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U.S. service sector growth, hiring improves in January

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By [David Gaffen](#)

(Reuters) - Growth picked up in the dominant U.S. service sector in January, with steady strength in private-sector hiring, suggesting the U.S. economy was digging through the winter weather that socked the country over the last several weeks.

After two months of slower growth, the Institute for Supply Management said on Wednesday its services index rose to 54 last month from 53 in December, and firms added workers at the fastest clip in more than three years.

The reading narrowly beat expectations of 53.7, according to a Reuters survey of economists, with the 50 level separating expansion from contraction.

U.S. private employers added 175,000 jobs in January, the smallest gain since August, according to payrolls processor ADP, but the cold weather played a part in the slow growth. December's increase in jobs was revised down to 227,000 from the initially reported 238,000. The report is jointly developed with Moody's Analytics.

The overall pace of job growth isn't far off ADP's recent trend, and hiring indexes in both the ISM survey and a separate service-sector survey from Markit kept investors optimistic that the U.S. Labor Department's nonfarm payrolls report on Friday will show January hiring rebounded after a weak December.

Nonfarm payrolls grew just 74,000 that month, which Mark Zandi, chief economist at Moody's Analytics, said was "largely, or at least partially, due to very tough winter weather."

Recent U.S. economic figures have been mixed, with weaker-than-expected results for orders of durable goods, the ISM's manufacturing survey released Monday, and car sales for January. Various reports, including those from the automakers, blamed some of the weakness on the weather, pinching what has been strong growth at the end of 2013.

The lackluster figures have added to concerns among investors already pulling back from the equity market due to turmoil in emerging markets worldwide.

The U.S. equity market ended 2013 with gains of 30 percent, but it has since lost ground in part due to weak data. Stocks briefly trimmed losses after the ISM figures, but resumed their downward path shortly after, and the S&P 500 is now nearly 6 percent lower on the year.

"Markets are concerned and want to see that the U.S. economy stays on track. My view is the U.S. economy is growing above trend and you can't conclude too much from one month's worth of data," said Dan Dorrow, head of research at Faros Trading in Stamford, Connecticut.

The ADP report is often looked at as a precursor to the government's payrolls data. A Reuters survey on the payrolls report showed economists estimate that 185,000 jobs were created last month, all of them in the private sector.

January marked the 49th straight month the ISM index was above 50, though the pace of growth has slowed from a more than seven-year high.

Sub-indexes on business activity and new orders also showed improved growth, alleviating some concern caused by ISM's manufacturing report earlier this week that showed the new orders index suffered its biggest drop in 33 years in January. Employment rose to 56.4, the highest level since November of 2010.

Markit's report on service-sector activity showed growth there quickened to a four-month high in January and hiring remained robust. Financial data firm Markit said its services sector purchasing managers index rose to 56.7 from 55.7 in December.

Economic activity has been affected by severe weather in many parts of the country, with sub-freezing temperatures hitting wide swathes of the Northeast, West and Midwest states in recent weeks. Another storm hit overnight, causing almost 900,000 homes and businesses to lose power, according to local power companies.

(Reporting By David Gaffen)



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