Nation 'on the cusp of a hiring recovery'

Falling initial jobless claims fuel optimism for those seeking work

By Christopher S. Rugaber
THE ASSOCIATED PRESS

WASHINGTON — New claims for unemployment benefits fell more than expected last week as layoffs ease and hiring slowly recovers.

The decline brought the four-week average of claims, which smooths volatility, to its lowest level since September 2008, when the financial crisis intensified. The report is an encouraging sign that the economy is getting closer to generating job gains, economists said.

"We're on the cusp of a hiring recovery," said Zach Pandl, an economist at Nomura Securities.

The Labor Department said Thursday that first-time claims for jobless benefits dropped by 14,000 to a seasonally adjusted 442,000. That's below analysts' estimates of 450,000, according to Thomson Reuters.

Most of the drop resulted from a change in the calculations the department makes to seasonally adjust the data, a Labor Department analyst said.

The department updates its seasonal adjustment methods every year, and revises its data for the previous five years. Seasonal adjustment attempts to filter out expected changes in employment such as the layoff of temporary retail employees after the winter holidays. The goal of seasonally adjusted figures is to provide a more accurate picture of underlying economic trends.



PAUL SAKUMA / The Associated Press

A job seeker searches at a job placement center. Falling claims for benefits have fueled hopes that the economy will begin creating jobs.

Excluding seasonal adjustment, initial claims fell by more than 30,000 last week to 405,557.

Initial claims have fallen in three of the past four weeks, wiping out most of the increase that took place in the first two months of this year.

First-time claims were elevated last month by severe snowstorms on the East Coast, which caused backlogs in many state offices that fell behind in processing claims.

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Many economists say claims need to fall below roughly 425,000 to signal that the economy will consistently create jobs, though some say it could happen with claims at higher levels.

Carl Riccadonna, senior U.S. economist at Deutsche Bank, said claims need to fall below 400,000 before the economy will consistently create jobs. Claims will likely fall below that level sometime in April, Riccadonna wrote in a note to clients.

Analysts forecast the nation will gain more than 150,000 jobs in March, partly due to temporary hiring for the Census. The Labor Department will report the March figures April 2.

That would be only the second time the economy has added jobs in the 28 months since the recession began.

Some hiring that would have occurred in February was likely delayed because of bad weather, economists said, which will also inflate March job gains.

But Pandl and Riccadonna expect the economy generated jobs in March — even excluding the effect of the Census and weather.

The economic recovery may be persuading more companies to hire. The nation's gross domestic product, the broadest measure of output, rose 5.9 percent in the fourth quarter, the fastest in six years.

But most of that growth resulted from a one-time gain as companies began to shift from reducing inventories to rebuilding them. Many economists expect the growth rate to drop to about 3 percent in the current January-to-March quarter.

The government will release an updated estimate of fourth-quarter growth on Friday.

The unemployment rate, meanwhile, is projected to remain at 9.7 percent in March for the third month in a row, according to economists surveyed by Thomson Reuters.

Federal Reserve Chairman Ben Bernanke said Thursday that persistently high unemployment is one reason the central bank decided last week to keep the short-term interest rate it controls at a record low rate of near zero.

Low rates are still needed to help bolster the recovery, Bernanke said in testimony before a congressional committee.

The number of people continuing to claim unemployment benefits, meanwhile, fell to 4.6 million.

But that doesn't include millions of people who are receiving extended benefits for up to 73 extra weeks, paid for by the federal government, on top of the 26 customarily provided by the states. Nearly 5.7 million people were on the extended benefit rolls for the week ended March 6, the latest data available. That is about 300,000 lower than the previous week. The extended benefit figures aren't seasonally adjusted and are volatile from week to week.

All told, more than 11.1 million people are claiming unemployment benefits, the department said.