Job market brightens as unemployment claims sink

BY CHRISTOPHER S. RUGABER
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WASHINGTON — The outlook for the job market is looking brighter.

Far fewer people are seeking unemployment benefits than just three months ago — a sign that layoffs are falling sharply.

The number of people applying for benefits fell last week to 366,000, the fewest since May 2008. If the number stayed that low consistently, it would likely signal that hiring is strong enough to lower unemployment.

The unemployment rate is now 8.6 percent. The last time applications were this low, the rate was 5.4 percent.

The big question is whether fewer layoffs will translate into robust hiring. It hasn't happened yet, even though job growth has increased in recent months.

The four-week average of weekly unemployment applications, which smooths out fluctuations, dropped last week to 387,750. That's the lowest four-week since July 2008. The four-week average has declined in 10 of the past 12 weeks.

"Labor market conditions have taken a turn for the better in recent weeks," Michael Gapen, an economist at Barclays Capital, said in a note to clients. "Payroll growth should improve in the coming months."

Separately, the prices companies pay for factory and farm goods rose 0.3 percent last month. The figure was pushed up by higher food and pharmaceutical prices. But energy prices barely rose, keeping inflation in check.

In the 12 months ending in November, wholesale prices have increased 5.7 percent, the Labor Department said Thursday. It's the smallest year-over-year increase since March.

A mixed picture of manufacturing emerged from other reports Thursday. Factory output fell in November for the first time in seven months, according to the Federal Reserve. Manufacturers made fewer cars, electronics and appliances.

But some economists noted that auto sales rose in November, suggesting that production will rebound. And the Federal Reserve Banks of Philadelphia and New York said manufacturing expanded in their regions. Manufacturing has been a key source of growth this year.

Growth may top 3 percent in the final three months of this year, according to many economists. That would be up from 2 percent in the July-September quarter.



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In this Dec. 12 photo, people wait to talk with potential employers at a job fair sponsored by National Career Fairs in New York. The number of people seeking unemployment aid dropped to its lowest level since May 2008 last week, a hopeful sign that layoffs are declining and hiring may pick up.