

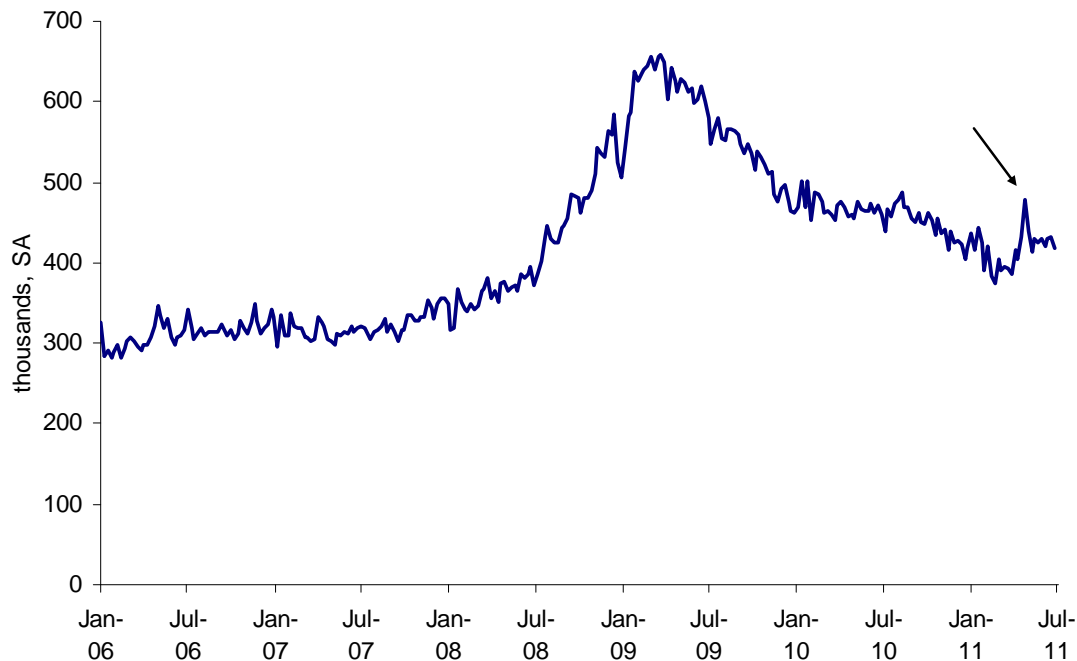
July 13, 2011

# Initial Claims Should Fall

Tomorrow's initial jobless claims data should begin to show how much of the second quarter soft patch was due to Japan-related supply disruptions.

- Initial claims jumped to 478,000 in the week ending April 29 and have remained elevated since then. We think a portion of that was due to Japan and will be reversed in coming weeks.

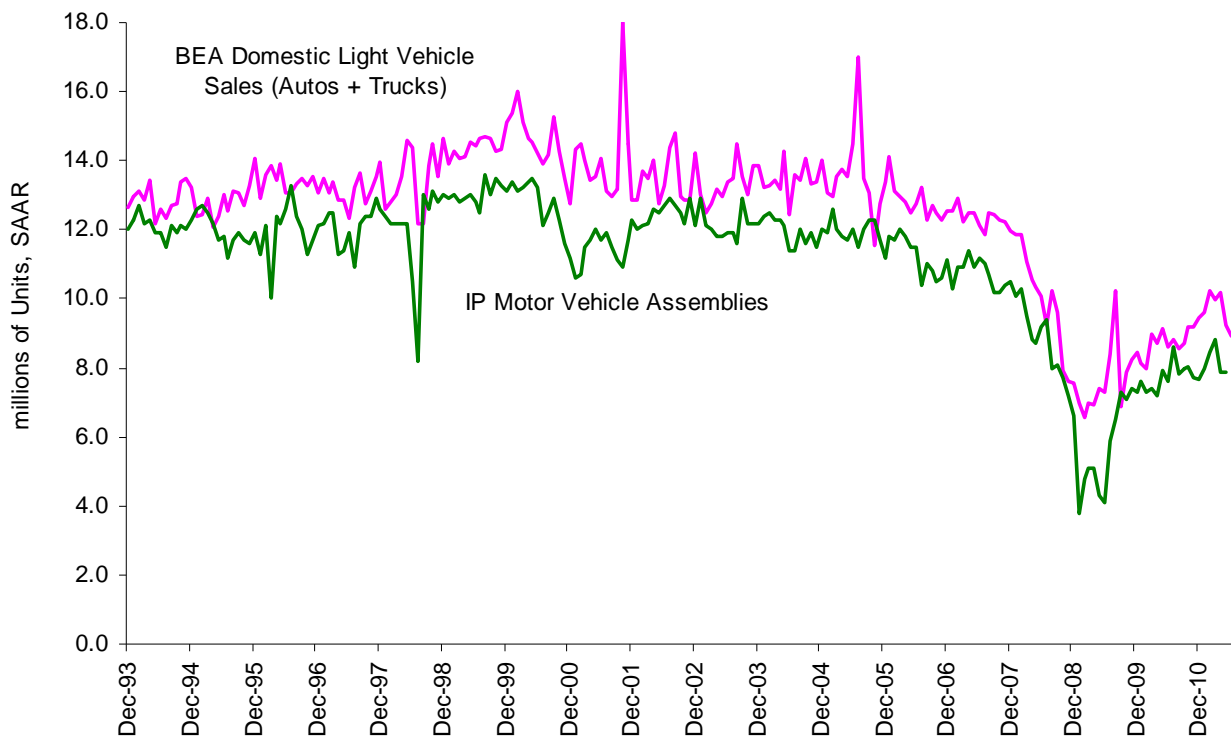
## Initial Claims Seasonally Adjusted (last obs. July 1, 2011)



Source: Department of Labor; Encima Global

- Jobless claims were 418,000 for the week ended July 1. For the week ending July 8 (to be reported tomorrow), the consensus estimate is 415,000 (probably based on straight-lining it), a small improvement on the four-week average of 425,000. We think claims should be somewhat lower than that in coming weeks as auto production makes up for lost output in April and May.

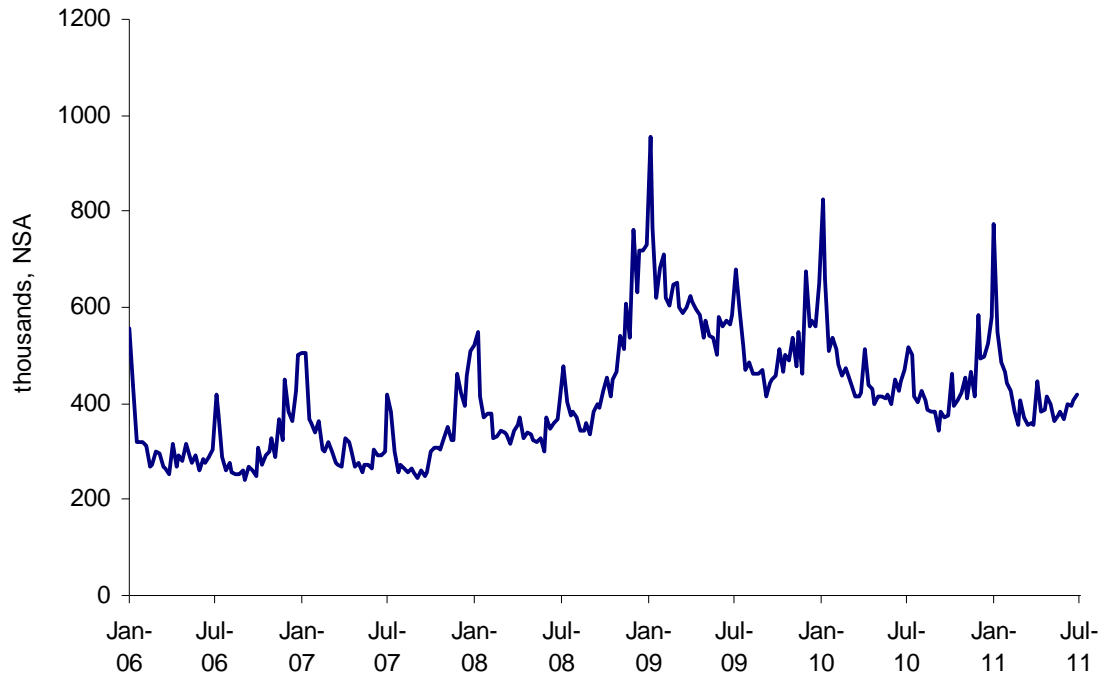
## Auto Sales and Production (last obs. sales June 2011, production May 2011)



Source: Department of Labor; Encima Global

- The seasonal factors affecting initial jobless claims are large in coming weeks, causing a larger-than-normal gap between non-seasonally adjusted claims (the raw data) and the seasonally adjusted claims reported in the headline data. The seasonal adjustment factor rises to 116.1 for tomorrow's data and 111.3 next week, up from 99.6 last week.
- In 2010, the seasonal adjustment subtracted 76,000 for the week ending July 10. There was a short spike in NSA claims on April 10, 2010 but not the sustained elevation in claims that has occurred this year. In 2009, the seasonal adjustment subtracted 130,000 from the week ending July 11.
- This year's seasonal adjustment is set to subtract 67,000 from tomorrow's non-seasonally adjusted reading on the assumption that auto-makers and other manufacturers will go through normal post-July 4 shutdowns. If they instead choose to produce more, the seasonally-adjusted claims would come in lower than the consensus.

## Initial Claims Not Seasonally Adjusted (last obs. July 1, 2011)



Source: Department of Labor; Encima Global

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