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Many Surprises in Latest Jobless Claims Report

The first surprise from the latest jobless claims statistics is that new claims for unemployment insurance benefits last week fell to the lowest level in 44 years, according to the Department of Labor (DOL): "The advance figure … was 222,000 … the lowest level for initial claims since March 31, 1973."

The second surprise is that the number of continuing claims (those lasting more than a week) also fell to levels not seen since 1974.

The third surprise is that these numbers follow the wildfires in California and the devastating hurricanes Harvey, Irma, Jose, and Maria. They pushed new jobless claims during the last week of August to nearly 300,000, but the economy remains strong enough to absorb that hit with people rapidly returning to work, and the numbers returning to normal, in less than six weeks. The economy's performance surprised the mainstream economists who predicted jobless claims would be closer to 240,000 instead of the 222,000 reported by the DOL.

The next surprise is that today's U.S. population is 53 percent larger than it was in 1973, and its workforce today is 80 percent larger, making the declines in new claims and continuing claims even more impressive.

This bodes well for the next report from the DOL when it will post its estimate of the unemployment rate, which is already at nearly a two-decade low of 4.2 percent.

It also bodes well for President Trump's claim that, through his policies (lifting regulations, cutting taxes, shutting down illegal immigration, starving ObamaCare, and so on) the U.S. economy will grow by at least three percent a year, and perhaps closer to four percent. It takes jobs to do that, and so those estimates no longer seem so unreal. CNN, perhaps the most unlikely member of the media to say anything nice about Trump or his plans, was forced to say that "even if the economy grows at a more modest 3% clip over the next few years, Trump will likely be able to take a victory lap."

Why? Because three-percent growth in GDP is a 50-percent improvement over the Obama economy; four percent growth would be a double. And of course, more jobs translates into more salaries to consumers, who make up 70 percent of the economy.

Mainstream economists have consistently underestimated the strength of the U.S. economy, which is enjoying the elixir of fewer restraints and the promise of lower taxes. It appears that they continue to look through the rearview mirror in making their forecasts rather than through the front windshield where the road is opening up more quickly that they thought possible.

Investor sentiment (reflecting the outlook of those with capital to invest in the economy) has, according to the American Association of Individual Investors (AAII), shown investor optimism above its historical average six times already this year.

In addition, consumer sentiment — the outlook of those who spend the money — just hit a 13-year high, according to the University of Michigan. That sentiment index rose from 95 in September to 101 in

October, while its "current conditions" index — a measure of how people feel about their finances — jumped to 116 in October from 111 in September. The UofM expectations index — a measure of consumers' outlook — vaulted from 84 in September to 91 in October, the highest seen by UofM since January 2004. Richard Curtin, UofM's director, said the latest survey "reflects an unmistakable sense among consumers that economic prospects are now about as good as could be expected."

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