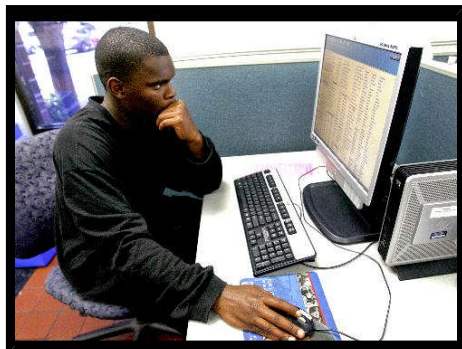




Jobless Claims in U.S. Decreased 12,000 to 631,000 (Update1)

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By Bob Willis and Shobhana Chandra



May 21 (Bloomberg) -- More Americans than forecast filed claims for unemployment insurance last week, and the total number of workers receiving benefits rose to a record, signs the job market continues to weaken even as the economic slump eases.

Initial jobless **claims** fell by 12,000 to 631,000 in the week ended May 16, from a revised 643,000 the prior week that was higher than initially estimated, the Labor Department said today in Washington. The total number of people collecting benefits rose to 6.66 million, a **record** reading for a 16th straight week, and a sign companies are still not hiring.

Job losses are likely to continue after Chrysler LLC filed for bankruptcy and General Motors Corp. may follow suit and terminate 1,100 U.S. dealers. The auto slump threatens to slow any recovery from the deepest recession in half a century and keep pushing **unemployment** higher.

"We expect upward pressure on claims stemming from auto-related layoffs," said **Maxwell Clarke**, chief U.S. economist at IDEAglobal in New York, who accurately forecast the initial claims number. "The labor market will remain weak, with gradual improvement on the horizon."

Stock index futures were lower and Treasuries were little changed after the report. The contract on the Standard & Poor's 500 Index fell 0.7 percent to 893.2 as of 8:38 a.m. in New York. The benchmark 10-year note yielded 3.18 percent, down 1 basis point from yesterday.

Economists surveyed by Bloomberg had forecast claims would drop to 625,000 from the 637,000 initially reported for the prior week, according to median of 42 estimates. Projections ranged from 585,000 to 675,000.

The four-week moving average of initial claims, a less volatile measure, decreased to 628,500 from 632,000.

Joblessness Climbs

Today's Labor report showed the unemployment rate among people eligible for benefits, which tends to track the jobless rate, climbed to 5 percent in the week ended May 9, the highest level since December 1982, from 4.9 percent. These data are reported with a one-week lag.

Thirty-four states and territories reported an increase in new claims for the week ended May 9, while 19 reported a decrease.

The 'majority' of last week's decrease in claims was in states that reported a jump in auto-related filings the prior week, a spokesman for the Labor Department said.

In the week ended May 9, six of the 14 states that commented on the jump in claims mentioned the automobile industry as one source of the firings. Michigan led the advance with a jump of 16,817 claims.

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

Unemployment Report

Today's report, which encompasses the survey period for the government's jobs report, may signal a moderation in job

losses in May when the government releases its report on June 5, economists said. The four-week moving average during the April survey week was 648,000, almost 20,000 higher than this month.

Payroll job losses slowed to 539,000 in April from 699,000 in March and losses averaging 701,000 in the prior three months, according to Labor data. The jobless rate rose to 8.9 percent in April, the highest in a quarter century, and economists surveyed by Bloomberg **forecast** it will rise to 9.6 percent by 2010.

The auto industry is at the forefront of the latest wave of job losses.

General Motors, facing a probable bankruptcy filing by June 1, this week began advising 1,100 "underperforming" U.S. dealers they will be terminated as the automaker starts shrinking its retail network. GM also plans to idle as many as 23 stamping, engine and transmission plants during the period through July, in conjunction with its plan to idle 13 assembly plants for as long as 9 weeks in the same period.

Auto Slump

Chrysler, which filed for bankruptcy protection on April 30, idled 22 U.S. factories, with about 26,800 hourly workers, on May 1 and plans to cancel 789 dealership agreements by June.

Job losses are also mounting in the financial industry. American Express Co., the largest U.S. credit-card company by purchases, will cut about 6 percent of its workforce, or 4,000 employees, as cardholders squeezed by rising unemployment fail to pay debts.

"We continue to be very cautious about the economic outlook," Chief Executive Officer **Kenneth Chenault** said in a statement on May 18.

MetLife Inc., the biggest U.S. life insurer, cut 1,000 jobs in its home market in the first three months of this year as the recession deepened, Chief Financial Officer William Wheeler said.

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