



Jobless Claims Fall to Lowest Level Since February

Numbers exceed expectations by 10,000

David Goodloe - July 20, 2017

The Department of Labor's weekly jobless claims figure – which reports on first-time applications for unemployment benefits – is regarded as an important economic indicator although not as important as the monthly employment report from the Bureau of Labor Statistics.

Nevertheless, the numbers in the report released July 20 were encouraging. Whereas economists surveyed by Reuters expected jobless claims to fall from 248,000 in the first full week of July to 243,000 in the week ending July 15, the Labor Department reported jobless claims actually fell to 233,000.



That is the lowest number since February, when initial jobless claims fell to 227,000, the best report since March 1973.

When weekly jobless claims are below 300,000, it is considered a sign of a healthy economy – and jobless claims have been below 300,000 for 124 consecutive weeks.

Reuters gave the numbers some context.

“The four-week moving average of claims, considered a better measure of labor market trends as it irons out week-to-week volatility, fell 2,250 to 243,750 last week.”

“The momentum continues,” said John Boyd Jr., principal of The Boyd Co. Inc., a Princeton, New Jersey-based business location consultant. Boyd called the report “a positive signal for another month of strong job growth in August.”

Reuters observed the “sustained labor market strength likely keeps the Federal Reserve on track to raise interest rates for a third time this year,” and Boyd agreed.

“I expect the reduced slack in the labor market to keep the Feds on track to increase interest rates,” Boyd said, “and to sell off much of their \$4.5 trillion bond portfolio, which was only \$800 billion prior to the financial crisis in 2008 and quantitative easing. I would expect this to create volatility in the stock market, particularly in mortgage backed securities where the Feds own \$1.8 trillion.”

The news is not necessarily good across the board, though.

Pam Danziger, a speaker, author and market researcher with Stevens, Pennsylvania-based Unity Marketing, has been watching the unemployment rate among retail workers, and she sounded a cautionary note.

“The unemployment rate in this sector is slightly above average, though not exceedingly so,” she said. “These retail workers are among the least skilled and lowest paid, so their skill sets may not be easily transferable into the new information-age economy.”

“Many of these workers provide supplemental income to families,” she said, “and are not the key providers, which means their income is largely used for discretionary purchases. The loss then of their supplemental income can translate into a huge hit on the spending power of many impacted American families, which means fewer trips to the store, fewer purchases and lower spending.”