1/8/2010 The Journal

Unemployment-claims data signal job gains

BY CHRISTOPHER S. RUGABER
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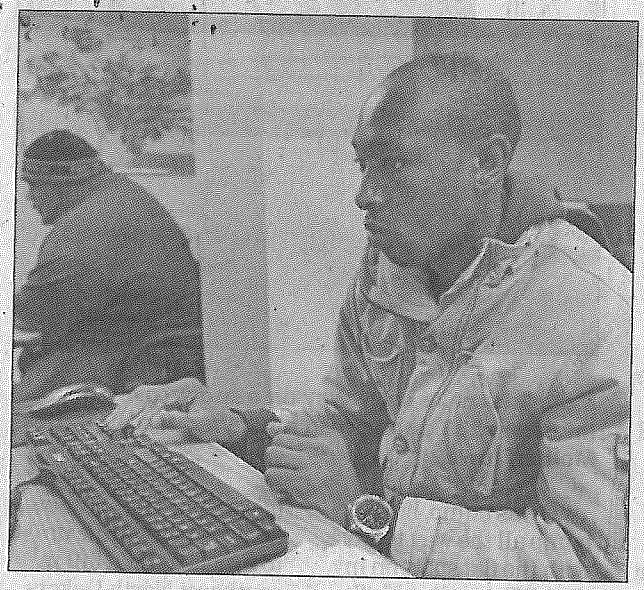
WASHINGTON— A government report Thursday on claims for unemployment aid signaled that layoffs are easing and that the U.S. economy could be on the verge of posting the first monthly gain in jobs in two years.

The number of people claiming first-time unemployment benefits barely rose last week, the Labor Department said, after falling to its lowest level since July 2008 the previous week. And the four-week average of claims fell for the 18th straight week — to its lowest point since September 2008, when the financial crisis intensified with the collapse of Lehman Brothers.

The four-week average of first-time claims is nearing the roughly 425,000 that many economists say would be a sign the economy will start creating jobs.

The Labor Department will issue a more comprehensive snapshot of the job market on Friday, when it releases the monthly jobs report for December. Overall, economists forecast that the unemployment rate will rise to 10.1 percent from 10 percent and that employers will have shed a net 8,000 jobs.

The steady drop in first-time unemployment claims, and other signs of economic improvement, have led some analysts to predict slight job growth. Even a small net gain in jobs, though, wouldn't be enough to lower the unemployment rate anytime soon. Nor would it go far toward restoring the estimated 8 million jobs lost during the recession.



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Richard Nnadi looks for a job in the restaurant industry in the New York State Labor Department's Division of Employment Services in Brooklyn, N.Y., Wednesday.

"We are in for a long, hard slog in the labor market," said Zach Pandl, an economist at Nomura Securities.

Still, a gain in jobs could improve consumer confidence and spur greater spending, fueling the economic recovery.

Many analysts predict the economy grew by up to 4 percent at an annual rate in the October-December quarter. Federal Reserve officials and private economists worry that much of the recovery stems from temporary factors, such as government stimulus efforts and businesses rebuilding inventories.

More hiring could increase household incomes and spending, which would help sustain the recovery. Signs of more hiring, though, could also draw millions of people who have given up their job searches back into the work force. That could boost the unemployment rate in the next few months to as high as 10.5 percent, economists say.

And it will take several years for the economy to create enough jobs to bring the unemployment rate back down to pre-recession levels of about 5 percent.

"We've seen two years of recession, and we're looking at another five years of elevated unemployment on top of that," said Heidi Shierholz, an economist at the Economic Policy Institute, a liberal think tank. "We've never seen anything like this in modern times."

There were signs Thursday that consumers might be willing to spend more. Retailers reported modest sales gains for the holiday season, prompting some chains to raise their fourth-quarter profit outlooks. December sales rose 2.8 percent compared with a year ago, according to the International Council of Shopping Centers.

For the overall holiday season, which combines November and December sales, the index was up 1.8 percent. That figure compares with a 5.8 percent drop a year ago, the weakest holiday season in at least four decades.