

U.S. Economic Outlook Brightens On Jobs, Trade Data

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WASHINGTON (AP) — The outlook for the U.S. economy brightened a little Thursday after new data pointed to improvement in hiring and greater exports.

The number of Americans applying for unemployment benefits last week fell by 6,000 to a seasonally adjusted 361,000, the Labor Department said. Economists noted that the level suggests the modest job creation in July could carry over into August.

The U.S. trade deficit narrowed to \$42.9 billion in June from \$48 billion in May, the Commerce Department said in a separate report. That's the lowest level in 18 months.

The drop was largely because of cheaper oil imports. But exports also rose to a record-high \$185 billion, an encouraging sign at a time when global growth has slowed. U.S. companies even sold more goods in Europe, despite the region's ongoing financial crisis.

Some economists revised their growth forecasts higher for the April-June quarter after seeing the better trade data. A smaller trade deficit acts as less of a drag on growth because it means the United States is spending less on foreign-made products and is taking in more from sales of U.S.-made goods.

"As long as we can keep selling more of our goods across the world, the economy can (grow) at a moderate pace," said Joel Naroff of Naroff Economic Advisors. "In June, despite all the craziness in Europe and the slowdowns in Asia, our exports managed to increase. "

The economy is looking more resilient after faltering in the spring.

Employers added 163,000 jobs in July, the biggest increase since February. From April through June, employers had created a lackluster 73,000 jobs a month, not enough to keep up with a rising population.

Applications for unemployment benefits measure the pace of layoffs. When they fall consistently below 375,000, it typically suggests hiring is strong enough to lower the unemployment rate.

Claims had averaged 385,000 a week in June before the numbers were muddied last month by seasonal factors related to temporary summertime layoffs in the auto industry. The seasonal distortions had faded by last week, providing a clearer picture of a slightly improved job market.

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"The clear decline since June provides some corroboration of the better-than-expected payrolls reading," said Jim O'Sullivan, chief U.S. economist at High Frequency Economics. "In short, encouraging data for the recovery."

Paul Dales, an economist at Capital Economics, said fewer unemployment applications suggest that the job market is fairly stable. "The pickup in jobs growth in July may therefore be sustained in August," Dales said.

Still, a third report offered a reminder that the economy remains weak. U.S. wholesalers cut their inventories in June from May after seeing sales fall by the most in three years, the Commerce Department said. If the trend continues, that could slow factory output and offset some of the benefits from higher exports.

And economists are worried that slower overseas growth will eventually reduce demand for U.S. exports. About one-fifth of U.S. exports go to Europe, which is in the third year of a financial crisis.

"It is surely only a matter of time before a deep recession in the euro-zone starts to take a greater toll on US exports," said Dales.

So far, that hasn't happened. Exports to the 27-nation European Union grew 1.7 percent in June.

The sharp drop in the trade deficit could mean the economy actually grew at a faster pace in the April-June quarter than first estimated. The government said last month that the economy expanded at a 1.5 percent annual rate in the April-June quarter.

Peter Newland, an economist at Barclays Capital, says he expects second-quarter growth to be revised to an annual pace of 1.8 percent.

The government will release its second of three estimates for the gross domestic product on Aug. 29.

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