

# THE AUSTRALIAN Business

WITH THE WALL STREET JOURNAL.

May 22, 2009 09:09am AEST

## US unemployment benefit claims worrying signal for jobs

Meena Thiruvengadam | May 22, 2009

Article from: Dow Jones Newswires

**THE number of US workers collecting state unemployment benefits for more than a week rose to a fresh record.**



Angelica Gomez, a book keeper who has been out of work for five months, gets information from the unemployment insurance phone bank in Sacramento. Picture: Bloomberg

Still, workers filing new claims for benefits fell more than expected last week.

Initial claims for jobless benefits fell 12,000 to a seasonally adjusted 631,000 in the week ended May 16, the Labour Department said in a weekly report.

Economists surveyed by Dow Jones Newswires had expected claims would fall by 7,000 after a surprisingly large spike in the previous week.

Jobless claims overall are at a level "consistent with the economy haemorrhaging jobs," said Campbell Harvey, a Duke University finance professor. "For us to be declaring a trough we need substantial improvement in these measures."

The previous week's figure was revised up to 643,000 from 637,000. That week's spike is blamed largely on woes in the auto sector, which has seen job losses that are hitting manufacturing states particularly hard.

The Labour Department attributed the most recent drop to lower layoffs in the auto sector. However, if that is the case, High Frequency Economics chief economist Ian Shepherdson questions why the fall wasn't larger.

"The uncomfortable suggestion must be that the underlying pace of claims is not slowing as much as

appeared to be the case a few weeks ago," he wrote in note to clients.

Goldman Sachs economists wrote that any trend of moderation is "very faint, and somewhat less rapid than is typical coming out of a recession".

The four-week average of new claims -- a figure that aims to smooth volatility in the data -- fell 3500 in the week of May 16, to 628,500.

The tally of continuing claims, those drawn by workers collecting benefits for more than one week, rose 75,000 in the week ended May 9, the most recent data available, to a new record 6,662,000. The four-week average of continuing claims rose by 131,000 to a fresh record of 6,480,500.

The unemployment rate for workers with unemployment insurance rose to 5.0 per cent -- the highest level since December 25, 1982, but only a slight increase from the previous week.

"The sharply rising trend on continuing claims and the insured jobless rate suggest that the job losses will still be substantial and that the unemployment rate is likely to jump again," Steven Wood, chief economist at Insight Economics wrote.

Other data released signalled some reason for optimism regarding the US economy.

A gauge used to forecast the direction of the economy moved up. The Conference Board's index of leading indicators rose 1.0 per cent in April. Stock prices, interest-rate spread and consumer expectations made positive contributions to the April index. Real money supply and building permits were negative contributors.

"The leading indicators are not suggesting that the recession will end within the next six months, but they do indicate that the pace of decline will slow," Mr Wood at Insight Economics said.

The Federal Reserve Bank of Philadelphia said its index of general business activity within the mid-Atlantic region's factory sector posted a reading of negative 22.6 in May; that's up from a reading of negative 24.4 in April. Readings under zero denote contraction.

Still, "Green shoots in the economy are not going to flourish until you have some recovery in employment," Duke's Professor Harvey said.

---

*Copyright 2009 News Limited. All times AEST (GMT +10).*

---

*All times are EST. © MarketWatch, Inc. 2008. All rights reserved. Subject to the [Terms of Use](#). Designed and powered by [Dow Jones Client Solutions](#). MarketWatch, the MarketWatch logo, BigCharts and the BigCharts logo are registered trademarks of MarketWatch, Inc. Dow Jones is the registered trademark of*