

Economic Analysis

Initial Claims Decrease, Adding to Positive February Employment News

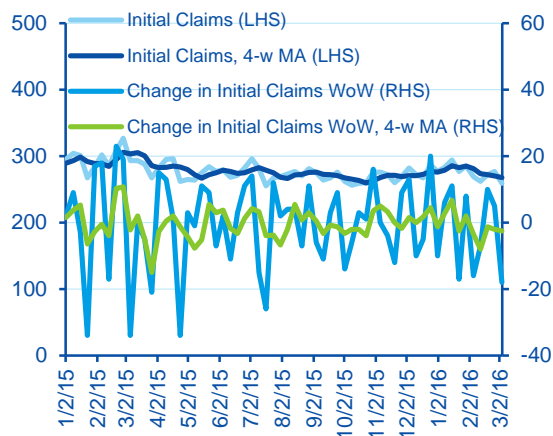
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- Initial claims decreased more than expected (18K) in week ending March 5th
- Continuing claims for week ending February 27th decreased 32K compared to prior week
- Biggest labor market headwinds stemming from oil and gas and commodities industries

According to the Department of Labor, the seasonally adjusted advance initial unemployment insurance claims figure for the week ending March 5th was 259K, 18K less than the week before. The data for the prior week was also revised slightly downward. This was much better than what many economists expected, with consensus estimates pointing to a 272K figure. The week's initial claims were the best since the second half of October last year. The four week moving average declined to 267.5K (Chart 1), coinciding with payrolls rising more than expected in February.

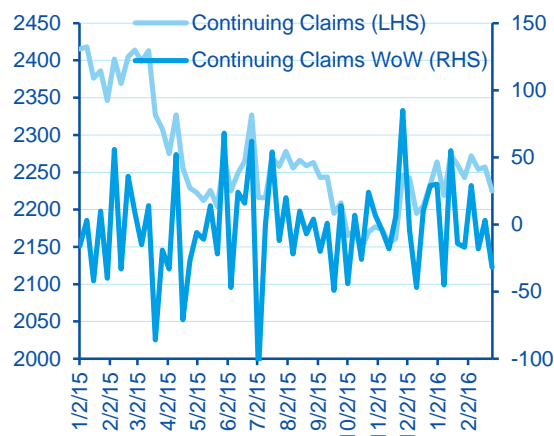
The number of insured unemployed (continuing claims) for the week ending February 27th was 2,225K, a decrease of 32K from the week before (Chart 2). This figure adds to the positive February employment news and reinforces the view that the labor market is continuing to improve. Continuing unemployment claims had been climbing since hitting a low in the first half of October, but this trend looks to have reversed in the second half of February.

Chart 1
Initial Unemployment Insurance Claims
Thousands



Source: DoL and BBVA Research

Chart 2
Continuing Unemployment Claims
Thousands



Source: DoL and BBVA Research

Looking at the data by state, 11 out of 51 had higher insured unemployment (continuing claims) in the second half of February compared to a year ago, but 9 out of these 11 states are disproportionately affected by the downturn in the oil and gas industry or coal in the case of West Virginia. The trends in initial claims in most of the other states look favorable, so at this point of time it seems that the strongest headwinds in the labor market emanate from the downturn in the oil and gas and commodities industries.

Overall, February's labor market developments will likely contribute positively to personal consumption, which was already solid in January. This will continue to support the resilience of the overall economy. Looking forward, we expect 2% employment growth in 2016, down from 2.1% in 2015, with an average unemployment rate of 4.8% for the year, but with labor force stabilizing or continuing to pick up gradually throughout the year, translating into a continuation of the positive trends in initial and continuing unemployment claims.

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