

U.S. Jobless Claims Drop By 35,000 To 353,000

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WASHINGTON (AP) — The number of Americans applying for unemployment benefits dropped by 35,000 last week, a figure that may have been distorted by seasonal factors.

The Labor Department said Thursday that applications fell to a seasonally adjusted 353,000. That's down from a revised 388,000 the previous week and the biggest drop since February 2010.

The four-week average, a less volatile measure, declined 8,750 to 367,250. That's the lowest level since the end of March.

Applications surged two weeks ago, reversing a big drop the previous week. But economists caution that the government struggles every July to account for temporary summer shutdowns in the auto industry. The adjustments have been unusually difficult this year because some automakers skipped their shutdowns in the face of stronger sales, resulting in fewer temporary layoffs.

Ford this year shut down for one week instead of its usual two. And Chrysler kept most plants running, says economist Robert Kavcic at BMO Capital Markets.

Unemployment benefit applications are a measure of the pace of layoffs. When applications consistently fall below 375,000, it typically suggests hiring is strong enough to pull the unemployment rate down.

Weekly claims are averaging 374,000 this year, down from 409,000 last year, notes Steven Wood, chief economist at Insight Economics. But he adds that the job market "is definitely not robust." Just over 6 million Americans are receiving some type of unemployment aid, down from 7.6 million a year ago.

The job market has slumped over the past three months. Employers added an average of just 75,000 jobs a month from April through June, down from a healthy 226,000 the first three months of the year.

The unemployment rate stayed at 8.2 percent in June.

The broader economy has also weakened from the start of the year.

Retail sales fell in June for the third straight month, bad news for a country that gets two-thirds of its economic output from consumer spending. Manufacturing activity shrank in June for the first time in three years, according to a closely watched survey from the Institute of Supply Management.

And the housing market, which has started to recovery this year, lost some

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momentum in June. The Commerce Department reported Wednesday that new-home sales fell 8 percent last month from May, the biggest drop since February 2011.

Economists are predicting growth slowed in the April-June quarter to an annual pace of just 1.5 percent, down from the tepid 1.9 percent annual pace in the first three months of the year. Growth of 1.5 percent is consistent with less than 50,000 new jobs a month.

The government issues its first estimate for second-quarter growth on Friday.

Europe's debt crisis could weaken growth further. Europe buys roughly one-fifth of U.S. exports, which have been one of the economy's few bright spots.

The British government reported Wednesday that Britain's economy shrank 0.7 percent in the April-June quarter, far worse than economists had expected. In Germany, business confidence dropped more than expected in July over increasing worries about the impact of Europe's debt crisis on the region's biggest economy. And Spain this week said the economy contracted 0.4 percent in the second quarter.

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