



Written by [Steven J. DuBord](#) on December 12, 2009

## Jobless Claims Rise, Trade Gap Narrows

New claims for unemployment benefits rose more than analysts expected last week, while an unexpected narrowing in the trade gap in October provided some indication that the U.S. economy is steadily growing.

First-time claims for jobless benefits rose 17,000 last week, reaching 474,000 in total. This came after the number had declined for five weeks in a row, according to the Labor Department.

The upward spike in claims is being blamed on seasonal layoffs in construction and similar industries and on the number of applications that had been held back from processing during the week of Thanksgiving. Analysts who had expected the claims to reach only 460,000 said they still see a trend toward labor-market stability.



The stability manifested itself in a 14th straight drop in the four-week average of claims, which is at the lowest point since September 2008. Despite the uptick in claims last week, the four-week average dropped to 473,750 last week, down from 481,500 the week before. This average is a better indicator of underlying trends, and analysts are seeing it as sign the economy is soon going to start creating jobs.

"I believe when we get down below 450,000, you are in a position where you're going to get some payrolls jobs growth. We are on the cusp," said Stuart Hoffman, chief economist at PNC Financial Services Group in Pittsburgh.

In some ways, even the good news has a dark side. The number of people still collecting benefits after the first week of receiving them dropped 303,000 to 5.16 million during the week ending November 28. This is the lowest level since February of this year, but a primary cause of the decline was the number of persons who had simply exhausted their benefits and moved to emergency unemployment programs.

"These developments seem to be consistent with the broad sense that new layoffs are slowing significantly, but those who lost their jobs during the recession are still finding it very difficult to get work," noted Stephen Stanley, chief economist at RBS in Greenwich, Connecticut. "The labor market is starting to stabilize, but the level of unemployment is very high."

In another bit of mixed news, the Commerce Department made it known that the U.S. trade deficit shrank 7.6 percent in October to \$32.9 billion, surprising analysts who had expected an increase to \$36.8 billion. The downside is that the main reason for the boost in exports is the weakened U.S. dollar.

Analysts see the narrowing trade gap and recent data showing that wholesalers began to restock in October as positive signs. This could indicate economic expansion will move more briskly in the fourth quarter of the year than the 2.8 percent annualized rate evidenced from July through September.



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"The recovery is sustaining its moderate momentum. The concern has been it would lose momentum and relapse in the way of a double-dip recession. I don't see anything in this or recent data suggesting this," stated PNC's Hoffman.

Paul Dales, a U.S. economist at Capital Economics in Toronto, believes trade could add about one percentage point to fourth-quarter gross domestic product. In the third quarter, trade actually ended up subtracting eight-tenths of a percentage point from GDP.

So it is that the good news and bad news are mixed. The number of people collecting unemployment fell merely because many of them are running out of benefits, and the trade deficit shrank because of the shrinking value of the dollar. We are left looking forward to the day when the good news is not bad at all.



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