Global economies rebounding



DON RYAN / The Assoicated Press

The Commerce Department said the export gains in July reflected big increases in shipments of civilian aircraft, such as Cessnas, seen here, computers, industrial machinery and medical equipment.

Trade, jobless figures show recession fading

By Christopher S. Rugaber
THE ASSOCIATED PRESS

WASHINGTON — The U.S. trade deficit in July hit the highest level in six months as a record rise in imports outpaced a third straight increase in foreign demand for American products, according to government data released Thursday. Both gains provided more evidence that the worst recession since the 1930s was losing its grip on the global economy.

A rebound in the American labor market has yet to take hold, but first-time claims for jobless benefits did fall more than expected last week.

Companies are laying off fewer workers as the U.S. economy shows consistent signs that the recession is over. The Federal Reserve said Wednesday that 11 of its 12 regional banks reported the economy is stabilizing, an improvement from previous reports.

The Commerce Department said Thursday that the trade deficit rose 16.3 percent to $32 billion in July, much larger than the $27.4 billion imbalance that economists had expected. It was the largest imbalance since January and the percentage increase was the biggest in more than a decade.

Imports rose 4.7 percent to a total of $159.6 billion, the largest monthly advance on records that date to 1992 and the second consecutive gain after 10 straight declines. The rebound reflected a 21.5 percent spike in imports of autos and auto parts, partly due to increased production at U.S. auto plants owned by General Motors and Chrysler that had been slowed when the companies were struggling to emerge from bankruptcy protection.

Exports edged up 2.2 percent to $127.6 billion. It marked the third straight monthly increase, but left exports well below their record level of $164.4 billion set in July 2008.

The export gains reflected big increases in shipments of civilian aircraft, computers, industrial machinery and medical equipment.

American companies have been hampered by a drop in demand at home and in major export markets as the recession that began in the U.S. spread

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worldwide. However, economists are hoping that a rebound in global economies as well as further weakening in the value of the dollar will help boost exports in coming months. A weaker dollar makes U.S. products less expensive in overseas markets.

"While wider trade deficits are normally not good news, in this case, the rise in demand for foreign consumer and business goods tells us the U.S. economy is healing," Joel Naroff, president of Naroff Economic Advisors, wrote in a note to clients. "This was a positive report in that it provides further evidence that both the U.S. and foreign economies are coming back."

So far this year, the deficit is running at an annual rate of $355.5 billion, about half of last year's total. Economists believe the deficit will keep rising in the months ahead, reflecting stronger growth in the U.S. and rising oil prices. They expect the imbalance in 2010 will approach levels seen before the recession hit.

On the jobs front, the Labor Department said Thursday that initial claims for unemployment insurance fell to a seasonally adjusted 550,000 from an upwardly revised 576,000 in the previous week. Analysts expected claims to drop to 560,000, according to Thomson Reuters.

The number of people continuing to receive benefits fell by 159,000 to nearly 6.1 million, the lowest level since early April.

Still, unemployment claims remain significantly above levels associated with a healthy economy and indicate that jobs remain scarce. Weekly initial claims are generally at 325,000 or below in a growing economy. A year ago, only 3.5 million people were receiving unemployment aid.

"The labor market's healing process is agonizingly slow," Joshua Shapiro, chief economist at MFR Inc., wrote in a note to clients.

A Labor Department analyst said that the jobless figures for seven states, including California and Virginia, were estimated because state governments were unable to provide data due to the holiday-shortened week. Such estimates haven't previously resulted in large revisions, the analyst said.

The financial markets rose in afternoon trading. The Dow Jones industrial average added about 70 points, and broader indices also gained.

Economists closely watch initial claims, which are considered a gauge of layoffs and an indication of companies' willingness to hire new workers.

While the figures are volatile, first-time claims have trended downward in recent months. Initial claims topped 600,000 for most of this year, until falling below that level in early July.

The four-week average of claims, which smooths out fluctuations, fell by 2,750 to 570,000 last week. That's almost 90,000 below the peak for the current recession, reached in early April.

When federal emergency programs are included, the total number of jobless benefit recipients was 9.16 million people in the week that ended Aug. 22, up from 9.14 million in the previous week. Congress has added up to 53 extra weeks of benefits on top of the 26 typically provided by the states.

The large number of people remaining on the rolls is an indication that while layoffs may have slowed, companies are still reluctant to hire new employees.

Job losses have slowed recently. The Labor Department said last week that companies cut 216,000 jobs in August, a large amount but the smallest in a year. The unemployment rate, however, jumped to 9.7 percent from 9.4 percent in July.

The Fed and many private economists predict the jobless rate will hit 10 percent by the end of this year.