Economic picture continues to brighten

Jobless claims drop; retail sales rise in May

STAFF, WIRE REPORTS

WASHINGTON — The number of newly laid-off Americans filing jobless claims fell more than expected last week and retail sales grew in May for the first time in three months, signs that the recession may be nearing its end.

The Labor Department said Thursday that initial claims for unemployment benefits fell last week by 24,000 to a seasonally adjusted 601,000. That's below analysts' estimates of 615,000.

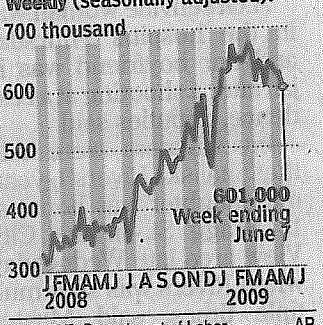
Retail sales rose as a rebound in demand at auto dealerships and gas stations helped offset weakness at department stores.

The Commerce Department said retail sales increased 0.5 percent last month, in line with economists' expectations. It was the largest increase since sales rose 1.7 percent in January following six straight declines.

Excluding autos, retail sales also grew 0.5 percent in May, better than the 0.2 percent gain that economists had expected.

"Performance across sectors was mixed, with big moves higher in gasoline stations and building materials, while sporting goods and electronics saw the largest declines," said Adam York, economist with Wachovia Economics Group.

"We expect that consumers will continue to prioritize spending towards essential items until the labor market begins to improve."



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ECONOMY

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Wall Street welcomed the news. The Dow Jones industrial average tacked on a modest 32 points Thursday after being up as much as 139 points earlier.

The stock market has at times run low on fresh evidence of economic recovery that could push the rally further. The figures released Thursday helped but weren't enough to keep the pace of buying strong.

Stocks rose to their highest levels in afternoon trading when the Treasury Department said an auction for 30-year Treasury bonds attracted strong demand. That allowed investors to set aside some of their recent worries about higher interest rates. Stocks lost ground Wednesday following a relatively weak auction for 10-year notes.

The blue-chip Dow rose 31.90, or 0.4 percent, to 8,770.92. The S&P 500 rose 5.74, or 0.6 percent, to 944.89, while the Nasdaq Composite index rose 9.29, or 0.5 percent, to 1,862.37.

On the housing front, foreclosure filings fell 6 percent in May from April, RealtyTrac Inc. said Thursday. More than 321,000 households received at least one foreclosure-related notice last month — 18 percent more than a year earlier — but the smallest annual gain since June 2006.

Also Thursday, the Commerce Department said businesses cut inventories 1.1 percent in April as they struggle to get stockpiles more in line with falling sales.

Inventories have fallen for eight straight months, the longest stretch since there were 15 consecutive declines in 2001-2002, a period that covered the last recession.