

Jobless Claims See First Drop In 4 Weeks

Manufacturing.net

WASHINGTON (AP) -- New requests for unemployment benefits fell sharply last week, the first decline in a month and a hopeful sign after a raft of negative economic reports.

New claims for jobless aid dropped by 31,000 to a seasonally adjusted 473,000, the Labor Department said Thursday. Still, claims remain much higher than they would be in a healthy economy. Employers are reluctant to hire as economic growth appears to be slowing.

The drop comes after a steep rise the previous three weeks that sent claims to their highest level in nine months. Those increases raised fears that businesses were starting to layoff more workers.

The report is "mildly encouraging" but should be treated with caution, said Doug Porter, an economist at BMO Capital Markets, because the weekly claims report is highly volatile.

Even with last week's decline, the four-week average, a less volatile measure, rose to 486,750, the most since November 2009.

Wall Street economists had expected a smaller drop, according to surveys by Thomson Reuters. Stock futures rose immediately after the report's release.

The department also said the total unemployment benefit rolls climbing steeply, as more people join extended unemployment aid programs that were renewed last month by Congress. During the recession, Congress added up to 73 weeks of emergency aid on top of the 26 weeks typically provided by the states.

All told, about 10.1 million people were receiving unemployment checks in the week ended Aug. 7, the latest data available. That's up about 260,000 from the previous week.

The extended program lapsed in June, throwing nearly 2 million people off the rolls. But since Congress renewed the program, the total benefit rolls have increased by 2.2 million, according to Dan Greenhaus, chief economic strategist at Miller Tabak.

That suggests "that there is little if any meaningful hiring throughout the economy," Greenhaus wrote in a note to clients.

The economy has grown for four straight quarters. But the pace has slowed from a 5 percent annual rate in last year's fourth quarter to 3.7 percent in the January-to-March period. It has weakened even further in the past several months.

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Many economists expect the government Friday to revise lower its growth estimate for the April-June quarter to below 2 percent. That's weak in normal times and even worse after such a steep recession.

The housing sector, which usually helps power economic recoveries, is now acting as a drag. New home sales fell 12.4 percent in July to the lowest level in nearly a half-century, the government reported Wednesday. And another report this week showed that sales of previously occupied homes fell to their lowest level in 15 years. Sales are plummeting after a popular homebuyer's tax credit expired April 30.

Jobless claims fell steadily last year as the economy began expanding, dropping from a peak of 651,000 in March 2009 to about 460,000 at the beginning of this year. After fluctuating around that level for most of this year, claims started climbing again last month.

In a healthy economy, claims generally fall below 400,000.

Some companies are still cutting workers. Northrop Grumman Corp. said Wednesday that it will lay off 642 workers at its shipyard in Pascagoula, Miss., by the end of the year. The shipyard currently has 11,000 employees.

And in late July, a NASA private contractor, the United Space Alliance, began telling 1,400 employees that they would be laid off in the fall as the U.S. space agency ends the space shuttle program.

The United Space Alliance is owned by Boeing Co. and Lockheed Martin Corp. and has 8,100 employees.

AP Business Writer Tali Arbel contributed to this report.

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