2005 Builder of Integrity award from Quality Builders Warranty Corp.

The award is made for excellence in customer service and quality construction.

The company also received the award in 2003.

Adams & Marshall Homes has 12 communities in the Indianapolis area and Kokomo.

Information: www.adamsmarshall.com

Chamber events scheduled at college

Two Franklin Chamber of Commerce events are planned for Franklin College this month.

At noon Thursday, Franklin Mayor Brenda Jones-Matthews will deliver a State of the City address during the group's monthly luncheon in the Branigin Room of the Napolitan Student Center.

Monthly luncheons are open to current Franklin chamber members. There will be several business tabletop displays and announcements on upcoming events. Reservations are requested.

The Franklin Chamber Business After Hours event from 4 to 6 p.m. Jan. 17 will be in conjunction with the college's celebration of the 300th birthday of Benjamin Franklin.

The event will be in the Johnson Atrium of the student center.

There will be a Benjamin Franklin impersonator, viewing of the Benjamin Franklin Collection donated to the college in 1980 by Charles A. Tehan of Indianapolis, hors d'oeuvres, birthday cake and door prizes.

Business After Hours events are open to chamber members. Information: 736-6334

New member named to chamber board

Debbie Owens of Elwood Staffing has joined the Franklin Chamber of Commerce board of directors.

Board officers for this year are Steve Brown, president; Todd Bemis, vice president; Lisa Jones, treasurer; and Rob Shilts, past president.

Directors include Mike DuKate, Vicki Garrett, Michelle Hardcastle, Lynne Haste, Jim Martin, Sharon Morris, Betsy Schmidt, Sandy Thompson, Adam Treibic, David Weir and Sally Wells.

New programs planned for this year include a business expo and seminars on occupational safety and health.

Information: 736-6334

Pay attention to your 401(k)

Only half of companies offer pension plans; some calling for retirement-account reform

By BRIAN BERGSTEIN
THE ASSOCIATED PRESS

BOSTON

The freeze of IBM's healthy U.S. pension plan will reverberate through industry not only because it illustrates the erosion of traditional benefit packages, but also because it sharpens the focus on 401(k) plans as a source of retirement security.

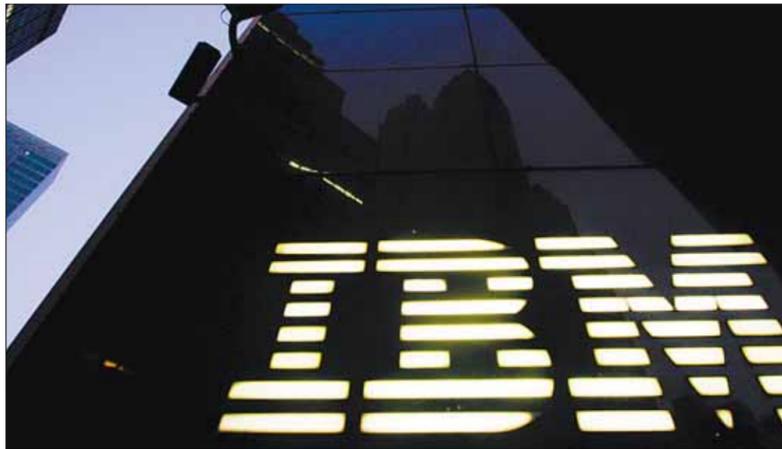
With the 401(k) increasingly becoming a de facto pension for many American workers, several experts suggest reforms are in order.

International Business Machine Corp.'s announcement this week drew attention because the security of the technology giant's \$48 billion U.S. pension fund stands in contrast to endangered plans run by airlines and other large companies.

However, retirement analysts found IBM's enhancements to its 401(k) more notable, saying the company is transplanting some virtues of traditional pensions that generally have been absent from newer kinds of plans.

When the pension freeze takes effect for IBM's 125,000 U.S. employees in 2008, IBM will match their 401(k) contributions dollar-for-dollar on up to 6 percent of salary; previously the match had been 50 cents on the dollar, a common figure.

Perhaps more important, the company will automatically contribute an extra amount equal to 1 percent to 4 percent



AP PHOTO

Furthering corporate America's move away from pensions, IBM Corp. said that it will freeze a \$48 billion pension plan in 2008 and enhance 401(k) benefits for its 125,000 U.S. workers.

of employees' pay into their 401(k) plans in an attempt to make sure every employee participates.

Those notions of universal participation and automatic security were hallmarks of traditional pension packages known as defined-benefit plans.

Newer plans such as 401(k) packages are known as defined-contribution plans because that's all the company is promising, to contribute a set amount, if it offers a match.

In 1985, 89 percent of Fortune 100 companies offered traditional pension plans, but that had fallen to 51 percent by 2004, according to Watson

Wyatt Worldwide, a human-resources consulting firm.

Although high-flying returns in pension fund investments sometimes make defined-benefit plans less expensive to run than 401(k) plans — and pad a company's bottom line — companies also decry the year-to-year uncertainty of whether they'll have to contribute to their pension funds in the markets' down years.

These costs and complexities, the companies argue, are a competitive disadvantage in industries in which nimble startups aren't saddled with pension obligations.

But while 401(k) plans carry much less baggage for

companies, they also carry far less security for the 50 million Americans who have them. If the plans are going to all but replace pensions, many experts say, then wider changes ought to follow.

For example, Medicaid and other public assistance programs generally exclude pension holdings when determining a person's eligibility, but defined-contribution accounts such as 401(k)s are often considered assets that can reduce the ability to get benefits, said Mark Iwry, senior adviser to the Retirement Security Project and a former head of private-pension regulation at the Treasury Department.

Done deal: Verizon finishes MCI buyout

The Associated Press

NEW YORK

Verizon Communications Inc. completed its \$8.5 billion purchase of MCI Inc. on Friday, giving the big local phone company a national fiber-optic network and business-services unit with which to compete with the hefty rival created by the recent takeover of AT&T Corp. by SBC Communications Inc.

The acquisition of MCI, which required a three-month bidding war against Qwest Communications International Inc., marks the final chapter for a company that brought competition to the long-distance phone business but was ultimately hobbled by the WorldCom scandal and bankruptcy.

The merger increases Verizon's work force by about 40,000 employees to 250,000, a number which Verizon has said it would reduce by about 7,000 after the deal was completed.

Under terms of the deal, MCI stockholders get 0.5743 shares of Verizon, currently worth about \$18, plus a cash payment of \$2.738 for each MCI share. Verizon said it opted for the cash payment, totaling \$779 million overall, rather than issuing more shares so the deal's value would amount to at least \$20.40 per share of MCI.

The MCI operations serving corporate and government customers is being folded into a new unit named Verizon Business.

As expected, MCI chief executive Michael Capellas announced that he was leaving the company now that the deal is completed.

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