Fewer Americans filed applications for unemployment insurance benefits over the past month than at any time in more than eight years, signaling employers are hanging on to workers as demand improves.

The four-week average of jobless claims (INJCJC), considered a less volatile measure than the weekly figure, dropped to 297,250, the lowest since April 2006, from 300,750 the prior week. Claims in the period ended July 26 climbed to 302,000, in line with the median forecast of economists surveyed by Bloomberg, from a revised 279,000 the prior week that was the lowest since 2000.

While auto plant shutdowns during this time of year make it more difficult for the government to adjust the data for seasonal variations, the declining trend points to a job market that is heating up. A tightening labor market could lift wages and spur consumer spending, which accounts for about 70 percent of the economy.

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“Employment growth remains healthy,” said David Sloan, a senior economist at 4Cast Inc. in New York and among the closest forecasters in the Bloomberg survey. The reading is “consistent with a strong labor market.”

Stocks fell as earnings at companies such as Whole Foods Market Inc. and Kraft Foods Group Inc. disappointed investors and Argentina missed a debt payment. The Standard & Poor’s 500 Index dropped 0.8 percent to 1,954.05 at 9:58 a.m. in New York.

Consumer Confidence
Another report today showed consumer confidence retreated last week to an almost two-month low as perceptions about personal finances eased. The Bloomberg Consumer Comfort Index fell to 36.3 in the period ended July 27, the lowest June 8, from 37.6 the week before. A gauge of households’ financial well-being dropped by the most since mid-May after reaching an 11-week high.

The median forecast of 49 economists surveyed by Bloomberg projected claims would increase to 300,000. Estimates ranged from 280,000 to 320,000. The Labor Department revised the prior week’s reading from an initially reported 284,000.

A Labor Department spokesman said no states were estimated and there was nothing unusual in the data. Nonetheless, the timing and extent of closings to re-tool auto factories for the new model year is typically difficult for the government to gauge, causing claims to gyrate at this time of year. It may take some time for the data to stabilize enough to determine how much firings have actually ebbed.

“It’s going to be a couple of weeks before we get a clean reading,” Ryan Sweet, a senior economist at Moody’s Analytics in West Chester, Pennsylvania, said before the report. “The last couple of weeks’ data has just been too good to be true.”

Fed Meeting

Federal Reserve officials yesterday continued to pare monthly asset purchases as the job market strengthens and the threat of disinflation diminishes. Nonetheless, policy makers said the labor market still has plenty of room for improvement, even after a drop in unemployment.

“A range of labor-market indicators suggests that there remains significant underutilization of labor resources,” the Federal Open Market Committee said in a statement. Fed Chair Janet Yellen also told lawmakers this month that while her view of the economy has turned “more positive,” she’s concerned about signs of job-market “slack” such as low participation in the labor force and sluggish wage growth.

Another Labor Department report today showed one of those other indicators -- employment expenses -- is starting to bubble up. The employment cost index climbed 0.7 percent in the second quarter, the biggest gain since the third quarter of 2008. The increase was more than the 0.5 percent median estimate of economists in a Bloomberg survey.

Wages Climb

Wages and salaries rose 0.6 percent over the past three months, also the most since 2008, the report showed. Benefit costs increased 1 percent, the largest advance in three years, on heightened retirement expenses.
The jobless claims report showed the number of people continuing to receive jobless benefits rose by 31,000 to 2.54 million in the week ended July 19. The unemployment rate among people eligible for benefits held at 1.9 percent. These data are reported with a one-week lag.

A private payrolls report yesterday showed companies added 218,000 workers in July, exceeding the average for the year. The government’s nonfarm payrolls report, released tomorrow, will show that payrolls rose by 231,000 workers in July following a gain of 288,000 in June, based on the median estimate in a Bloomberg survey.

**Payroll Gains**

The average monthly advance so far in 2014 has been about 231,000. If that pace is sustained, it would be the best year since 1999.

A strengthening labor market is leading consumers to increase spending, helping the economy to gain momentum after a slow start to the year.

Gross domestic product rose at a 4 percent annualized rate in the second quarter, the most since the third quarter of 2013, after shrinking 2.1 percent from January through March, Commerce Department figures showed yesterday. Gains in consumer spending and business investment spurred the pickup.

Stronger consumption is helping companies including Atlanta, Georgia-based United Parcel Service Inc.

“The U.S. economy did rebound as expected from the weather-related problems in the first quarter,” D. Scott Davis, chief executive officer at UPS, said during a July 29 earnings call. “Solid economic fundamentals have driven retail sales higher, especially e-commerce.”

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