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Claims Stubbornly High

Initial claims disappoints expectations again, posting a 1K drop (Consensus and Decision Economics: -11K) to 388,000 from last week's figure which was revised upward by 3K. This print pulls the four-week average to 381,750 from just 363,000 three weeks ago.

The claims data today covers the first week in payroll May, but revisions to prior weeks can affect the April employment report. Initial claims increased by 25K during April, with the entire increase attributable to the +26K claims number from the week ending April 7.

While claims data is seasonally adjusted, seasonally unadjusted claims tend to show significant increases during the first week of each quarter-when initially claiming unemployment generates maximum benefits.

Perhaps the seasonally adjusted +26K can be explained by a stronger-than-usual seasonal effect, implying that initial claims during the end of the first quarter were artificially low.

Monthly net changes in initial claims are only weakly related to the net change in employment-the +240K jobs in February and the +120K jobs in March were in months where net claims changed by -2K and +2K.

Continuing claims declined by 39K for April, continuing the deceleration from -124K in February and -73K in March.

This data fortifies the dovish viewpoint that stronger growth is needed to sustain the recent pace of labor market improvement. Doves may begin to wonder if this is 2011 all over again. Hawks will want to wait for this new trend to shows its stripes-as flat or upward-before taking action.

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