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New jobless claims jump; consumer spending down

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AP Photo/Kim Clay

WASHINGTON (AP) -- New claims for unemployment benefits rose more than expected last week, the government said Wednesday, as layoffs spread throughout the economy, more evidence the labor market is weakening as the recession deepens.

The Labor Department reported that initial requests for jobless benefits rose to a seasonally adjusted 586,000 in the week ending Dec. 20, from an upwardly revised figure of 556,000 the previous week. That's much more than the 560,000 economists had expected.

That's also the highest level of claims since November 1982, though the work force has grown by about half since then.

Separately, consumers cut spending for the fifth straight month in November, a report by the Commerce Department showed. The 0.6 percent drop in consumer spending last month followed an even larger 1 percent fall in October. The steep plunge in gasoline prices, which is good news for consumers, made the declines look worse.

Excluding price changes, consumer spending would have dropped by 0.5 percent in October and actually risen by 0.6 percent in November. The November increase excluding inflation was the best showing in more than three years.

Still, economists think the overall trend for consumer spending is down, given the problems facing the economy. They include a severe recession, a financial crisis that has cut off access to credit for millions of borrowers and a massive wave of job layoffs.

The government reported Tuesday that the overall economy, as measured by gross domestic product, was declining at an annual rate of 0.5 percent in the July-September quarter. Analysts believe the contraction will accelerate in the current quarter. Some are forecasting that GDP will plunge at an annual rate of 6 percent, which would be the worst showing since 1982.

The Commerce Department said Wednesday that orders for large manufactured goods dropped by 1 percent, less than the 3 percent economists had expected. The decline was led by a huge drop in orders for aircraft and a decrease in the automotive sector.

A Labor Department analyst, meanwhile, said auto-related layoffs were a factor behind the rise in jobless claims. The four-week average of initial claims, which smooths out fluctuations, rose to 558,000. That's the highest since December 1982, when the economy was emerging from a steep recession.

There was some improvement in the number of Americans continuing to seek unemployment benefits, which dropped slightly to 4.37 million from 4.39 million the previous week. Wall Street economists had expected the number to increase to 4.4 million.

Economists consider jobless claims a timely, if volatile, indicator of the health of the labor markets and broader economy. A year ago, initial claims stood at 353,000.

The elevated level of new jobless applications is just one of several signs that the labor market has deteriorated rapidly in recent months.

The Labor Department said earlier this month that employers cut a net total of 533,000 jobs in November, sending the unemployment rate to 6.7 percent, the highest in 15 years.

Mass layoffs are taking place in a wide range of industries. Industrial conglomerate Textron Inc. on Tuesday said it has cut 2,200 jobs, while technology services provider Unisys Corp. said Monday it will eliminate 1,300 jobs. Sovereign Bancorp Inc.'s bank unit said last week it is laying off 1,000 employees.

AP Economics Writer Martin Crutsinger contributed to this report.

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