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In this Dec. 12, 2011 photo, people talk with a recruiter, center, at a job fair sponsored by National Career Fairs, in New York. The average number of people seeking unemployment benefits in the past month fell to the lowest level in three-and-a-half years.

Hiring on the rise?

New year starts with hopeful outlook on job market

BY CHRISTOPHER S. RUGABER
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WASHINGTON— The job market is looking a little brighter at the start of the new year.

Weekly unemployment benefit applications have fallen to levels last seen more than three years ago. Holiday sales were solid. Service companies grew a little faster in December. And many small businesses say they plan to add jobs over the next three months.

The mix of private and government data released Thursday sketched a picture of an economy that is slowly strengthening, stoking optimism one day ahead

of the government's important read on December job growth.

"Businesses have increased hiring to meet the underlying pick-up in (consumer) demand," said Neil Dutta, an economist at Bank of America Merrill Lynch.

The mostly positive reports had little impact on financial markets. Traders seemed more focused on the debt crisis in Europe, which could slow U.S. growth later this year. The Dow Jones industrial average dropped 37 points in midday trading. Broader indexes were mixed.

Weekly applications for unemployment benefits dropped to a seasonally adjusted 372,000 last week, the Labor Department

said Thursday. That's 11 percent lower than the same time last year.

The four-week average, which smooths fluctuations, fell to 373,250 — the lowest level since June 2008.

When applications drop below 375,000 — consistently — they generally signal that hiring is strong enough to reduce the unemployment rate.

Steven Wood, an economist at Insight Economics, said applications last year averaged 411,000 per week, down from 459,000 per week in 2010.

That's "a clear indication that the pace of layoffs has slowed," Wood said.