

U.S. News: Jobless Claims Rise, Total Recipients Fall --- Uptick in applications tied to auto industry; rolls are the lowest since late March 2020

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FULL TEXT

The number of Americans receiving jobless payments fell this month to the lowest level since early in the coronavirus pandemic, but first-time applications rose as supply constraints persist in the auto industry. Continuing payments made through all unemployment benefit programs fell by 1.3 million in the week ended July 3, to 12.6 million, the Labor Department said Thursday. That was the lowest level since late March 2020, when new programs responding to the pandemic first came online.

In recent weeks about half of states have acted to end enhanced and extended unemployment benefits. The end of pandemic programs in Texas drove the latest decrease.

"The expectation is that this will spur more job-seeking among unemployed Texans as demand for labor improves," said Gus Faucher, chief economist at PNC Financial Services.

Meanwhile, initial jobless claims, a proxy for new layoffs, rose by 51,000 to a seasonally adjusted 419,000 for the week ended July 17, the Labor Department said Thursday. The increase returned the new claims near to levels recorded in early June. The four-week moving average, which smooths out volatility in the weekly figures, increased by 750 to 385,250.

Economists said the increase could reflect seasonal adjustment variations in the data, which is typical in July, when the timing of the Independence Day holiday and scheduled factory shutdowns vary year to year.

The largest state-level increase came in Michigan, a state where auto production has been disrupted due to chip shortages. Kentucky, another state with auto plants, also reported a large rise in new jobless claims.

"Typically you'd see some plant shutdowns in autos, as well as other industries in the early part of July. Then those people would come back in the second half of the month," said Stephen Stanley, chief economist at Amherst Pierpont Securities.

Economists also say layoffs and unemployment can remain elevated even when hiring is strong. That is because people who recently lost jobs might not be located near firms that are hiring, or might not have the skills to take the job.

Despite last week's increase, initial jobless claims and continuing payments have both trended down this year, largely reflecting an improving economy and steady hiring.

U.S. employers added 850,000 jobs in June, the largest gain in 10 months, and workers' wages rose briskly, signs of a strengthening labor market.

Overall benefit payments had surged in the spring of 2020, as millions of laid-off workers sought aid through state programs and others tapped programs established in response to the rise in unemployment during the pandemic.

One new program made benefits available to self-employed and gig workers, who aren't typically eligible, and another allowed unemployed workers to remain on benefits beyond the six months or less most states allow.

Washington lawmakers also made benefits more generous, adding \$300 a week on top of state payments since late December.

Since rising above 33 million in June 2020, the number of unemployment-benefit payments has slowly fallen, though the pace of decline increased in recent weeks as many states moved to end pandemic programs. Colorado is among the states retaining enhanced benefits until September, when they are due to expire nationwide. Guard and Grace, a steakhouse in downtown Denver, is experiencing a resurgence in business as diners venture out and tourism picks up, said General Manager Jeff Stoltman. But the restaurant is struggling to find workers to meet that demand. "People apply but don't show up for interviews," Mr. Stoltman said. "Maybe they're finding employment elsewhere, but it could also be that they're meeting job-search requirements but don't really want a job." Credit: By Bryan Mena

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