

DAILY GLOBAL
COMMENTARY

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Jobless Claims Report Makes a Case that the Labor Market is Improving

July 30, 2009

Initial jobless claims rose 25,000 to 584,000 during the week ended July 25. There were seasonal distortions in the early part of July which have been more or less corrected now. Typically, layoffs at auto companies increase in July for retooling. This year the layoffs occurred in May and June and were related to the GM and Chrysler bankruptcy issues. This shift in layoffs led to lower seasonally adjusted jobless claims in July and the readings we see now are gains after the artificial decline. Despite the increase in initial jobless claims in the past two weeks, the peak in initial jobless claims has occurred in March 2009 (674,000).

Chart 1
Unemployment Insurance: Initial Claims, State Programs
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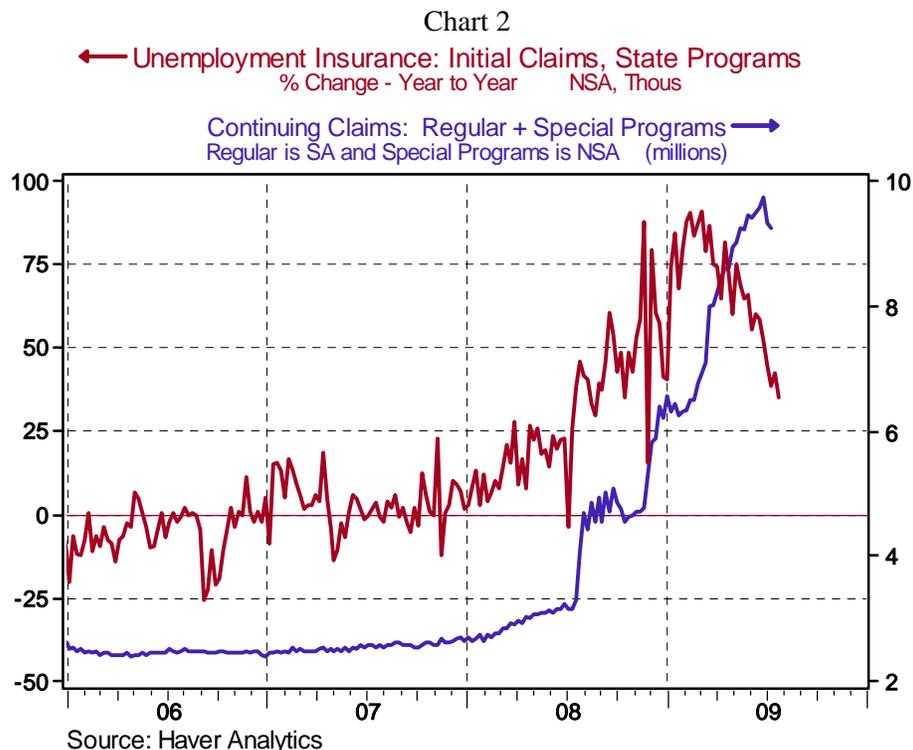


Source: Department of Labor /Haver Analytics

Continuing claims, which lag initial jobless by one week, fell 54,000 to 6.197 million. Continuing claims have declined in four out of the last five weeks. Recipients of the Extended Benefits and Emergency Unemployment Compensation should be added to continuing claims to get the whole picture. Claims under these two programs lag initial jobless claims by two weeks and continuing claims by one week. The sum of seasonally adjusted continuing claims and seasonally unadjusted claims under the two special programs stands at 9.26 million, with the peak at 9.72 million (week ended June 27). As chart 2 shows, continuing claims have peaked and the year-to-year change of seasonally unadjusted initial claims is showing a decelerating trend. In addition, the number of recipients under the special program fell in the week ended July 11. These facts suggest that the pace of layoffs is diminishing. In the town hall meeting of Sunday, July 26, Bernanke cited the

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jobless claims report as one of the leading economic indicators he uses to track the course of the economy. (The citation is toward the end of the town hall meeting in the third part of the broadcast in the Lehrer News Hour: [Online NewsHour | PBS.](#)) As we have mentioned in several earlier commentaries, the initial jobless claims reading is one of the ten components of the Index of Leading Economic Indicators. But, it is important to note that it is most likely to be a “jobless” recovery for several quarters.



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