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Initial Claims: Serious Turn?

Initial claims fall a less-than-expected 2,000 (Consensus: -12,000, Decision Economics: -10,000) from a prior-week level revised up by 8,000. Labor Department analysts pointed to no special factors as influencing the result.

The small change in the latest week indicates that the movement in actual claims was close to seasonal norms--but that followed a hugely greater than normal increase the week before (+26,000 seasonally adjusted), and the lack of any payback for that jump suggests that it reflected a lasting upshift in the flow of layoffs.

The week of the big jump was the first week in the new calendar quarter, and may have reflected a bigger-than-normal "normal" surge in claimants who had postponed filing until the quarter began--in order to game formulas basing benefits on a four-quarter average of earnings.

That week also included Good Friday, so that some of the new claims might have spilled over into the new week--preventing a quick payback for the unusual prior-week jump.

If all those assumptions are correct, the sudden rise in new claims would not be reflecting a sudden rise in layoffs--only the fact that earlier claims numbers had undercounted actual layoffs, because the people involved had not filed immediately.

Thus, it is hard to escape the conclusion that layoffs, at best, rose somewhat in April (The new number today covered the payroll-survey week), or, at worst, jumped significantly as the survey month came to a close. Payroll forecasts driven by these numbers will likely be trimmed by 25,000 or so.

The outlook for May is now quite guarded--unless the numbers drop back down quickly. Of course, significantly firmer new hiring could outweigh the effect of greater layoffs in depressing payroll gains--but it is hard to imagine that hiring enthusiasm would be rising, even as layoffs are beiung stepped up.

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