

# Data show U.S. economic pulse still strong



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By [Jason Lange](#)

WASHINGTON (Reuters) - The number of Americans filing new claims for jobless benefits fell to a 14-year low last week, while industrial output rose sharply in September, positive signals that could help ease fears over the economic outlook.

Initial claims for state unemployment benefits dropped 23,000 to a seasonally adjusted 264,000, the lowest level since 2000, the Labor Department said on Thursday.

A separate report from the Federal Reserve showed production at the nation's factories, mines and utilities advanced a larger-than-expected 1.0 percent last month, the biggest gain since November 2012. Manufacturing output rose a solid 0.5 percent.

The data suggested the economy remained on solid ground, with the labor market gaining steam. Investors in recent days have come to the view that slowing growth overseas will weigh on the U.S. economy and force the Fed to delay a hike in interest rates.

Weak retail sales data on Wednesday shook investor confidence and helped fuel a global sell-off in stock markets that continued on Thursday. U.S. stock markets opened down sharply.

The report on jobless claims nonetheless reinforced expectations that slack in the labor market was being reduced.

A four-week moving average of claims, considered a better measure of trends as it irons out week-to-week volatility, fell 4,250 to 283,500, also the lowest level since 2000.

"Have we achieved full employment? Not yet. Are we getting closer? Absolutely," said Stephen Stanley, an economist at Amherst Pierpont Securities.

## OASIS OF PROSPERITY?

A Reuters poll published on Thursday showed economists still clinging to the view that the Fed would raise benchmark borrowing costs from near zero in the second quarter of next year despite mounting signs of weakness overseas. [ECILT/US]

The poll, however, was largely complete before the latest stock market selloff, which has been accompanied by a big shift in investor expectations for the path of U.S. monetary policy. Interest rates futures are now pointing to a rate hike at the tail end of 2015, at the earliest.

For now, at least, the U.S. economy is motoring ahead, with economists still expecting third-quarter growth to come in at around a 3 percent annual rate, a view buttressed by the pickup in industrial output.

The big gain in production in September reflected in part an outsized 3.9 percent increase in utilities output that the Fed pinned on high demand for air conditioning as temperatures swung from below normal to above normal.

Even more heartening was the broad-based increase in factory activity, which followed a downwardly revised 0.5 percent drop in August. Economists polled by Reuters had expected a 0.3 percent gain in September.

With industrial activity quickening, the amount of productive capacity in use rose to 79.3 percent, the highest level since June 2008. The Fed keeps an eyes on capacity use for signs inflationary bottlenecks may be developing.

Despite the latest jump, the figure still remains 0.8 percentage point below its long-run average.

(Reporting by Jason Lange and [Tim Ahmann](#); Editing by Paul Simao)