Consistent hiring points to stronger economy ahead

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WASHINGTON — The job market is showing signs of the consistent gains the nation has awaited in the 4¼ years since the Great Recession.

Employers added 203,000 jobs in November, and the unemployment rate fell to 7 percent, a five-year low, the Labor Department reported Friday. Four straight months of robust hiring have raised hopes that 2014 will be the year the economy returns to normal.

The steady job growth could also hasten a move by the Federal Reserve to reduce its stimulus efforts.

Stock investors were heartened by the report. The Dow Jones industrial average jumped 198 points.

A steadily improving job market could give consumers and business executives the confidence to keep spending and investing, even if a pullback by the Fed leads to higher interest rates. The Fed has been buying bonds each month to try to keep long-term borrowing rates low to spur spending and growth.

The celebration on Wall Street suggested that investors think a healthier job market, if it fuels more spending, would outweigh higher borrowing rates caused by a Fed pullback.

"It's hinting very, very strongly that the economy is starting to ramp up, that growth is getting better, that businesses are hiring," said Joel Naroff, president of Naroff Economic Advisors.

The economy has added a four-month average of 204,000 jobs from August through November, up sharply from 159,000 a month from April through July.

"The consistency (in hiring) is actually reassuring," said Doug Handler, chief U.S. economist at IHS Global Insight. "Slow and steady is something you can plan and build on."



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In this Nov. 14 photo, retired U.S. Army Sgt. 1st Class Duane Stubbs, right, of Morrow, Ga., shakes hands with retired U.S. Army 1st Sgt. Leland Smith, CEO of SolidHires, during a job fair for veterans at VFW Post 2681, in Marietta, Ga.

The Fed could start slowing its bond purchases as soon as its Dec. 17-18 meeting. Some economists think the Fed may only telegraph a move at that meeting and wait until early next year to cut back.

Even if the Fed does start reining in its stimulus, most economists think growth will accelerate next year. Drew Matus, an economist at UBS, forecasts that growth will top 3 percent in 2014, from roughly 2 percent this year. That would be first time growth had topped 3 percent for a full calendar year since 2005.

In addition to the solid job gains and the drop in unemployment, Friday's report offered other encouraging signs.

Higher-paying industries are adding jobs. Manufacturers added 27,000, the most since March 2012. Construction companies added 17,000. The two industries have created a combined 113,000 jobs over the past four months.

Hourly wages are up. The average rose 4 cents in November to $24.15. It's risen just 2 percent in the past year. But that's ahead of inflation. Consumer prices are up only 0.9 percent in that time.