

New Unemployment Claims Fall Below Key Level

By CONOR DOUGHERTY

New claims for unemployment insurance dropped below a key level last week, a sign that the jobs market's woes may be starting to ease. But the indicator comes with an abundance of caveats stemming from its inherent volatility as well as seasonal factors.



Getty Images

People laid off when the space-shuttle program ended attended a job fair Tuesday in Cape Canaveral, Fla.

Initial claims for unemployment insurance fell 24,000 to 398,000 in the week ended July 23, the Labor Department said Thursday—the first time since early April that claims have been below the crucial 400,000 mark. When claims are below that level, economists generally think the economy is adding more jobs than it is shedding. The prior week's claims figure was revised up slightly to 422,000.

Another positive sign: The four-week moving average of claims, considered a more reliable figure because it smooths out weekly gyrations, fell 8,500 to 413,750.

The slip in initial claims, which contrasted with economists' consensus forecast for no change, was met with cautious optimism from forecasters. The claims data are a measure of company layoffs, so any

reduction is a potentially pivotal first step toward a healthier pace of hiring. This is important now, as other labor-market indicators have shown that a stepped-up pace of layoffs has been a significant culprit behind weak employment growth over the past two months. In recent weeks, several companies including network-equipment maker Cisco Systems Inc. and investment bank Goldman Sachs Group Inc. have announced layoffs.

Many economists say the trend would have to continue for several weeks before they'd be convinced the job market is starting to turn up. "I would need probably two more weeks of below 400,000 to be convinced we've moved down a leg," said Troy Davig, an economist with Barclays Capital.

Beyond weekly volatility, the initial claims figures often move around based on technical factors that arise from the way the Labor Department adjusts the data for seasonal changes—a process that is particularly difficult during the first weeks of a quarter. Further muddying the picture: Many of the nation's auto factories temporarily shut down and retool over the summer, but this year that process has been upset by supply disruptions stemming from the earthquake in Japan in March, said Mr. Davig.

Should claims continue their downward trajectory, it could presage healthier figures from the government's monthly snapshot of the jobs market that is released on the first Friday of each month. In May and June the economy added an average of just 21,500 jobs—far less than the tally needed to bring down the 9.2% unemployment rate.

The Labor Department said the number of continuing unemployment benefit claims—those drawn by workers for more than a week—decreased by 17,000 to 3,703,000 in the week ended July 16.

Write to Conor Dougherty at conor.dougherty@wsj.com

Copyright 2011 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com