# US jobless claims hit nine-month high

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The number of Americans applying for unemployment benefits rose by 12,000 last week, according to a report issued by the Labor Department Thursday, bringing the total to 500,000, the highest level since November 2009. The increase defied economists' forecasts, which were for a drop of between 4,000 and 10,000 from the previous week's upwardly revised figure of 488,000.

The weekly increase in new jobless benefit claims was the third in a row and the fourth in the past five weeks. From a low point of 427,000 initial claims reached last month, the weekly figure has been steadily rising over the past six weeks. Economists believe that any number over 400,000 reflects an economy that is not generating sufficient jobs to keep pace with the normal growth in the labor force.

The Labor Department report also showed an 8,000 rise in the four-week moving average of jobless benefit claims to 482,500, the highest point since December 2009. The staggering growth in long-term unemployment, nearing levels unseen since the Great Depression, was reflected in a rise in the number of Americans who have used up their traditional benefits and are now collecting emergency extended payments. That figure rose by more than 309,000 to 5.59 million in the week ended July 31.

Another section of the report showed that 40 states and territories reported an increase in jobless claims for the week ended August 7. Thirteen reported a decrease.

The Obama administration's forecast is for the official jobless rate, currently 9.5 percent, to drop to 8.7 percent at the end of next year and eventually sink to 6.8 percent by the end of 2013. Even this grim prediction is overly optimistic given the mounting signs of a retraction in economic growth.

The Labor Department reported August 6 that non-farm payrolls declined overall by 131,000 in July and the private sector generated a mere 71,000 net increase in jobs. The private sector has to create some 150,000 new jobs a month just to keep unemployment from rising.

Peter Morici, a business professor at the University of Maryland, estimates that the economy would have to generate nearly 300,000 jobs a month over the next three years to meet the administration's forecast of 6.8 percent unemployment by the end of 2013. Even in the first half of 2010, when the economy was growing at about 3 percent, the private sector added fewer than 100,000 jobs a month.

Last month, the Commerce Department estimated economic growth at 2.4 percent in the second quarter of this year, down from 3.7 percent in the first quarter and 5.0 percent in the last quarter of 2009. However, dismal data on jobs, housing and consumer spending since then has led economists to predict that the second quarter estimate will be revised downward and growth in the second half of the year will be even more anemic.

Following the release Thursday of the Labor Department report on jobless claims, *Bloomberg* cited Stephen Stanley, chief economist at Pierpont Securities LLC in Connecticut, as saying, "We're seeing a renewed pickup in layoffs. If firms aren't hiring it's probably because they're not producing. Demand will slow in the third quarter."

Another negative report issued Thursday further underscored the downward economic trend. The Federal Reserve Bank of Philadelphia released its latest survey of manufacturing activity in the region encompassing eastern Pennsylvania, southern New Jersey and Delaware. Economists had expected the report to show a rise in the Fed's manufacturing index from positive 5.1 in July to positive 7.5 for August. Instead, the Fed reported a drop in its index to negative 7.7, the first contraction since July 2009.

Any reading below zero indicates a decline in manufacturing activity. The Fed noted that optimism among manufacturing executives "has waned in recent months." The report also showed a decline in both the number of manufacturing employees and the length of the workweek.

The Philadelphia Fed report is particularly significant since manufacturing has been one of the few relative bright spots in an otherwise hollow "recovery." The report, on top of the jobless claims data, indicates that the jobless rate will rise rather than decline in the coming months.

In a note to investors, Paul Ashworth, senior economist with Capital Economics, wrote, "The collapse in the Philly Fed activity index suggests the industrial recovery is teetering on the brink." The British *Guardian* quoted Jeremy Cook, chief economist at commodity exchange broker World First, as saying, "This will further heighten fears that the US economy is careening into the dreaded double-dip recession."

A third report issued Thursday provided more negative news. The Conference Board's leading indicators index rose a mere 0.1 percent for July, less than the 0.2 percent gain that had been expected. At the same time, the index's June decline was revised downward from negative 0.2 percent to negative 0.3 percent.

Two major retailers also released second quarter financial reports showing worse than expected results. Sears, the largest US department store chain, reported a bigger than anticipated loss and lower than expected revenue. Staples, the office supply chain, missed its revenue target.

These reports paint a picture of an economy sliding deeper into recession and make a mockery of the cynical attempts of the Obama administration to put a positive gloss on the situation. Obama responded to the jobless claims report with a perfunctory four-minute speech from the White House. His only proposal to deal with the worsening jobs crisis was to urge congressional passage of a $42 billion bill to aid small businesses.

The bill was passed by the House of Representatives and has stalled in the Senate due to a Republican filibuster. Apart from the hopelessly inadequate sums allocated under the proposed measure, the bulk of the money would go not to mom-and-pop businesses or small enterprises, but to tax breaks for banks with less than $10 billion in assets. Much of the aid to small businesses in the bill would actually go to big corporations in the form of tax windfalls for companies that make large capital purchases.

In line with the Democrats' midterm election strategy, Obama again sought to blame the Republicans for the jobs crisis, claiming that their opposition to the small business bill was blocking progress on the employment front, while touting the supposed success of his economic policy. In a series of media events this week, interspersed with private fundraisers in some cases costing tens of thousands of dollars to attend, Obama declared, "We are moving in the right direction. We're on the right track. The economy is getting stronger."

After his White House remarks Thursday, Obama left for a 10-day vacation at a private estate, which rents for tens of thousands of dollars a week, on the exclusive resort island of Martha's Vineyard off the Massachusetts coast.