Jobless Rate At 8.3 Percent

Christopher S. Rugaber, AP Economics Writer

WASHINGTON (AP) — In a long-awaited surge of hiring, companies added 243,000 jobs in January — across the economy, up and down the pay scale and far more than just about anyone expected. Unemployment fell to 8.3 percent, the lowest in three years.

The job growth was the fastest since last March and April. Before that, the last month with stronger hiring, excluding months skewed by temporary census jobs, was March 2006.

The unemployment rate came down by two notches from December. It has fallen five months in a row, the first time that has happened since 1994, two economic booms and two recessions ago.

"The economy is growing stronger," President Barack Obama said. "The recovery is speeding up."

Indeed, the report Friday from the Labor Department seemed to reinforce that the nation is entering a virtuous cycle, a reinforcing loop in which stronger hiring leads to more consumer spending, which leads to even more hiring and spending.

On Wall Street, where investors had already driven stocks to their best start in 15 years because of optimism about the economy, the jobs report triggered a spasm of buying.

The Dow Jones industrial average climbed 156.82 points, its second-best showing this year, and finished the day at 12,862.23, its highest close since May 2008, four months before the financial crisis struck.

The Nasdaq composite index finished at its highest level since December 2000, during a steep decline after the dot-com stock craze. Money poured out of bonds, which are considered less risky than stocks, and bond yields rose.

"Virtually every economist on the planet had expected a drop in the rate of job gains in January, which makes today's upward surprise even more surprising," Dan Greenhaus, chief global strategist at the brokerage BTIG, said in a note to clients. In December, 203,000 jobs were created.

The impressive jobs report reverberated through the presidential campaign and could improve Obama's re-election prospects. The drop in the unemployment rate put it exactly where it was in February 2009, the month after Obama took office.

In Arlington, Va., the president argued that now was no time to let a 2-percentage-point cut in the Social Security payroll tax expire, as it will if Congress doesn't take action by the end of the month. The tax cut reaches 160 million Americans.

Of the economic recovery, he said: "We've got to do everything in our power to keep it going. We can't go back to the policies that led to the recession, and we can't let Washington stand in the way of the recovery."

His Republican foes used the numbers to argue that the pace of improvement was not good enough.

"We can do better," said former Massachusetts Gov. Mitt Romney, the Republican front-runner. "These numbers cannot hide the fact that President Obama's policies have prevented a true economic recovery."

Unemployment was 6.8 percent when Obama was elected, 7.8 percent when he was sworn in and 10 percent, its recent peak, nine months later. No president since World War II has won re-election with unemployment higher than 7.2 percent.

The job gains in January were widespread:

— The professional services category, which includes high-paying jobs like architects, accountants and engineers, added 70,000 jobs, the most in 10 months. The category also includes temporary workers.

— Manufacturing added 50,000 jobs, the most in a year, and the beleaguered construction industry added 21,000, its second straight month of strong gains. Construction added 31,000 jobs in December. Both months were probably helped by the warm winter.

— The leisure and hospitality industry, which includes restaurants and hotels, added 44,000 jobs. Retailers added nearly 11,000. Governments cut 14,000 jobs, which means the private sector added 257,000.

The 243,000 jobs added far exceeded the estimate by economists of 155,000, according to FactSet, a provider of financial data. Some surveys of economists came in even lower.

Government revisions to previous months' totals were another encouraging sign. Hiring was stronger in November and December by 60,000 jobs than first estimated. November was revised up from 100,000 to 157,000 and December from 200,000 to 203,000.

The government also issued its annual revisions to jobs data going back five years. They showed that hiring was stronger over the past two years than previously thought. The economy added about 1.82 million jobs last year, compared with an original estimate of 1.64 million.

"This is a very positive employment report from almost any angle," said Brian Bethune, an economics professor at Amherst College.

The government uses a survey of mostly large companies and government agencies to determine how many jobs were added or lost each month. That survey produced the 243,000 number.

It uses a separate survey of households to determine the unemployment rate. The household survey had more good news: 631,000 people said they found work in January. That pushed the unemployment rate down to 8.3 percent and the number of unemployed down to 12.8 million, the fewest in three years.

And 250,000 people streamed back into the work force and started looking for jobs. That increased slightly the size of the work force, which the government defines as people working and people unemployed but seeking work.

At the same time, the proportion of the population working or looking for work is its lowest in almost three decades. The length and depth of the recession have discouraged millions of people from looking for jobs. The better news of the past couple months has not yet encouraged most of them to start searching again.

Economists said the report probably makes it less likely that the Federal Reserve will take additional steps to help the economy soon, such as the massive bond-buying programs it launched in 2008 and 2010. That was another reason bond prices fell after the report was released.

The Fed has already held its benchmark short-term interest rate near zero for three years and bought almost $2 trillion in government bonds and other securities to keep long-term rates low.

Fed Chairman Ben Bernanke said last week that the central bank planned to keep its short-term rate near zero at least until late 2014. But if the unemployment rate keeps coming down, that date could be moved up, several economists said.

Even with January's gains, the job market is a long way from full health. The nation has about 5.6 million fewer jobs than it did when the Great Recession began in December 2007.

Employers have added an average of 201,000 jobs a month the past three months. That's 50,000 more than the economy averaged each month last year.

Still, 11 million people either have stopped looking for jobs or are working part time and would rather work full time. When those people are added to the 12.8 million unemployed, nearly 24 million are considered underemployed. The so-called underemployment rate edged down in January to 15.1 percent, from 15.2 percent.

Although the road back from the Great Recession certainly seems long, it would not be unusual for hiring to accelerate, as it appears to be doing, 31 months after the recession ended in June 2009.

After the previous recession, which lasted from March through November 2001, it took until March 2004 — 28 months after the economy started growing again — for hiring to pick up considerably. The recession before that was from July 1990 through March 1991, and it took 22 months, until January 1994.

The Great Recession was longer and deeper than the previous two recessions, or any other since the Depression, so a longer lag hasn't been surprising to some economists.

The jobs report put an exclamation mark on a week of encouraging economic news.

— Manufacturing grew in January at the fastest pace in seven months. Factory orders rose in December by 1.1 percent, driven higher by big increases in spending on industrial machinery and autos.

— The four-week average of people filing for unemployment benefits fell to its second-lowest since June 2008. The drop shows that companies are cutting fewer jobs, which usually leads to more hiring.

— Automakers began 2012 with a strong sales gain in January. Healthier auto sales can boost a range of companies, from steel makers to parts suppliers to shippers.

Also Friday, a private trade group said U.S. service companies, including stores, hotels and restaurants, expanded at the fastest pace in nearly a year in January. The survey's employment index soared to its highest level in nearly six years.

The economy grew faster every quarter last year. From October through December, it expanded at a 2.8 percent annual rate, the best since the spring of 2010 and a full percentage point higher than in the previous quarter.

Growth could slow later this year. Much of the fourth quarter's expansion was due to companies ordering more goods to restock their warehouses. Restocking is likely to slow in the first three months of this year, and that would bring down growth.

Europe's financial crisis could also slow demand for U.S. goods. And average wages failed to keep up with inflation last year. That leaves Americans with less spending power, which can hamper growth.

But many analysts are optimistic. Jennifer Lee, an economist at BMO Capital Markets, said she expects the economy to expand at a 2.5 percent annual clip in the first quarter, up from an earlier estimate of 2 percent.

There is optimism among business leaders, too. Lanham Napier, CEO of Rackspace Hosting, a San Antonio company that hosts and maintains corporate websites, said his company hired about 650 people last year and plans to add roughly as many this year.

Napier said his company's clients are spending about 10 percent more than a year ago because their businesses are picking up. When online retailers receive a crush of sales, for example, they pay Rackspace for more computer capacity.

"We're making more money than we've ever made," Napier said. "We're optimistic about 2012."