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Economy limping along, leading indicators show

NEW YORK (AP) — The economy, hobbled by higher fuel and food prices, tighter credit and a depressed housing market, is limping along at a snail's pace, a private business group said Thursday.

Separately, the number of newly laid-off workers filing for unemployment benefits remained at worrisomely high levels, even as it dropped slightly last week.

The New York-based Conference Board said Thursday its economic indicators rose 0.1 percent in May, matching expectations of economists surveyed by Thomson/IFR. The increase in the indicators, a measure of future economic activity, equaled April's 0.1 percent advance. The Conference Board revised March's number down from 0.1 to zero.

The index is designed to forecast economic activity in the next three to six months based on 10 components, including stock prices, building permits and initial claims for unemployment benefits.

"The economy is very weak heading into the summer, with gas and utility bills possibly heading even higher," said Ken Goldstein, Conference Board economist. "But latest data suggest the economy has not fallen into a contraction and may not undergo one in the second half of the year."

Beth N. Carvin, CEO of Honolulu-based Nobscot Corp., a human resources software maker, said the company's business remains steady, but its customers are worried about their employees.

"Employees are stopping contributions to their 401(k) plans out of pure desperation," she said. "Normally, a human resources person would encourage them to save, remind them of the company match. Now, with everything so expensive, what can they say?"

Nobscot introduced a product this month to help personnel departments manage large-scale layoffs. "It's a hedge on the economy," she said.

The Philadelphia Federal Reserve's June survey of manufacturing in Philadelphia, southern New Jersey and Delaware also fell, with measures of new orders, current shipments and employment all declining. A larger number of companies reported higher prices in June than in May; 65 percent said they expected to raise their prices in the next three months.

The survey's broad reading of manufacturing activity turned negative in December 2007 and "has been basically at recession levels all this year," said Joel Naroff, of Naroff Economic Advisors. The length of the decline matches recessions in the early 1980s and 1990, he said.

Concerns remain that the country could slip into a recession, but many analysts now believe the 130 million households who received economic stimulus payments from the Federal government will help the nation avoid a severe downturn.

The Labor Department reported Thursday that jobless claims fell by 5,000 last week to 381,000 after having surged by 27,000 the previous week.

The small improvement was not enough to keep the four-week average from rising to 375,250, pushing it close to the level reached in early April, when the average had jumped to highs not seen since the wave of layoffs following the 2005 Gulf Coast hurricanes.

The nation's unemployment rate soared to 5.5 percent in May, up from 5 percent it April. That represented the biggest one-month jump in 22 years and served as a stark reminder of the pressures the labor market is facing from the weak economy.

Economists expected last week's claims to drop by slightly more than they did. In the previous week, ending June 7, a total of 44 states and territories reported an increase in claims and nine states reported declines.

The states with the biggest increases were California, up by 10,778, a rise attributed to higher layoffs in service industries, and Florida, up 6,164, an increase that reflected more layoffs in construction, trade, services, manufacturing and agriculture.

Stocks rebounded, after dropping in morning trading when the data were released. The market's gains followed three days marked by losses. The Dow Jones industrial average was up 68.55, or 0.57 percent, at 12,097.61 in afternoon trading. The Nasdaq Composite was up 36.14, or 1.49 percent, at 2,465.85 and the Standard & Poor's 500 was up 7.92, or 0.59 percent, at 1,345.73.