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United States
Economic Indicator Insights

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Claims post healthy drop, is it temporary?

Initial claims surprised to the upside, falling 26,000 to 359,000 (Consensus and Decision Economics: -7,000) for the week ending September 22 from a prior week which was revised upward by 3,000. This week's print is the lowest since July 21. As a result, the four-week average fell 4,500 to 374,000-well within the range of 365,000 to 385,000 seen in Q3.

No special factors were cited as influencing the data with Tropical Storm Isaac having a negligible effect. However, effects related to the quarter-end may be affecting the data-laid-off workers can maximize unemployment benefits if they file at the beginning of a quarter. But workers would only wait to file if they anticipated being unemployed for an extended period; if unemployment is expected to be temporary, workers would not wait to file. Upcoming weeks should be watched for evidence of a timing-related pickup.

Continuing claims posted a modest decline of 4,000 to 3,271,000. Continuing claims-which lag initial claims by one week-fell by 60,000 during payroll survey September. This suggests a pickup in hiring and lends support to the DE forecast that 128,000 jobs were added in September-stronger than the 96,000 added in August.

This is the first of four survey weeks for payroll October, so the data will have no impact on September employment numbers which arrive next Friday. The jobs number in September is likely the single most important indicator for the November election as it helps to shape the tone of the economic discussion over the coming weeks, likely the most important issue to undecided voters. A weak result adds firepower to Governor Romney's criticism of the way President Obama has handled the recovery, while a strong nonfarm payrolls supports Obama's assertion that his approach is working and the economy is on the mend.

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