U.S. Unemployment Applications Near A 5-Year Low

Christopher S. Rugaber, AP

The number of Americans seeking unemployment benefits dropped 9,000 last week to a seasonally adjusted 323,000, near the lowest level since June 2008. The figure shows employers are laying off fewer and fewer workers, an encouraging sign one day before the government will issue its August jobs report. Weekly applications are just 1,000 above a five-year low reached last month, the Labor Department said Thursday. The four week average, a less volatile measure, declined 3,000 to 328,500. That's the lowest point since October 2007 — two months before the Great Recession officially began.

A private survey released Thursday by the payroll company ADP showed that businesses added 176,000 jobs in August, roughly in line with the monthly average for the year. Combined, the two reports point to steady improvement in the job market — a fact the Federal Reserve will weigh when it meets later this month to consider whether to slow its monthly bond purchases. Many analysts think the Fed will scale back its bond buying, which has been intended to keep long-term borrowing rates near record lows.

Applications for unemployment benefits are a proxy for layoffs. They have fallen five percent in the past two months, raising hopes that hiring could pick up. "Firms continue to be less concerned about cutting labor costs and may be more comfortable with raising them," said Jonathan Basile, an economist at Credit Suisse. Economists forecast that the August jobs report will show employers added 177,000 jobs, up from 162,000 in July. The unemployment rate is expected to remain 7.4 percent. Still, the unemployment rate is well above the five to six percent range associated with a normal economy. In addition, most of the net job growth this year is due to fewer layoffs, rather than strong hiring.

Net job growth is the number of people hired minus the number who lose or quit jobs. When companies are laying off few workers, it doesn't take many hires to create a solid net job gain. Nearly 4.4 million Americans received unemployment benefits in the week that ended August 17, the latest period for which figures are available. That's about 70,000 fewer than the previous week. A year ago, 5.5 million Americans were receiving benefits. Many of the jobs created in recent months have been lower-paying, part-time positions in industries such as hotels, restaurants and retail. Higher-paying industries such as manufacturing and construction have mostly shed jobs since spring.

But some signs indicate that hiring in both industries could pick up. A private survey released Tuesday showed that factory activity grew last month at the fastest pace in more than two years. And manufacturers added jobs, though at a slower pace than in the previous month. Spending on U.S. construction projects, meanwhile,

rose to its highest level in more than four years in July. It was spurred by strength in both housing and commercial building. The economy expanded at a 2.5 percent annual rate in the April-June quarter, a modest pace but much faster than the 1.1 percent annual rate in the first three months of the year. Home construction and business investment spending were two key drivers of growth.

Many economists think growth is slowing to about a two percent annual rate in the current July-September quarter.

Source URL (retrieved on *07/28/2014 - 1:59am*):
http://www.chem.info/news/2013/09/us-unemployment-applications-near-5-year-low