

Four-Month Low In Unemployment Claims

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WASHINGTON (AP) — After calamitous losses on Wall Street and fears of another recession, the economy got a dose of good news Thursday: The number of people applying for unemployment benefits fell below 400,000 for the first time since April.

Layoffs are easing in most states, and some economists are predicting mild improvement in job growth.

The brighter outlook was enough to catapult stocks. The Dow Jones industrial average rose more than 300 points in midday trading, and broader indexes also increased.

Weekly unemployment applications fell to a seasonally adjusted 395,000, the Labor Department said. They had been above 400,000 for the previous 17 weeks. The four-week average, a less volatile figure, fell to 405,000. That's the lowest level since mid-April.

Steven Wood, chief economist at Insight Economics, said the declining trend in applications is an encouraging sign for the job market.

"Although the labor market also hit a 'soft patch' along with most of the rest of the economy during the spring and early summer, it now appears to be strengthening, at least a little, again," Wood wrote in a research note.

Still, analysts responded with some caution. Applications would have to fall below 375,000 to signal healthy job growth, a level not seen since February. And other data show the economy is struggling to grow.

The latest evidence of a slowdown came Thursday in a government report that the U.S. trade deficit grew in June to its widest point since October 2008. The reason was that exports fell the most in more than two years. The report will likely lead the government later this month to lower its estimate of 1.3 percent annual growth for the April-June quarter.

Gregory Daco, an economist at IHS Global Insight, said he expects the estimate will be closer to 1 percent.

A decline in exports follows recent reports showing consumers trimmed spending in June for the first time in nearly two years, manufactures and service companies are struggling to grow, and the unemployment rate remains high at 9.1 percent.

The Federal Reserve warned this week that the U.S. economy could be in for two years of weak growth. A dimmer outlook in the U.S. and growing worries Europe may not be able to contain its debt crisis have shaken global markets. The Dow has

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lost nearly 1,700 points, or roughly 13.5 percent, since July 22.

Some analysts worry that market turmoil could spook investors and consumers, causing them to take fewer risks and cut back further on spending. That would stunt economic growth at a critical time. Businesses might decide to delay hiring plans.

"The recent plunge in stock prices could discourage business investment and hiring in coming months," said Ryan Wang, an economist at HSBC Securities. "If it does, then initial claims may reverse the recent improvement. Nevertheless, for the moment, the data suggest that the economy entered the third quarter on a more positive note after the unexpected second quarter slowdown."

The economy added 117,000 jobs in July, the government said last week. That was an improvement from the previous two months. But it's far below the average of 215,000 jobs per month that companies created from February through April.

Many employers pulled back on hiring after signs emerged that the economy had weakened from last year. High gas prices and scant wage gains left consumers with less money to spend on discretionary purchases, such as appliances, furniture and electronics. Supply chain disruptions caused by the Japan crisis also dampened U.S. factory production.

There were fewer layoffs last week in the manufacturing, transportation and service industries, according to the weekly unemployment applications report. Only nine states reported an increase in applications.

Paul Dales, senior U.S. economist at Capital Economics, said the decline in unemployment benefit applications shows the job market is at least not getting worse.

"Of course, it tells us nothing about hiring, which the market turmoil of recent weeks will not have helped," Dales said.

The number of people who are continuing to receive unemployment benefits fell 60,000 to 3.69 million. But that doesn't include nearly 4 million additional unemployed people who are receiving extended benefits under emergency programs set up during the recession.

In all, about 7.5 million people received unemployment benefits in the week ending July 23, according to the latest data available.

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