Jobless Claims in U.S. Decrease as Sandy Effect Dissipates

By Alex Kowalski and Shobhana Chandra - Nov 29, 2012

Fewer Americans filed first-time claims for unemployment insurance payments last week as the labor market disruptions wrought by superstorm Sandy ebbed.

Applications for jobless benefits decreased by 23,000 to 393,000 in the week ended Nov. 24, Labor Department figures showed today. Economists forecast 390,000 claims, according to the median estimate in a Bloomberg survey.

The drop in claims indicates the job market in the mid-Atlantic region, which employs about 14 percent of U.S. workers, may be stabilizing after Sandy put some area residents out of work at the start of the month. Apart from the storm-related damage, job creation will probably be limited as companies navigate the global economic slowdown and U.S. fiscal outlook.

Claims are "going to be distorted for a period of time by the after-effects of the storm," said James Shugg, a senior economist at Westpac Banking Corp. in London, who forecast applications would drop to 395,000. "We've been surprised by the strength of hiring, but we're anticipating a sharply lower number for the payrolls in the next month because there's not going to be a strong enough economic growth base."

Estimates for first-time claims ranged from 350,000 to 430,000 in the Bloomberg survey of 49 economists. The previous week's figure was revised to 416,000 from a previously reported 410,000.

Economic Growth

A report from the Commerce Department showed the economy in the third quarter expanded more than previously estimated as a narrower trade deficit and gains in inventory overshadowed a smaller increase in consumer spending. Gross domestic product rose at a 2.7 percent annual rate, up from a 2 percent previous estimate, the agency said. Household purchases climbed at a 1.4 percent rate, the slowest in more than a year.

Stock-index futures held gains amid optimism lawmakers will reach an agreement on a new budget, with the contract on the Standard & Poor’s 500 Index expiring in December rising 0.5 percent to 1,413.7 at 8:50 a.m. in New York.

No states were estimated last week as the claims figures enter a traditionally volatile time of year, a Labor Department official said as the figures were released to the press. Therefore it's difficult to determine what effect the storm is still having on the data, and no state reported a "much larger" level of claims than normal, the analyst said.

Applications plunged by 30,603 in New York during the period ended Nov. 17, the report showed. Those data are reported with a one-week lag. Twenty states and territories reported an increase in claims, while 33 reported a decrease.

Sandy Effect

Many who lost their jobs because of Sandy were unable to file claims immediately after it struck on Oct. 29 because of the disruptions it caused, making claims swell in following weeks. Estimates of insured damage caused by the tempest range from $7 billion to $25 billion. When lost wages and sales are added, the total comes to $50 billion, according to catastrophe-risk modeler Eqecat Inc.

A Commerce Department report today showed the world’s largest economy grew at a 2.7 percent annual rate in the third quarter, revised up from the 2 percent pace initially estimated.

The four-week moving average of jobless claims, a less-volatile measure, climbed to 405,250 from 397,750.

The number of people continuing to collect jobless benefits dropped by 70,000 to 3.29 million in the week ended Nov. 17. The continuing claims figure does not include the number of workers receiving extended benefits under federal programs.
Extended Benefits

Those who've used up their traditional benefits and are now collecting emergency and extended payments decreased by 37,747 to 2.16 million in the week ended Nov. 10.

The unemployment rate among people eligible for benefits held at 2.6 percent in the week ended Nov. 17.

Initial jobless claims reflect weekly firings and tend to fall as job growth -- measured by the monthly non-farm payrolls report -- accelerates.

Looking past the storm, companies may be reluctant to hire as the recession in Europe curbs export orders and the so-called fiscal cliff of $607 billion in spending cuts and tax increases set for 2013 raises the risk the world's largest economy will slow. Payroll gains so far this year have averaged 157,000 a month, showing little acceleration from the 153,000 average in 2011.

Hostess Brands Inc., the baker of Twinkies and Wonder bread, is adding to the lot of the unemployed. The Irving, Texas-based company last week began firing 15,000 workers, saying it needed to liquidate because a weeklong strike by its bakers' union crippled operations.

More job opportunities could come from businesses catering to holiday shoppers. Macy's Inc., the second-biggest U.S. department-store chain, said it would add about 2,000 more seasonal workers than the 78,000 it hired last year to meet year-end demand. Toys 'R' Us Inc., the world's largest toy retailer, said it planned to employ 45,000 temporary staff, up 5,000 from last season.

To contact the reporters on this story: Alexander Kowalski in Washington at akowalski13@bloomberg.net; Shobhana Chandra in Washington at schandra1@bloomberg.net

To contact the editor responsible for this story: Christopher Wellisz at cwellisz@bloomberg.net

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