Fewer Seek Unemployment Aid

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WASHINGTON (AP) — The number of people seeking unemployment benefits fell last week to a level that signaled a steadily improving job market. The figures came one day before the government is expected to report that January marked another solid month for hiring.

Unemployment applications fell 12,000 to a seasonally adjusted 367,000, the Labor Department said Thursday. The four-week average, a less volatile measure, dropped for the third straight week to 375,750.

That's the second-lowest level for the four-week average since June 2008. When applications stay consistently below 375,000, it usually signals that hiring is strong enough to lower the unemployment rate.

Separately, retailers issued mixed sales reports for January. Slow growth is leaving many Americans cautious about how they spend their money.

Economists expect the January employment report to show that employers added 155,000 jobs last month and that unemployment remained at 8.5 percent. In December, employers added 200,000 jobs.

The job market "still appears to be slowly moving in the right direction," said Jim Baird, chief investment strategist at Plante Moran Financial Advisors.

In a separate report, the government said workers were more productive in the final three months of last year. The growth in productivity, though, slowed from the previous quarter. Weaker productivity growth can help boost hiring if economic growth picks up.

Applications for unemployment benefits have steadily declined since fall as economic growth has picked up and employers have cut fewer jobs. The four-week average has fallen 7 percent since last October and 13 percent in the past year.

The nation will gain about 160,000 jobs a month this year, according to a survey of economists by the Associated Press. That's up from an average of about 135,000 last year.

Still, the job market has a long way to go before it fully recovers from the damage of the Great Recession, which wiped out 8.7 million jobs. More than 13 million people remain unemployed. Millions more have given up looking for work; they're no longer counted as unemployed.

That's weighing on consumer confidence and holding back spending. January retail sales frequently benefit from rising sales of winter clothes and shoes, which stores

usually discount. But unusually warm weather has held back on those sales.

Costco and Target reported sales that were above Wall Street analysts' expectations, while Macy's and Dillard's posted disappointing figures.

The average rate on a 30-year mortgage fell to a record low this week, Freddie Mac said, the ninth time that's happened this year. But the cheaper rates haven't done much to lift the depressed housing market.

Nearly 7.7 million Americans received unemployment benefits in the week ending Jan. 14, the latest period for which figures are available. That's unchanged from the previous week.

The economy's growth rate rose in the final three months of last year, to a 2.8 percent annual rate. That was faster than the 1.8 percent pace in the July-September quarter.

But a key reason for the growth was that companies restocked their supplies at a robust pace. Restocking is likely to slow in the first three months of this year, which would lead to weaker growth.

Until consumer spending picks up, businesses may be forced to cut back on hiring. But consumers have been weighed down by wages that haven't kept pace with inflation. More jobs and higher pay would invigorate consumer spending.

Most economists expected the combination of weaker inventory growth and tepid consumer spending to lead to slower growth in the current January-March quarter. Many are predicting 2 percent annualized growth this quarter.

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