

USA: New Jobless Claims Rise In A Sign That The Job Market Is Still Souring

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WASHINGTON — A surprising jump in first-time claims for unemployment aid sent a painful reminder Thursday that jobs remain scarce six months into the economic recovery.

The surge in last week's claims deflated hopes among some analysts that the economy would produce a net gain in jobs in January and help fuel the recovery.

A Labor Department analyst said much of the increase was due to holiday-season-related administrative backlogs at the state agencies that process the claims. Still, economists noted that that would mean claims in previous weeks had been artificially low. Those earlier declines had sparked optimism that layoffs were tapering and that employers would add a modest number of jobs in January.

The January employment report will be issued Feb. 5. But the surveys used to compile that report were done last week, so economists are paying close attention to the jobless claims figures from that week.

"The trend in the data is still discouraging," Diane Swonk, chief economist for Mesirow Financial, wrote in a note to clients. "Hopes for a positive employment number in January ... are rapidly dimming."

The disappointing jobless claims report contributed to a gloom on Wall Street. The Dow Jones industrial average dropped 182 points by late morning, or 1.7 percent, and broader indexes also fell.

A separate report Thursday that seeks to forecast future economic activity offered a more positive outlook. The Conference Board's index of leading economic indicators jumped 1.1 percent in December, suggesting that economic growth could pick up this spring.

In its report on jobless claims, the Labor Department said initial claims for unemployment aid rose by 36,000 to a seasonally adjusted 482,000. Wall Street economists had expected a small drop, according to Thomson Reuters. The four-week average, which smooths fluctuations, rose for the first time since August, to 448,250.

Initial claims had dropped steadily since last fall as companies cut fewer jobs. First-time claims have dropped by 50,000, or nearly 10 percent, since late October.

Still, employers are reluctant to hire. The Labor Department said earlier this month that employers cut 85,000 jobs in December, after adding 4,000 in November. November's increase was the first in nearly two years. The unemployment rate was 10 percent in December, unchanged from November.

Many economists say the four-week average of jobless claims would need to fall consistently below 425,000 to signal that the economy is close to generating net job gains.

The economy is growing, but not fast enough to bring down widespread joblessness. Most economists estimate that the gross domestic product, the broadest measure of the economy's output, grew at about a 4 percent clip in last year's fourth quarter. That followed 2.2 percent growth in the July-September period.

The Labor Department report said the number of people continuing to claim regular benefits dropped slightly to just under 4.6 million. The continuing claims data lags behind initial claims by a week.

But the so-called continuing claims do not include millions of people who have used up the regular 26 weeks of benefits customarily provided by states and are now receiving extended benefits for up to 73 additional weeks, paid for by the federal government.

More than 5.9 million people received extended benefits in the week that ended Jan. 2, the latest period for which data are available. That's an increase of more than 600,000 from the previous week. The data for emergency benefits lags behind initial claims by two weeks.

The rising number of people claiming extended unemployment insurance indicates that even as layoffs are declining, hiring hasn't picked up. That leaves people out of work for longer periods .

Among the states, California saw the largest increase in claims, with 16,160. Texas, Florida, Pennsylvania and Georgia saw the next largest increases. The state data lags the initial claims data by a week.

Oregon saw the biggest drop in claims, of 5,784, followed by Iowa, Kentucky, Michigan and Massachusetts.

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