

## **Datanote: US Weekly Jobless Claims, May 4**

**In one line: One big jump is not a trend, but a rising trend is now due.**

- Initial jobless claims jumped to 231K from 209K, well above the consensus, 212K.

We have been arguing for some time that an array of leading indicators  
- most notably Challenger layoff announcements, WARN notices,

and the NY Fed's measure of consumers' fear of job loss - all point to significantly higher jobless claims in the spring. This report is consistent with that idea, but a single weekly observation in a noisy series proves nothing, and we'd need to see at least a month of elevated readings to convince us that the trend really has turned. Still, this is the biggest one-week increase since June last year, and the 231K headline print is the highest since last August. New York reported the biggest weekly increase by state,

up 10K from last week, accounting for half the national increase in unadjusted claims. That pace is unsustainable - it might be due in part to Citigroup employees laid off in January but paid through April making their first claims - and we expect a downward correction in headline claims next week.

Either way, note too that payroll growth can slow markedly, at least for a while, without an increase in claims, if firms aggressively cut back on hiring. That's exactly what the NFIB

survey suggests small businesses are now doing, in response to sustained high interest rates and tighter credit availability. But if they are now letting staff go too, payroll growth will soften more quickly. Remember, in the run-up to the recessions of 1990-to-91 and 2001 - the two most recent regular business cycles - payroll growth slowed from 150-to-200K to just about zero in only four months. The warning signs were downplayed because the most recent data looked fine, then suddenly, things changed. It's too soon

to be sure the same story is about to play out now, but the risk is higher than at any previous point in this cycle, and we are nervous.



- Challenger layoff announcements, thou., 3m ave., SA by PM (Left)
- Weekly Initial jobless claims, month average, thousands (Right)

