US jobless claims rise again

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First-time jobless benefit claims last week rose to their highest level since the week ending November 14, according to the US Labor Department. The new jobless benefit numbers, together with other data, show that there is no economic recovery for the broad ranks of American workers.

Initial jobless claims increased by 22,000 to 496,000 for the week ending February 20. Economists had anticipated a decline of 13,000 over the previous week, to 461,000. The Labor Department has now registered increases in initial unemployment benefit applications in six of the last eight weeks.

The Labor Department's four-week moving average of first-time jobless claims, which is meant to iron out weekly anomalies in the data, also rose to by 6,000 to 473,750, the highest rate in three months. Any figure over 400,000 shows a deteriorating employment situation.

"The progress toward an 'improving' labor market climate (initial claims below 400,000)—as opposed to a 'less-bad' climate—has come to a halt," concluded Ken Mayland of ClearView Economics.

Continuing claims—by unemployed workers who have received more than a week's jobless benefits—rose by 6,000 to 4.62 million for the week ending February 13, and the four-week average of continuing claims also rose to 4.6 million.

The number of unemployed workers collecting extended benefits sponsored by the federal government, a statistic that is not seasonally adjusted, dropped by 320,000 to 5.68 million. This decline is largely attributable to workers having exhausted extended benefits prior to Congress approving another extension.

More major layoff announcements came this week. The New York City Transit Authority said it will eliminate over 1,000 jobs, and Jackson Memorial Hospital in Miami, Florida, announced a cut of up to 1,000. Continental Airlines will eliminate the positions of 600 reservation agents, and the business consulting firm Innovative Consultants will lay off 287 workers, both cuts coming in Houston, Texas. ABC News said it will eliminate between 300 and 400 jobs.

The San Francisco public school district moved to lay off more than 900 teachers and staff; aircraft maker Boeing will lay off 527 workers in Washington state by the end of April; Jersey City, New Jersey, laid off 279 workers; a new budget for Sacramento County, California, will cut the jobs of 111 city workers; airplane engine maker Pratt and Whitney will cut 163 jobs from its East Hartford, Connecticut, plant; and a Bunge soy bean processing plant will lay off 100 workers in Danville, Illinois.

Earlier in the week, the polling firm Gallup released a survey that found one in five US workers, about 30 million in all, are jobless or are working fewer hours than they would like.

Also on Thursday, the Commerce Department released data showing a 3 percent increase last month in the sale durable goods, "big-ticket" consumer products designed to last at least three months. But this apparent increase only "put a happy face on what was otherwise a notably weak report," according to analysis from Action Economics. When defense and aircraft purchases are excluded, durable goods sales declined by 2.9 percent.

This latter figure caused Macroeconomic Advisers to downgrade its forecast for growth in the US gross domestic product (GDP) in the first quarter by one-tenth of one percent, to 3 percent.

Evidence of a rebound in US manufacturing over the past several months has been attributed largely to firms

rebuilding inventory and to the weakness of the dollar on international markets. The dollar's recent gains against the euro and declining consumer sentiment in the US indicate that this recovery may soon stall.

More negative data also emerged this week from the US housing market, whose crash in 2007 triggered the global economic crisis.

The Commerce Department reported Wednesday that sales of newly-built homes fell in January by 11.2 percent from December to the lowest total in almost 50 years—309,000 units. The decline, which is expected to hold or deepen in February, spells further layoffs in the nation's beleaguered construction sector, which shed 75,000 more jobs last month and 2 million since the onset of the crisis. The unemployment rate in construction stands at the depression-level of 24.7 percent.

Analysts had not expected such a sharp decline in new home sales. "No sugarcoating these numbers," said Mike Larson, an analyst at Weiss Research. "They stink."

On Tuesday, Standard & Poor's Case-Shiller index measured a decline in December 2009 home prices in 15 of 20 leading metropolitan areas from November, and a year-over-year decline of 3.1 percent.

The prognosis for the US housing market in 2010 is bleak. At the end of March, the Federal Reserve will end its purchases of mortgage-backed securities—which has funneled $1.25 trillion to lenders since the end of 2008—a move that will likely increase mortgage interest rates, and a first-time homeowner tax credit is set to expire in April. On top of this, economists anticipate a flood of 2.4 million foreclosed homes onto the market this year.

Home values—the major source of wealth for most US families—have already declined about 30 percent since 2006. Stock prices, in which many Americans have placed their retirement savings, are also down about a third from their 2008 highs. Coupling these declines with mass unemployment and wage stagnation, it is clear that the working population has been substantially impoverished.

This can only have a dramatic effect on an economy in which almost 70 percent of gross domestic product is based on consumer spending. This was born out by the Tuesday release of the Conference Board's Consumer Price Index, which fell sharply in January, and by profit warnings from major retailers.

Compounding the situation is the fact that banks have curtailed lending to consumers and small businesses. According to a quarterly report from the Federal Deposit Insurance Corporation (FDIC) released this week, banks reduced lending in 2009 at the sharpest pace since 1942, the first year of American involvement in the Second World War.

Nothing could more clearly expose the multi-trillion-dollar Wall Street bailout that was backed by both the Democratic and Republican Parties. When the financial crisis erupted in the fall of 2008, politicians—including then-presidential candidate Barack Obama—promised that bailing out the finance industry banks would "open the spigot" of lending.

Not only has lending contracted, the trillions of dollars pumped into the financial markets have served the profit interests of only the very biggest banks, the FDIC report shows. A growing number of small and regional banks—those most exposed to impoverished consumers and least protected by the Treasury and the Federal Reserve—are threatened with collapse, which in turn places a question mark over the solvency of the FDIC itself.

According to the FDIC, 702 banks were at risk of failing last year, a 16-year high, and 140 collapsed. Almost $400 billion in loans and leases, 5.4 percent of the outstanding total, fell three months past due, a record. In the fourth quarter alone, banks wrote down $53 billion in bad loans. FDIC Chairman Sheila Bair expects these numbers to rise in 2010.