US weekly jobless claims rise slightly, but layoffs still low

Weekly jobless claims increase 4,000 to 219,000

WASHINGTON: The number of Americans filing applications for unemployment benefits rose marginally last week, suggesting the labor market remains strong even as employers are becoming more cautious about hiring workers.

Labor market strength was reinforced by other data yesterday showing a sharp drop in layoffs announced by US-based employers in September. The lowest unemployment rate in nearly 50 years is supporting consumer spending, keeping the economy on a moderate growth path despite a slump in manufacturing. Initial claims for state unemployment benefits increased 4,000 to a seasonally adjusted 219,000 for the week ended Sept. 28, the Labor Department said.

Economists polled by Reuters had forecast claims would increase to 215,000 in the latest week. The Labor Department said no states were estimated last week. Claims have now increased for three straight weeks. Some of the rise in claims could be the result of an ongoing strike by workers at General Motors. While striking workers are not eligible for unemployment benefits, the work stoppage has affected production, impacting non-striking employees at suppliers. There was a jump in manufacturing claims in Michigan during the week ended Sept. 21.

In a separate report yesterday, global outplacement firm Challenger, Gray & Christmas said job cuts announced by US-based employers fell 22.3 percent to a five-month low of 41,557 in September. US stock index futures were flat while prices of US Treasuries were slightly higher. The dollar was largely unchanged against a basket of currencies.

Hiring slowdown

Though layoffs remain low, there are signs a 15-month trade war between the United States and China, which has weighed on business confidence and pushed manufacturing into recession, is making companies hesitant to hire workers. An Institute for Supply Management survey on Tuesday showed a measure of manufacturing employment dropped to more than a 3-1/2-year low in September. That was followed by a report on Wednesday showing private employers added only 135,000 jobs to their payrolls last month. The reports bolstered expectations that the government's closely watched employment report on Friday would show another month of moderate job growth in September.

According to a Reuters survey of economists, nonfarm payrolls probably increased by 145,000 jobs in September after rising by 130,000 in August. Job gains have averaged 158,000 per month this year, still above the roughly 100,000 needed each month to keep up with growth in the working-age population.

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The unemployment rate is forecast to be unchanged at 3.7 percent for a fourth straight month in September. Economists say it is unclear whether the loss of momentum in hiring is due to ebbing demand for labor or a shortage of qualified workers. Slowing job growth could curb consumer spending, which has been the economy's main growth engine.

The four-week moving average of initial claims, considered a better measure of labor market trends as it irons out week-to-week volatility, was unchanged at 212,500 last week. The number of people receiving benefits after an initial week of aid fell 5,000 to 1.65 million for the week ended Sept. 21, the lowest level since October 2018. The four-week moving average of the so-called continuing claims declined 5,750 to 1.66 million. — Reuters

In austerity-scarred Portugal, fiscal discipline is a vote winner

LISBON: Portugal's Socialist Prime Minister Antonio Costa aims to retain power at Sunday's parliamentary election with a pledge that looks like an unlikely vote-winner for western Europe's poorest country - no backtracking on tight spending controls.

As populist governments across the rest of Europe look to ramp up spending amid fears of recession, Costa has campaigned for fiscal discipline to preserve the hard-won results of austerity imposed in the wake of Portugal's 2011 debt crisis. And the strategy appears to be working. The centre-left Socialists are well ahead in opinion polls after recording the lowest budget deficit in the 45 years of Portugal's democratic history. And the economy is on course to grow 1.9% this year, above the EU average.

"Perhaps it's best for the austerity not to end completely, or we run the risk of going overboard as happened before the crisis," said Nuno Almeida, 31, a karate teacher in the town of Barreiro, south of Lisbon. Almeida, who has a second job in a publishing house, said he plans to vote for the Socialists because they "balance out discipline and progress".

"People don't want to go through the suffering again and are now much more lucid about deficits and the budget," said Almeida, whose livelihood was hit when he lost many of his fee-paying pupils during the 2011-14 crisis. While Costa's government declared in 2016 that it had "turned the page on austerity" by reversing some pay cuts and tax hikes imposed by the previous administration, it has since become more frugal. It has refused to raise salaries for teachers and civil servants, while the total tax burden reached a record high 35.4 percent of GDP in 2018.

Even with wages largely stuck at pre-crisis levels of almost a decade ago, ordinary people say they have felt improvements lately. "During the crisis, a lot was taken from us," said Pedro Campos, a tram driver on Lisbon's Route 28 which is popular with tourists. "Our wage returned to what it was before the crisis ... I believe the country will continue to evolve." Tourism is Portugal's major source of revenue and has helped its recovery.

Finance minister Mario Centeno, who is also chairman of the Eurogroup of euro zone finance ministers, now promises a small budget surplus next year, but so does the main opposition centre-right party PSD, which could make potential post-election agreements easier. The Socialists are still unlikely to win an outright majority but are expected to increase their number of seats in parliament.

In a sign that Centeno's tenure has become a standard for sound fiscal and economic policies, PSD leader Rui Rio told Costa in a recent debate: "I also have my own Mario Centeno". Any deviation from the deficit-busting course is politically risky, as Rio knows from the European elections in May, when PSD suffered its worst-ever result, capturing just 22 percent of the vote.

Just ahead of those elections, Costa had accused PSD of compromising fiscal stability when PSD briefly sided with the far-left in backing a bill that would have raised teachers' wages. The bill was never approved. "The big irony of this election ... and the big difficulty for the right is that they have lost the banner of budget balance and the Socialists have raised it," said political analyst Antonio Costa Pinto. "The centre-right and the centre-left appreciate these values, and that's the bulk of the electorate."

Even the far-left parties have contributed to the deficit-cutting policies, helping to approve all four annual budgets despite blaming underfunded public healthcare and education on Centeno's "obsession with the deficit".

Centeno rejects such claims, arguing that public spending is increasing, if at a pace well below that of revenues, but is disciplined. "Portugal's back-and-forth erratic public investment policy is a thing of the past now," Centeno said this week, as the government now only proceeds with viable investment projects that have guaranteed financing. — Reuters

Spar Nord becomes third Danish bank to adopt negative interest on deposits

COPENHAGEN: Danish lender Spar Nord said yesterday it will impose negative rates on large deposits by private clients, making it the third Danish bank to do so, in a move that could send wealthy clients running. European banks say they are struggling under negative rates imposed by central banks but few have imposed negative rates on private clients so far.

"It is now clear, that negative rates are not a passing phenomenon," CEO Lars Moller said in a statement. Spar Nord, Denmark's sixth biggest bank, will introduce a minus 0.75 percent interest rate on deposits by private individuals holding more than $110,000 in their accounts, while lowering the already negative rate for corporate clients to 0.75 percent as well.

"We believe it is both natural and in line with the monetary policy intentions of the ECB and Denmark's Central Bank that negative rates to a larger degree also materialize on the deposit side," Moller said.

Denmark, which was among the first countries to introduce negative rates in 2012, cut its key deposit rate to minus 0.75 percent last month, a record low among developed economies. The second largest bank in Denmark, Jyske Bank, said in September it had to pass on part of the costs of negative interest rate to customers, when it announced a similar move. — Reuters