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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

Pierre Ellis

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Initial Claims – Good for Now

Initial claims unexpectedly fall 7,000 (Consensus: +1,000; Decision Economics: unch) from a prior-week level revised up by 2,000).

The effect is to reinforce the hint from the relatively low numbers of recent weeks that layoffs have fallen back from the bulge seen in the springtime--suggesting that the necessity to substantially shrink headcounts apparently perceived back then had eased, as of late calendar July and into the first week of August.

Of course, the effect of the explosion in financial uncertainty in recent days will be to increase caution--and to cause decision makers to shrink risk profiles. For companies, that translates to pre-emptive staff cuts nowadays, since most workers could be readily replaced should business pick back up.

The new figure covered the third of four weeks in payroll August, and at 395,000 put the month-to-date average weekly claims count at 399,000--down a significant 23,000 from the payroll-July level.

That implies enough of a cumulative drop in layoffs to point to a strengthening in payroll employment growth from last month--assuming that there is no very large wave of layoffs in the final week of the month, or any drastic slowdown in new hiring hiring.

Both of those assumptions are in some question this week--and will certainly be very dangerous as the focus turns to employment growth next month.

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