

# New Claims For Jobless Benefits Fall Sharply

Manufacturing.net

WASHINGTON (AP) -- New applications for unemployment benefits fell sharply last week while manufacturing activity cooled in June and wholesale prices dipped, offering mixed signals on the economic recovery.

The Labor Department said Thursday that new claims dropped by 29,000 to 429,000, the lowest level since August 2008. But much of that was the result of seasonal factors. General Motors and other manufacturers skipped their usual summer shutdowns.

It was the second straight week that initial claims dropped sharply and the third drop in the last four weeks. Claims fell by 17,000 in the previous week.

Separately, the Labor Department said that wholesale prices fell for a third consecutive month, pulled down by another drop in energy costs and the biggest plunge in food costs in eight years. But excluding those two volatile commodities, inflation was relatively flat.

And the Federal Reserve said industrial production rose 0.1 percent in June, the fourth straight monthly gain. But manufacturing activity -- the largest component of production -- fell 0.4 percent after rising for three months.

Normally, such a sharp drop in jobless claims would be seen as a positive sign that the job market is improving. But economists will need to see the downward trend continue for several more weeks before drawing conclusions.

Another concern is that the latest drop may be the result of temporary seasonal factors. A Labor Department analyst said manufacturing companies reported fewer temporary layoffs than usual this time of year. General Motors said last month that it would forgo its customary two-week summer factory closings, which it uses to retool plants for new car models.

That usually causes a spike in temporary layoffs and jobless claims in early July. Other manufacturers also reported fewer temporary layoffs than expected, the analyst added.

Last week's drop "is very encouraging," Jennifer Lee, an economist at BMO Capital Markets, said in a note to clients. "But it likely won't last" because much of it was due to seasonal factors.

Claims had been stuck above 450,000 all year, after dropping steadily last year from a peak of 651,000 in March 2009. In a healthy economic recovery with rapid hiring, claims usually fall below 400,000.

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Before seasonal adjustment, the number of jobless claims rose last week. But since they didn't rise as much as they usually do this time of year, the seasonally adjusted number fell.

The seasonal adjustment process is intended to cancel out the impact of recurring events that don't reflect the health of the economy, such as the layoff of temporary retail employees after the winter holidays.

Meanwhile, many of the long-term unemployed are continuing to lose benefits as a result of a congressional impasse over extending emergency jobless aid.

The number of people receiving extended benefits plummeted by about 250,000 to 4.3 million in the week ending June 26, the most recent data available.

During the recession, lawmakers added up to 73 weeks of extra benefits, paid for by the federal government, on top of the 26 weeks typically provided by states.

But those extensions expired in late May, leaving about 2 million people without unemployment aid, according to the Labor Department. That figure could grow to 3.3 million by the end of this month if Congress doesn't act.

The Obama administration and Senate Democrats are pushing legislation that would renew the extended benefits through November. The Senate is expected to have the votes next week to pass the measure.

Senate Republicans have blocked previous attempts, citing deficit concerns and arguing that the cost of the bill should be offset with other spending cuts.

Those emergency figures don't include the people continuing to receive benefits from state programs. That figure jumped by 247,000 to 4.68 million, the department said.

While the U.S. economy is growing, it isn't doing so strongly enough to encourage robust job creation.

Private employers added a net total of only 83,000 jobs in June and 33,000 in May, the Labor Department said earlier this month, much lower than the total needed to rapidly push down the jobless rate.

The unemployment rate fell to 9.5 percent in June from 9.7 percent the previous month. But that rate may not improve much by the end of this year, the Federal Reserve said Wednesday. The central bank said in its most recent economic projections that the jobless rate would likely be between 9.2 percent and 9.5 percent by the end of 2010.

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