Jobless claims fall unexpectedly as layoffs ease

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WASHINGTON — The number of newly laid-off Americans filing claims for unemployment benefits dropped unexpectedly last week, a sign the job market is healing as the U.S. economy slowly recovers.

New jobless claims have dropped steadily since September, raising hopes that the economy may soon begin creating jobs and the unemployment rate could decline. That, in turn, would give households more money to spend and add fuel to the broader economic rebound that began earlier this year.

The Labor Department said Thursday that new claims for unemployment insurance fell by 22,000 to a seasonally adjusted 432,000, the lowest since July 2008. That's much better than the rise to 460,000 that Wall Street economists expected.

The four-week average, which smooths fluctuations, fell for the 17th straight week to 460,250, the lowest since September 2008, when the financial crisis intensified. The crisis led to widespread mass layoffs, which sent jobless claims to as high as 674,000 last spring.

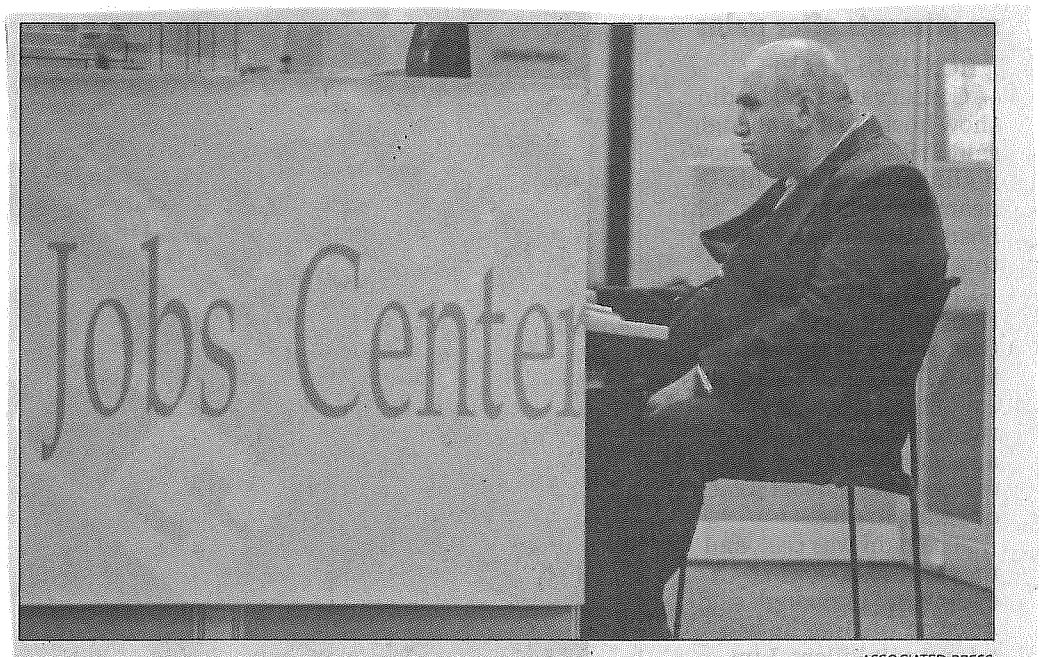
Analysts cautioned that the weekly data could be artificially low due to seasonal factors, such as the Christmas holiday and recent snowstorms.

Still, many economists saw the claims figures as a positive sign that employers could soon step up hiring. Abiel Reinhart, an economist at JPMorgan Chase, said in a note to clients that he estimates employers added a net total of 40,000 jobs in December, after cutting 11,000 the previous month.

The Labor Department will report the unemployment rate and jobs figures Jan. 8. Reinhart said the December jobless rate will likely be 10 percent, matching the previous month and down from 10.2 percent, a 26-year high, in October.

Still, most economists expect the unemployment rate to remain above 9 percent through 2010, as companies are likely to hire at a slow pace as they wait to see if the current recovery continues.

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Nick Ayrom, from Glendale, Calif., a former high school teacher, looks for technology related jobs on a computer terminal at the Verdugo Job Center on Wednesday.