

## Initial Claims: Could Have Been Better

Weekly initial claims run mildly higher than expected, holding steady (Consensus and Decision Economics: -2,000) at a prior-week level revised up by 3,000. The new figure covered the last of four weeks in payroll May, and at 370,000 put the monthly average at 375,000--all but flat compared to the 376,000 seen in payroll April.

Though the pace of claims, and layoffs, matched the April pace, the new month is "stronger" in the sense that weekly numbers have clearly declined from a patch of 390,000s results that overlapped the two survey months--and kept monthly averages high. April saw initial claims on an upswing, while May sees them fall.

The last few readings could have been "stronger" yet if that had shown a steady and ongoing decline, but they did not--so the indication is of limited net improvement on the layoff side of the job market. Payroll forecasts will likely point to some firming from April, but relatively contained.

Upside potential for the labor market now rests almost entirely on the new-hiring side of the market. Layoffs appear to be at roughly natural levels for a healthy economy--and the specter of a rise from there has been removed for the moment.

New hiring will be driven by business optimism and, importantly, confidence--both of which are flighty nowadays. Empire State numbers early in the week were somewhat encouraging, and Philadelphia Fed data today will give more news.

Fed opinions will change only in respect of seeing somewhat diminished downside risks. Hawks see no further role for monetary policy in stimulating employment, while doves still seem to persist in wishing for more ease to address the problem.