Rising pessimism about the future is taking a toll on businesses and consumers, many economists say. Europe's financial crisis has weakened that region's economy,

WASHINGTON (AP) -- U.S. employers added 163,000 jobs in July, a hopeful sign after three months of sluggish hiring.

The Labor Department said Friday that the unemployment rate rose to 8.3 percent from 8.2 percent in June.

July's hiring was the best since February. Still, the economy has added an average of 151,000 jobs a month this year, roughly the same as last year's pace. That's not enough to satisfy the 12.8 million Americans who are unemployed.

The government uses two surveys to measure employment. A survey of businesses showed job gains. The unemployment rate comes from a survey of households, which showed fewer people had jobs. Economists say the business survey is more reliable.

Investors appeared pleased with the report. Futures tracking the Standard & Poor's 500 index and the Dow Jones industrial average gained about 1 percent. The stock market is coming off four days of losses. Yields on government bonds also rose after the report came out as investors moved money out of low-risk assets.

Stronger job creation could help President Barack Obama's re-election hopes. Still, the unemployment rate has been above 8 percent since his first month in office - the longest stretch on record. No president since World War II has faced re-election with unemployment over 8 percent.

A better outlook on hiring could also prompt the Federal Reserve to hold off taking more action to spur growth. The Fed, which ended a two-day policy meeting Wednesday, signaled in a statement a growing inclination to take further steps if hiring doesn't pick up.

The job gains were broad-based. Manufacturing added 25,000 jobs, the most since March. Restaurants and bars added 29,000. Retailers hired 7,000 more workers. Education and health services gained 38,000. Governments cut 9,000 positions.

Average hourly wages also increased by 2 cents. Over the past year wages have increased 1.7 percent - matching the rate of inflation.

Despite July's job gains, the economy remains weak more than three years after economists declared the recession had ended in June 2009. Growth slowed to an annual rate of 1.5 percent in the April-June quarter, down from 2 percent in the first quarter and 4.1 percent in the final three months of 2011.

Manufacturing activity shrank for the second straight month in July, a private survey said Wednesday. Consumer confidence improved slightly last month but remains weak.

Rising pessimism about the future is taking a toll on businesses and consumers, many economists say. Europe's financial crisis has weakened that region's economy, hurting U.S. exports. Worries have also intensified that the U.S. economy will fall off a "fiscal cliff" at the end

of the year. That's when tax increases and deep spending cuts will take effect unless Congress reaches a budget deal. A recession could follow, Fed Chairman Ben Bernanke has warned.

Americans are responding by spending less and saving more. A big reason growth slowed in the second quarter was that consumer spending, which accounts for roughly 70 percent of economic activity, slowed to an annual growth rate of 1.5 percent. That was down from 2.4 percent in the first quarter.