Monthly average of unemployment claims falls to 15-year low

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WASHINGTON — The number of people seeking U.S. unemployment benefits ticked lower last week, pushing down the four-week average of applications to its lowest level since April 2000.

Weekly applications fell 1,000 to a seasonally adjusted 264,000 last week, the Labor Department said Thursday. That is just above a 15-year low reached three weeks ago. The average, a less volatile figure, dropped 7,750 to 271,750, the lowest in 15 years.

Applications are a proxy for layoffs, so their very low level is evidence that Americans are enjoying solid job security. It is also a sign employers are confident enough in the economy to keep their staffs, despite signs of sluggish growth.

"Claims continue to show no sign of the labor market weakening — if anything, the opposite," Jim O'Sullivan, chief U.S. economist at High Frequency Economics, said in a note to clients.

The economy likely shrank in the first three months of the year. Economists blame a strong dollar, low oil prices that triggered cutbacks at oil and gas companies, and harsh winter weather that discouraged spending. A stronger dollar makes U.S. exports overseas more expensive, restraining sales.

Most analysts predict the economy is expanding in the April-June quarter, though the bounce-back hasn't been as strong as many had hoped.

Consumers spent cautiously in April, according to a report on retail and restaurant sales Wednesday. Americans have not ramped up their spending so far this year, as economists had predicted, despite strong job gains and gas prices that are $1 a gallon cheaper than a year ago.

The weak retail sales report led JPMorgan Chase to cut its forecast for second quarter growth to an annual rate of 2 percent, down from 2.5 percent.

Still, employers are hiring at a steady pace, which means more Americans are earning paychecks. That could fuel stronger growth in the second half of this year. Employers added 223,000 jobs in April, the government said last week, and the unemployment rate fell to a seven-year low of 5.4 percent.

The number of people receiving benefits was unchanged at 2.29 million. That is down 17 percent from a year earlier.

index gained 22.62 points, or 1.1 percent, to 2,121.10. That's three points higher than its previous closing high of 2,117.69 on April 24.

The Nasdaq composite added 69.10 points, or 1.4 percent, to 5,050.80.

The 10 sectors in the S&P 500 closed higher, with technology stocks leading the pack. The sector is up 4.8 percent this year.

"We've been at roughly this level of the S&P for almost three months," said David Lefkowitz, senior equity strategist at UBS Wealth Management Americas. "We're up 1 percent today and that's a decent move."

After a mostly downbeat week in the markets, trading got off to a strong start early Thursday as investors weighed the two Labor Department reports.

The government said fewer people applied for unemployment aid last week, pushing the four-week average down to its lowest level since April 2000. Unemployment benefit applications are a proxy for layoffs, so the very low level is evidence that Americans are enjoying more job security.

It is also a sign employers are confident enough in the economy to hold on to their employees, despite signs of sluggish growth.

A separate index that tracks the prices of goods and services before they reach consumers declined 0.4 percent last month. That could signal that the Federal Reserve will hold off on raising its key interest rate until this fall, said Erik Davidson, chief investment officer for Wells Fargo Private Bank.