

New Jobless Claims Unexpectedly Plunge

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WASHINGTON (AP) — New applications for jobless benefits plunged to the lowest level in 14 weeks, a possible sign that the massive wave of layoffs has peaked. Still, the number of unemployed workers getting benefits climbed to a new record.

The Labor Department reported Thursday that the number newly laid off workers applying for benefits dropped to 601,000 last week. That was far better than the rise to 635,000 claims that economists expected.

But the total number of people receiving jobless benefits climbed to 6.35 million, a 14th straight record.

The four-week moving average of initial jobless claims, which smooths out volatility, totaled 623,500 last week, a decrease of more than 30,000 from the high in early April. Goldman Sachs economists have said a decline of 30,000 to 40,000 in the four-week average is needed to signal a peak.

In a separate report, the government said that productivity, the key ingredient to rising living standards, grew at a 0.8 percent annual rate in the January-March quarter, slightly better than the 0.6 percent increase that economists had expected. Wage pressures, as measured by unit labor costs, increased at a 3.3 percent rate, down from a 5.7 percent spike in the fourth quarter.

While wage pressures outpacing productivity normally would raise alarm bells about inflation, the threat of any price spikes is seen as remote. Regulators and economists are not worried about inflation since many workers are more concerned about keeping their jobs in the recession than demanding higher wages.

Even with the big drop in new applications for jobless benefits last week, the claims remained at elevated levels. By comparison, weekly jobless claims totaled 372,000 a year ago.

But since peaking at 674,000 in late March, claims have been trending lower, raising hopes that the huge wave of layoffs that have rocked the country could be easing a bit.

Even if the recent declines signal that layoffs have peaked, economists do not expect them to return to pre-recession levels anytime soon. They expect the jobless rate will keep rising through the rest of this year even if their forecasts for an end to the recession in the second half of 2009 are accurate.

The government is scheduled to release unemployment data for April on Friday. Analysts expect the jobless rate will climb to 8.9 percent from the current 25-year high of 8.5 percent. Many analysts expect the jobless rate will hit 10 percent by the

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end of this year.

The rise in continuing claims to 6.35 million was registered for the week ending April 25, the latest data available. That was up from 6.30 million in the previous week and marked the highest tally on records dating to 1967.

The high level of continuing claims is a sign that many laid-off workers are having difficulty finding work.

More than 5 million jobs have vanished in the recession, and Federal Reserve Chairman Ben Bernanke on Tuesday predicted "further sizable job losses" in the coming months.

Among the states, Michigan saw the largest increase in claims with 9,998 more for the week ending April 25, which it attributed to more layoffs in the automobile industry, according to the Labor Department. The next largest increases were in Massachusetts, Kentucky, North Carolina and New York.

California saw the largest drop in claims with 10,833, which it said was due to fewer layoffs in the construction and service industries. The next biggest declines were in Georgia, South Carolina, Wisconsin and New Jersey.

More companies recently announced job cuts. General Motors Corp. laid out a restructuring plan that includes cutting 21,000 U.S. factory jobs by next year. Microsoft Corp. said it was starting thousands of the 5,000 job cuts it announced in earlier this year and left the door open to even more layoffs. Chip maker Atmel Corp. last week said it would lay off 300 people, or 5 percent of its work force.

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