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March 29, 2012

Initial Claims

Initial claims unexpectedly fall 5,000 (Consensus and Decision Economics: +2,000), but from a prior-week level restated upward by a massive 16,000--as part of an annual revision which has the effect of removing what had been a decent improvement in March from February.

Specifically, the average rate of new claims in the five-week February payroll month was revised up from 363,000 to 369,000, while the payroll-March level was revised up from 355,000 to 369,000--so the month-to-month trend is flat, instead of downward.

The effect of the overall annual revision is, in theory, to, give a more accurate reflection of what actually happened. In February, for which employment data are already in hand, the more accurate claim data are simply revealing the relationship between claims and employment more accurately too--so there is no necessary implication that the employment data will be revised strictly because of the claims revision.

In March, the situation is a bit different, since what is being revealed as "truth" is that layoffs did not fall as much as the earlier inaccurate data were suggesting.

Meanwhile, however, the picture on continuing claims is seen to have been more favorable in March than might have been expected--with the survey month showing net decline of 87,000, as against the earlier picture of a decline of 54,000 in the first three weeks of the month. The fourth-week figure, appearing for the first time today, could have gone either way, but turns out to have shown a solid drop (-41,000) from week three.

March payroll forecasts keying off these numbers will be tapered back a bit, but not drastically. The real news is that the downtrend in new claims from February to March is erased, with uncertain, but not positive, implications for the longer-run trend.

Payroll April starts off on a good footing, with the first-week figure that arrived today showing the level down 10,000 from the March average. Holding that advance, or extending it, next week would re-establish an underlying favorable trend.

In any case, the main burden of lifting payroll employment should, at this point, be shifting towards greater strength in new hiring, instead of reductions in layoffs. Layoffs have, by now, declined to a modestly high-normal level, and do not have much more room to fall.

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