Initial jobless claims drop to 457,000

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New jobless claims fell last week for the third time in four weeks but remain elevated. The decline is a sign that the economy likely added jobs in July, although not enough to lower the nation's high unemployment rate.

First-time claims for unemployment insurance dropped by 11,000 to a seasonally adjusted 457,000, the Labor Department said Thursday.

Claims have fluctuated this month because of temporary seasonal factors. General Motors and other manufacturers skipped their traditional summer shutdowns, which led to fewer layoffs and unemployment claims. But the impact of that distortion has largely faded from the data, a Labor Department analyst said.

The four-week average of claims, which smooths fluctuations, dropped to 452,500, the lowest level since May.

That suggests layoffs may be easing. And the four-week average is slightly below its level in June, which indicates that private employers likely added about the same number of jobs in July as they did last month. The Labor Department will issue its July employment report next week.

"The rate of jobless claims is consistent with some growth in total employment," said Zach Pandl, an economist at Nomura Securities. Pandl forecasts that businesses added about 85,000 jobs in July — about the same as in June but not enough to reduce the unemployment rate, currently at 9.5 percent.

Many large companies such as Caterpillar Inc., Dupont Co. and Microsoft Corp. have reported strong second-quarter earnings in the past two weeks. While some of those companies have added a few jobs, their growth hasn't translated into widespread hiring.

Requests for unemployment insurance fell steadily last year from their peak of 651,000, reached in March 2009. But they have remained stuck above 450,000 for most of this year. In a healthy economic recovery with rapid hiring, claims usually fall below 400,000.

The economy has grown since last summer, but the pace of growth is slowing. The government is scheduled Friday to release an estimate of gross domestic product, the broadest measure of the economy's output, for the April-June period. Economists forecast it will show growth slowed to a 2.5 percent annual rate, down from 2.7 percent in the first quarter and 5.6 percent in last year's fourth quarter.

Overall, economists expect the recovery to slow in the second half of this year and remain weak well into 2011, according to the latest AP Economy Survey. Despite

their expectations, a majority of the 42 economists surveyed expect the economy to avoid falling back into a "double-dip" recession.

The survey respondents also forecast that the unemployment rate will still be 9.5 percent by the end of this year.

The number of people continuing to claim unemployment benefits rose by 81,000 to 4.57 million. That doesn't include an additional 3.67 million of the unemployed that are receiving extended benefits paid for by the federal government.

During the recession, Congress added up to 73 weeks of extra benefits on top of the 26 weeks typically provided by states. Those extended benefits were interrupted last month when Republicans blocked an extension. But Congress has since reinstated the program through November.

Some companies are still cutting jobs. Industrial conglomerate United Technologies said Monday that it will eliminate 1,500 positions this year and next, on top of 900 job cuts it has already made in 2010.

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