



The Jobless Rate Falls to a 3 Year Low

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SUSIE GHARIB, NIGHTLY BUSINESS REPORT ANCHOR: American businesses are hiring again. Tom, they added 243,000 jobs in January, way above expectations. The unemployment rate fell to 8.3 percent. That's the lowest in three years and Tom, that's a big drop from 8.5 percent back in December.

TOM HUDSON, NIGHTLY BUSINESS REPORT ANCHOR: Decent numbers that we saw here Susie for January, good news for out-of-work Americans, good news for the economy and good news for investors. Stocks rallied pretty strongly this Friday on this jobs report. The Dow surging 156 points by the closing bell, closing at its best level since May of 2008. The NASDAQ jumped almost 46 points and the S&P added almost 20 points.

GHARIB: Today's employment report is the strongest signal that the U.S. economy is improving. Now everyone from Wall Street to Main Street is hoping it's for real. Darren Gersh reports.

DARREN GERSH, NIGHTLY BUSINESS REPORT CORRESPONDENT: The best news in the December employment report is the trend. From a low of 112,000 in October, job growth has been steadily moving higher. The average of the last three months comes in at a healthy 200,000 jobs a month.

HARRY HOLZER, GEORGETOWN PUBLIC POLICY INSTITUTE: If that continues, that's a very positive story for the labor market.

GERSH: Labor market expert Harry Holzer says the economic recovery has been a frustrating two-step — one step forward, then one back. That pattern may finally be about to change.

HOLZER: We've seen that movie. We keep expecting that movie to keep running and so when one month's positive numbers are succeeded by another month that is even better. We're pleasantly surprised by that.

GERSH: The economy now appears to have entered the new year by gaining momentum. And that strength appears to be at odds with the modest expectations for growth put forward by Federal Reserve Chairman Ben

Bernanke and his colleagues last month. If the good news continues, University of Maryland economist Phill Swagel says markets will have to rethink whether the Federal Reserve will be adding new fuel to the recovery.

PHILLIP SWAGEL, SCHOOL OF PUBLIC POLICY, UNIV. OF MARYLAND: It's hard to square the Fed's outlook with the last several months of data, which have generally been quite positive. It is hard to understand the idea that the Fed might go back into massive bond buying when the economy seems to be healing.

GERSH: Even with today's stronger employment report, the economic patient has a lot of recovery ahead.

HOLZER: People are very nervous about Europe. People are very nervous about Iran. So, there are lots of potential things to trip up the labor market. That could still occur.

GERSH: There was one thing conspicuously lacking from today's employment report: higher pay. Average hourly earnings rose just \$0.04 last month.

SWAGEL: So, families have seen moderate income growth, but their spending growth has been stronger. So essentially, they've been spending and not saving. And obviously that can only go on so long. People, at some point, run out of ways to spend more than they're making.

GERSH: But for now, the economy is creating more jobs and that has been particularly good news for African Americans, who last month saw their unemployment rate drop sharply to 13.6 percent, the lowest level since March, 2009.