US WEEKLY JOBLESS CLAIMS SHOW TIGHT LABOR MARKET

WASHINGTON: The number of Americans filing for unemployment benefits unexpectedly fell last week, suggesting the labor market remains strong despite a sharp slowdown in job growth in March.

Other data yesterday showed producer prices falling in March for the first time in seven months. Prices, however, recorded their biggest year-on-year increase in five years. The reports pointed to a steadily firming economy and could allow the Federal Reserve to increase interest rates again in June.

Initial claims for state unemployment benefits slipped 1,000 to a seasonally adjusted 234,000 for the week ended April 8, the Labor Department said. That was the third straight weekly decline in claims and left them not too far from a 44-year low of 227,000 hit in February. "Claims remain low, adding to the evidence that the slowing in payrolls in March was due to weather effects," said Jim O'Sullivan, chief US economist at High Frequency Economics in Valhalla, New York. Claims have now been below 300,000, a threshold associated with a healthy labor market, for 110 straight weeks. That is the longest such stretch since 1970, when the labor market was smaller. The labor market is near full employment, with the unemployment rate close to a 10-year low of 4.5 percent.

Economists polled by Reuters had forecast first-time applications for jobless benefits rising to 245,000 last week. Claims tend to be volatile around this time of the year because of the different timings of spring and Easter holidays. The four-week moving average of claims, considered a better measure of labor market trends as it irons out week-to-week volatility, fell 3,000 to 247,250 last week.

The low level of claims suggests that a sharp slowdown in job growth in March was an aberration and that the labor market continues to tighten. Nonfarm payrolls increased by 98,000 jobs last month, the fewest since last May. US financial markets were little moved by the data as investors continued to digest comments by President Donald Trump to the Wall Street Journal late on Wednesday that the dollar was "getting too strong" and that he preferred a "low-interest rate policy." The Fed raised its benchmark overnight interest rate by a quarter of a percentage point last month and has said it expected to increase borrowing costs at least twice more this year. — Reuters

FRENCH VOTE HAS POTENTIAL TO STIR UP GLOBAL ECONOMY

LAGGING ECONOMY FORMS BACKDROP TO ELECTION

LONDON: If Donald Trump's election in the United States and Britain's decision to quit the European Union stirred the global economic waters, then there is the potential for a tsunami on the near horizon. The coming week is the last before the first round of France's presidential election on April 23. It has already been a barrel of surprises-an incumbent not running, the far right in ascendance, an independent seen as likely winner, a scandal hampering the early favorite.

But the latest twist-one with arguably the most potential global economic impact-could conceivably see a far-left candidate, one-time communist Jean-Luc MÈlenchon, make it through to the May 7 run-off against a far-right nationalist, Marine Le Pen. The potential economic shock stems from the fact that both are against the euro and the European Union, threatening the stability and even existence of both. The word Frexit-the Gallic version of Brexit-has been doing the rounds.

Boosted by a strong performance in televised debates, MÈlenchon has gathered momentum in the past week. One poll on Tuesday showed his support as high as 19 percent, within four points of centrist Emmanuel Macron and within five of Le Pen; the latest survey on Thursday put him on 17 percent. "For France, Europe and markets, a run-off between MÈlenchon and ultra-right Marine Le Pen on May 7 would be a choice between bad and ugly," Berenberg bank said in a note on Thursday.

The odds are still strongly against it happening: the polls show former economy minister Macron winning the big prize. But the fact is that perennial outsider MÈlenchon and Le Pen are in the frame. France's economy offers a mixed bag. Unemployment is at 10 percent and has been around that mark for five years. Projected economic growth of just 1.4 percent for this year puts France down at 25th equal (with Belgium) out of 28 EU countries.

Other data shows the strain too. A study by World Economics of the relative value of euros within the euro zone, shows a yawning gap between Germany and France, making the latter far less competitive. But although growth is weak, France performs much better than other economies such as the United States and Britain in terms of income equality. One recent study, for example, found that the median French income in 2012 was about 17 percent higher than in 1996, while the median U.S. income was just 2 percent above its 1996 level. How all this plays with the French equivalent of the angry, left-out voters who went for Trump and Brexit remains to be seen.

PARIS: People walk in front of the Eiffel tower. — AFP

Bright spot

One recent bright spot for France has been the Purchasing Managers' Index, which has shown a degree of rising optimism among businesses as the euro zone also improves. On Friday in the coming week-just before the first round vote-flash PMIs for April are released. Last time around all three of France's readings-manufacturing, services and composite-were well in the expansion range, particularly services.

Early Reuters polling suggests the services and manufacturing reports will essentially be unchanged, possibly as a result of election uncertainty. The euro zone and Germany will also report. The former is expected to improve slightly on a composite basis, which would add to the overall view of a steadily recovering economy. German manufacturing could show a tiny dip.

Outside the euro zone, British retail sales data for March, released on Friday April 21, should provide another glimpse of how consumer sentiment is holding up as Brexit negotiations loom. Economists and others were surprised by the tenacity of British consumers after last year's vote to leave the EU, but there have been recent signs of a tailing off.

The British Retail Consortium said in the past week that its gauge of first-quarter consumer shopping showed the slowest growth since 2008. It was put down to inflation rising as a result of the post-Brexit vote fall in the pound. There were also some seasonal impacts relating to when Easter fell last year. Snapshots of the state of the US economy, meanwhile, will come from New York and Philadelphia Federal Reserve reports and from March industrial output data. The latter is expected to climb, reflecting an economy that has recovered well enough for the US Federal Reserve to begin a tentative rate-tightening cycle. — Reuters

OIL MARKET 'CLOSE TO BALANCE' DESPITE OPEC CUTS SAYS IEA

PARIS: Supply and demand in the oil market are close to matching up, the IEA said yesterday, as landmark OPEC-led production cuts are mitigated by rising US supply and slipping worldwide demand growth. The compliance rate with the agreement among OPEC members and some non-members, including Russia, "has been impressive", the International Energy Agency (IEA) said in its monthly oil market report, giving a lift to oil prices.

But oil at above $50 a barrel has, in turn, attracted higher-cost producers in the United States back to the market, and frantic American drilling will push non-OPEC supply to surprisingly high levels throughout the year, the IEA predicted. "It can be argued confidently that the market is already very close to balance, and as more data becomes available this will become clearer," it said in the report. "Although the oil market will likely tighten throughout the year, overall non-OPEC production, not just in the US, will soon be on the rise again," it said.

At the end of November, the Organization of Petroleum Exporting Countries (OPEC) agreed to cut output by 1.2 million barrels per day (mb/d) from January 1, initially for a period of six months. Then in December, non-OPEC producers led by Russia agreed to cut their own output to 558,000 barrels per day. The aim was to reduce a glut in global oil supply that had depressed prices. Reports this week said that OPEC kingpin Saudi Arabia is pushing the cartel's producers to extend the agreement by another six months at their meeting in May.

A less oil-thirsty world

The IEA made no prediction about such a likelihood, but said that a consequence of OPEC "hypothetically" renewing the deal would be to support prices more and give further encouragement to US shale oil producers. This means that non-OPEC oil production will soon be on the rise again.

"Even after taking into account production cut pledges from the eleven non-OPEC countries, unplanned outages in Canada as well as in the North Sea, we expect (non-OPEC) production will grow again on a year-on-year basis by May," the report said. Oil inventories fell in March but probably showed a rise in the first quarter of this year overall because oil consumers stockpiled crude before the OPEC-led cuts took effect properly, the IEA said. "The net result is that global stocks might have marginally increased in 1Q17," it said.

On the demand side, the IEA revised down its estimates for the worldwide thirst for oil, meaning there will be more oil available than previously thought. "New data shows weaker-than-expected growth in a number of countries including Russia, India, several Middle Eastern countries, Korea and the US, where demand has stalled in recent months," it said. Demand growth for 2017 is now expected to be 1.3 million barrels per day, down from the IEA's previous forecast of 1.4 million.

Oil prices declined yesterday, with US benchmark WTI futures down 10 cents at $53.01 per barrel, and Europe's Brent contracts four cents lower at $55.82. Analysts cited the IEA report and also OPEC's warning Wednesday that the cartel's efforts to fight a global glut are threatened by American firms pumping oil with gusto. — AFP