Weak US job market weighing on broader economy

BY CHRISTOPHER S. RUGABER
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WASHINGTON — The sluggish job market is weighing on the U.S. economy three years after the Great Recession ended. And the signs suggest hiring may not strengthen any time soon.

A measure of the number of people applying for unemployment benefits over the past month has reached a six-month high, the government said Thursday. The increase suggests that layoffs are rising and June will be another tepid month for hiring.

Sales of previously occupied homes fell in May. And manufacturing activity in the Philadelphia region contracted for the second straight month in June.

The gloomy economic data echoed a more pessimistic outlook from the Federal Reserve issued Wednesday.

Applications for unemployment benefits dipped last week to 387,000, from an upwardly revised 389,000 the previous week, the Labor Department said.

The reports also contributed to a sharp decline in stock prices. The Dow Jones industrial average fell 180 points in afternoon trading. Broader indexes also tumbled.

"It appears the slow-growth expansion will be slower," said John Silvia, chief economist at Wells Fargo Securities, in a note to clients.

Thursday's raft of economic reports showed:

— Applications for unemployment benefits dipped last week to 387,000, from an upwardly revised 389,000 the previous week, the Labor Department said. The four-week average, a less volatile measure, rose to 386,250. That is the highest level since December. When applications for unemployment benefits top 375,000, hiring generally remains too weak to rapidly lower the unemployment rate.

■ Home sales fell 1.5 percent in May from April to a seasonally adjusted annual rate of 4.55 million, the National Association of Realtors said. Sales are up 9.6 percent from a year ago. That suggests that the housing market is slowly improving. But the annual sales rate is well below the 6 million that economists consider healthy.

■ The Philadelphia Federal Reserve Bank said its index of regional manufacturing activity fell sharply to -16.6 from -5.8. That's the lowest level in nearly a year. A reading below zero indicates contraction. Measures of new orders and shipments also plummeted.

■ A gauge of future U.S. economic activity rose in May to its highest level in four years, one of the few positive signs Thursday. The Conference Board's index of leading economic indicators increased to 95.8. That's the highest level since June 2008, which was six months into the recession. Still, before the recession, the index routinely topped 100.

The generally bleak news came a day after the Fed downgraded its outlook for growth and took another step to try and jolt the economy.