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DECISION ECONOMICS, INC.
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New York: 212 884 9440
London: 011 44 20 7814 6706
Boston: 617 994 0500
Email: decisioneconomics@pdeeco.com

Andrew Husby

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Initial claims still elevated

In contrast to expectations of a modest decline, initial claims rose 1,000 (Consensus: -3,000; Decision Economics: -2,000), from a prior week level revised up by 4,000. The Labor Department cited no special factors this week.

The result covers the third of four weeks in payroll June, the survey-month average now standing at 427K, a modest improvement on the 440K average recorded in payroll May. Recent weeks had seen readings in the 425-420K range, so the current figure does not appear to be signaling the hoped-for improvement in layoff flows. The more stable 4-week average fell about 3,000, to 424K.

Claims remain stubbornly elevated, though there is no sign of outright deterioration, implying that the climb back above 400K in recent months simply represents heightened caution on the part of businesses in response to higher energy prices, and questions about the near-term growth outlook. Cost-cutting in the face of potential weakness may continue until greater clarity develops about how temporary the current soft-patch ultimately proves.

Implications for payroll June are likely not shifted materially, with most still looking for a somewhat stronger reading than the disappointing May number, but well short of the 200K+ range that prevailed earlier this year.

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