

A DROP IN UNEMPLOYMENT BENEFITS BRINGS HOPE FOR THE ECONOMY THIS HOLIDAY SEASON



A continual decline in the number of people applying each week for unemployment benefits is the newest indication that the economy is recovering and businesses may soon be able to increase their hiring numbers. Last week, new employment applications dropped to 381,000, the Labor Department said Thursday. That amount represents the lowest level since late February. The four-week wait for a response to an application, which varies from week to week, fell to an eight-month low. This downward trend in response to employment applications supports the view that the economy has improved from the slump it was experiencing in the spring, when the greatest fear was that of an impending recession. Consumers are more confident, retailers are reporting a strong start to the holiday shopping season, and the unemployment rate dropped last month to the lowest it has been in more than 2 years. "There have been numerous indications that the labor market is healing and today's jobless claims report only reinforces that view," said Dan Greenhaus, chief global strategist at the trading firm BTIG. Ian Shepherdson, chief U.S. economist at High Frequency Economics, said the decrease in unemployment benefit claims submitted reflects relief among businesses that consumer demand did not fall as had been expected. "We expect claims to head slowly downwards for the foreseeable future, and in due course payroll growth will accelerate," Shepherdson said in correspondence with his clients. Applications consistently dropped to below 375,000, which correlate with a steady drop in the rate of unemployment. The unemployment rate fell to 8.6 percent in November, the government said last week, down from 9 percent in November. However, the drop in rate last month reflects in part people only looking for the most money and benefits. Once those looking for jobs stop looking and are no longer in the work force, they are no longer counted as unemployed. Employers increased the net total of jobs by 120,000 just last month. For the last five months, the economy has generated 100,000 or more jobs, which is the first time that has happened since April 2006. Many economists think growth will accelerate in the last three months of the year, equal to about a 3 percent annual rate, which would be an improvement from the 2 percent growth during the period from July to September. But the U.S. economy is vulnerable to activity overseas. European leaders are attempting to manage a two-year old debt crisis, and the 17 nations that currently use the euro may already be entering into a recession according to economists, which could decrease U.S. exports and interfere with the profits earned by multinationals in the U.S. European banks could also be forced to cut back on lending, and if the U.S. banks following this lead, it could cause a credit crisis. Many economists are anticipating less U.S. growth next year due to the slowdown in Europe. Less people receive unemployment benefits, and the number of people receiving extended benefits also fell. Some of that decrease is because those out of work found job, but economists think it is more likely that people have depleted their benefits. The number of people receiving unemployment benefits fell to 3.58 million, not including the several million people that receive aid under other extended programs that have been put in place because of the recession.