



Money

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Recovery is strengthening, reports show

By Beth Belton
USA TODAY

Strong economic reports Thursday added some muscle to the weak recovery.

► First-time claims for jobless benefits fell 18,000 to 415,000 the week ended April 4 — lowest since late October — the Labor Department said.

► Rising exports helped shrink the U.S. trade deficit a whopping 42% in February, to \$3.4 billion, lowest in almost nine years, the Commerce Department said.

"It's more good news. But it's still a gradual, erratic recovery," says Lawrence Chimerine, president of Radnor Consulting Services in Wayne, Pa. "Slowly, we are recovering."

Federal Reserve Governor John LaWare says he expects the economy to grow more strongly than he previously expected and the jobless rate to start to fall by year's end.

LaWare says he now believes the economy grew at a 2% annual rate the first quarter, twice what he predicted a few weeks ago.

For the year, gross domestic product could rise 2.5% to 3%, up from his earlier 2% forecast, he told Reuters news service. The government will issue its first official estimate of first-quarter GDP on April 28.

Jobs: For a second week, initial claims for unemployment benefits fell. But the numbers can swing wildly.

The less volatile four-week average fell to 427,750 from 442,000, lowest since November. And economists were encouraged by the drop.

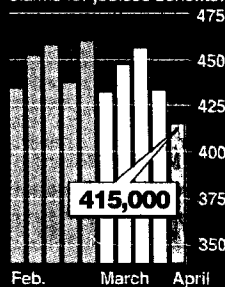
"The closer we get to the 400,000 level, the more we stop the bleeding," says Chimerine. He says a drop to 350,000 or lower would indicate a strong labor market.

"Businesses aren't hiring yet, but the layoffs are slowing," Chimerine says.

The unemployment rate was stuck at 7.3% in March and February.

Claims drop

Number of first-time claims for jobless benefits:



Source: Labor Department

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Trade: February's \$3.4 billion trade deficit — lowest since March 1983 — followed a \$5.9 billion deficit in January.

The strength of the improvement surprised most economists, Chimerine says. Economic slowdowns in Japan, Europe and Canada had been expected to weaken demand abroad for U.S. products.

Instead, exports surged 7% in February from January, to \$37.8 billion, and imports fell 0.4% to \$41.2 billion.

"A strong export market helped carry the economy through the recession," says economist Wayne Gant at Interstate/Johnson Lane in Atlanta. "Now it's going to help bring it out of recession."

A big chunk of February's improvement in exports came from the sale of \$2.7 billion of civilian aircraft, an \$821 million gain over January.

Economists don't expect to see such huge improvements in the deficit in the future.

"We can't rely on export growth to fuel the economy," because economies overseas are still weakening, says Campbell Harvey, economist at Duke University's Fuqua School of Business. "We need improvement in the industrial and consumer sectors, which we're starting to see."