New jobless claims plunge, retail sales improve

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WASHINGTON — New applications for jobless benefits plunged to the lowest level in 14 weeks, a possible sign that the massive wave of layoffs has peaked. Still, the number of unemployed workers getting benefits climbed to a new record.

Retail results also improved as discounter Wal-Mart Stores Inc. and other stores reported April sales figures that beat expectations. Analysts acknowledged the positive economic signals but cautioned that any recovery will be subdued as long as unemployment stays high.

The Labor Department reported Thursday that the number of newly laid off workers applying for benefits dropped to 601,000 last week. That was far better than the rise to 635,000 claims that economists expected.

But the total number of people receiving jobless benefits climbed to 6.35 million, a 14th straight record.

The four-week moving average of initial jobless claims, which smooths out volatility, totaled 623,500 last week, a decrease of more than 30,000 from the high in early April. Goldman Sachs economists have said a decline of 30,000 to 40,000 in the four-week average is needed to signal a peak.

Meanwhile, retailers' business last month was helped by warmer weather, tax refunds, and a shift in the Easter holiday, helping Wal-Mart and many mall clothing chains post better-than-expected results.

But consumer sentiment and business in many areas remains weak, and analysts expect a drawn-out recovery as unemployment remains high and other economic woes persist. Warehouse store operator Costco Wholesale Corp. reported a deeper-than-expected same-store sales drop, hurt by the closing of its stores on Easter.

In a separate report, the government said that productivity, the key ingredient to rising living standards, grew at a 0.8 percent annual rate in the January-March quarter, slightly better than the 0.6 percent increase that economists had expected. Wage pressures, as measured by unit labor costs, increased at a 3.3 percent rate, down from a 5.7 percent spike in the fourth quarter.

While wage pressures outpacing productivity normally would raise alarm bells about inflation, the threat of any price spikes is seen as remote. Regulators and economists are not worried about inflation since many workers are more concerned about keeping their jobs in the recession than demanding higher wages.

Meanwhile, the Federal Reserve on Thursday said consumer borrowing dropped 5.2 percent in March, the biggest percentage decline since December 1990. In dollar terms, the $11.1 billion plunge was the largest on records dating to 1943, and more than three times what economists expected.

The Commerce Department last week said the personal savings rate edged up to 4.2 percent in March, marking the first time in a decade that the savings rate has been above 4 percent for three straight months.

More than 5 million jobs have vanished in the recession, and Federal Reserve Chairman Ben Bernanke on Tuesday predicted "further sizable job losses" in the coming months.

Among the states, Michigan saw the largest increase in claims with 9,998 more for the week ending April 25, which it attributed to more layoffs in the automobile industry, according to the Labor Department. The next largest increases were in Massachusetts, Kentucky, North Carolina and New York.

California saw the largest drop in claims with 10,833, which it said was due to fewer layoffs in the construction and service industries. The next biggest declines were in Georgia, South Carolina, Wisconsin and New Jersey.

More companies recently announced job cuts. General Motors Corp. laid out a restructuring plan that includes cutting 21,000 U.S. factory jobs by next year. Microsoft Corp. said it was starting thousands of the 5,000 job cuts it announced in earlier this year and left the door open to even more layoffs.