

Initial Jobless Claims in U.S. Unexpectedly Increase

Dec. 17 (Bloomberg) -- More Americans than anticipated filed first-time claims for unemployment benefits last week, a reminder that the labor market will take time to strengthen and may weigh on the economic recovery.

Initial [jobless claims](#) rose by 7,000 to 480,000 in the week ended Dec. 12, from a revised 473,000 the prior week, Labor Department figures showed today in Washington. The number of people receiving unemployment insurance was little changed in the prior week, while those getting extended payments increased.

Federal Reserve policy makers yesterday said weakness in the labor market is restraining consumer spending, which accounts for about 70 percent of the world's largest economy. Concerns over the lack of jobs prompted the central bank yesterday to reiterate a pledge to keep the benchmark interest rate low for an "extended period."

"The level of new claims remains elevated," said Steven Wood, president of Insight Economics LLC in Danville, California. "The labor market is improving, but remains soft."

Stock-index [futures](#) were down after the report as Citigroup Inc. sold stock for a price so low the U.S. government delayed plans to shrink its one-third stake. The contract on the Standard & Poor's 500 Index fell 0.9 percent to 1,096.2 at 8:49 a.m. in New York. Treasury securities rose.

Exceeds Forecast

Jobless claims were projected to drop to 465,000 from 474,000 initially reported for the prior week, according to the [median](#) forecast of 43 economists in a Bloomberg News survey. Estimates ranged from 450,000 to 475,000.

The report showed the four-week moving average of initial claims, a less volatile measure, fell to 467,500 last week, the lowest level since September 2008, from 472,750.

Continuing claims increased by 5,000 in the week ended Dec. 5 to 5.19 million. The continuing claims figure does not include the number of Americans receiving extended benefits under federal programs.

Today's report showed the number of people who've use up their traditional benefits and are now collecting extended payments jumped by about 144,000 to 4.73 million in the week ended Nov. 28. Seventeen of the 50 states and territories where workers are eligible to receive the government's latest 13-week extension have begun to report that data, a Labor Department spokesman said.

Fed's Concern

"Household spending appears to be expanding at a moderate rate, though it remains constrained by a weak labor market, modest income growth, lower housing wealth, and tight credit," the Federal Open Market Committee said in a statement yesterday after meeting in Washington. "Businesses are still cutting back on fixed investment" and "remain reluctant to add to payrolls." Deterioration in the labor market is "abating," the Fed said.

The U.S. House yesterday passed legislation that would expand unemployment benefits and give state and local governments that are struggling with slow tax revenue funds to prevent them from having to fire employees.

The jobs bill won't be debated by the Senate until next year, and it faces opposition from lawmakers there concerned about its effect on the budget deficit.

Jobless Rate

The unemployment rate among people eligible for benefits, which tends to track the jobless rate, held at 3.9 percent in the week ended Dec. 5, today's report showed.

Forty-five states and territories reported an increase in claims, while eight reported a decrease. These data are reported with a one-week lag.

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

Companies trimming payrolls include Reynolds American Inc. The second-largest U.S. tobacco company, based in Winston-Salem, North Carolina, said yesterday it plans to cut 400 jobs in its cigarette division, R.J. Reynolds Tobacco Co.

Other companies are recalling staff. Caterpillar Inc., the world's largest maker of bulldozers and excavators, said it expects to bring back some dismissed workers next year as sales improve.

"We'll gradually begin to call people back and to rebuild our overall sales and ability to ship product," Chief Executive Officer Jim Owens, 63, said in a Dec. 11 interview with Bloomberg Television. "I think it will gradually begin to pick up as 2010 unfolds."

Monthly firings are easing, Labor Department figures showed Dec. 4. Payrolls declined by 11,000 in November, the smallest drop since the start of the recession, and the unemployment rate fell to 10 percent from a 26-year high of 10.2 percent.

To contact the reporters on this story: Timothy R. Homan in Washington athoman1@bloomberg.net

Last Updated: December 17, 2009 08:51 EST

<http://www.bloomberg.com/apps/news?pid=20601103&sid=aBMXN4DFRge4>