Jobless Claims in U.S. Unexpectedly Climb to Nine-Week High

By Michelle Jamrisko - May 1, 2014

Applications for U.S. unemployment benefits unexpectedly climbed to a nine-week high, underscoring the difficulty adjusting the data for seasonal variations such as the Easter holiday and spring recess at schools.

Jobless claims rose by 14,000 to 344,000 in the period ended April 26, the highest level since Feb. 22, Labor Department data showed today in Washington. The median forecast in a Bloomberg survey of economists called for 320,000.

“This is a time of the year when there’s a lot of seasonal issues to work through,” said Stephen Stanley, chief economist at Pierpont Securities LLC in Stamford, Connecticut, whose forecast for 340,000 was the highest in the Bloomberg survey. “Eventually we’ll settle out. If we were to settle at 320,000, it would be modest improvement.”

A more subdued pace of firings would give managers room to step up hiring depending on how much demand picks up after the economy stagnated in the first quarter. Federal Reserve officials, who yesterday announced a further reduction in the pace of monetary stimulus, said the job market is improving.

The Easter holiday and spring break at schools can result in swings in the data this time of year, a Labor Department official said today as the claims figures were released.

Estimates of 47 economists surveyed by Bloomberg ranged from 310,000 to 340,000 after an initially reported 329,000 in the prior week.

Personal Spending

Another report today from the Commerce Department showed personal spending in March increased by the most since August 2009, propelled in part by purchases of motor vehicles. The 0.9 percent gain followed a 0.5 percent advance that was stronger than initially reported. Incomes also picked up in March.

Stock-index futures were little changed after the reports. The contract on the Standard & Poor's
500 Index maturing in June fell less than 0.1 percent to 1,877.2 at 8:53 a.m. in New York.

The four-week average of claims, a less-volatile measure than the weekly figure, increased to 320,000 from 317,000 in the prior week.

The number of people continuing to receive jobless benefits rose by 97,000 to 2.77 million in the week ended April 19.

The unemployment rate among people eligible for benefits increased to 2.1 percent in the week ended April 19 from 2 percent, today’s report also showed.

Initial jobless claims show weekly firings and typically ease before job growth can pick up.

**Income Gains**

A faster pace of hiring and stronger income gains would help drive consumption. A report tomorrow from the Labor Department is projected to show employers added 215,000 workers to their payrolls in April, the most in five months, a sign employers were optimistic about the economy after a first-quarter slowdown.

Employment rose by 192,000 workers in March after a 197,000 increase the previous month that was larger than first estimated. Private payrolls, which exclude those at government agencies, exceeded the pre-recession peak for the first time.

Average job growth in 2014 is hovering close to last year’s pace of around 194,000. Economists surveyed by Bloomberg on April 4-9 project payrolls will rise at a similar clip this year.

**Federal Reserve**

Fed policy makers, who pared the central bank’s monthly asset purchases to $45 billion from $55 billion, said in a statement following the two-day meeting that “economic activity has picked up recently, after having slowed sharply during the winter in part because of adverse weather conditions. Labor market indicators were mixed but on balance showed further improvement.”

Where demand hasn’t been as strong, some companies are starting to cut back. El Segundo, California-based Mattel Inc. (MAT), the world’s largest toymaker, posted an unexpected first-quarter loss after taking a charge to cover the costs of workforce reductions.

“For the first quarter, revenues were consistent with our expectations as we worked through inventories in a challenging retail environment,” Chairman and Chief Executive Officer Bryan G. Stockton said in the statement. “In addition, we managed costs and streamlined our workforce.”
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