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## Jobless Claims Jump in Latest Week

*Wholesale Prices Decline for Fifth Month*

By **JEFF BATER** and **BRIAN BLACKSTONE**

WASHINGTON -- The number of idled workers filing new claims for jobless benefits jumped last week as the recession forces companies to cut costs.

Meanwhile, U.S. producer prices fell for a fifth-straight month in December on steep declines in energy and food prices, suggesting that inflationary pressures continue to recede rapidly as the economic recession deepens.

Initial claims for unemployment insurance benefits increased by 54,000 to 524,000, after seasonal adjustments, in the week that ended Jan. 10, the Labor Department said Thursday.

The increase was the first in three weeks. The four-week average of new claims last week fell to 518,500 from 526,500.

The number of new jobless claims filed nationwide was bigger than Wall Street had expected. Economists surveyed by Dow Jones Newswires was for claims to rise by 46,000 to 513,000 for the week ending Jan. 10.

Non-farm payrolls shrank throughout 2008 as companies laid off workers in a deepening recession. Corporate profits have been falling because people and businesses are cutting spending. To protect the bottom line, firms have had to unload employees.

New jobless claims for the week ending Jan. 3 were revised slightly upward to 470,000. Originally, claims for that week were reported at a seasonally adjusted 467,000.

The Labor Department data Thursday on new unemployment claims included the total number of workers drawing unemployment benefits in the week that ended Jan. 3, the latest period for which that particular data are available. The number -- known as continuing claims -- fell by 115,000 to 4,497,000. The unemployment rate for workers with unemployment insurance held at 3.4%.

New York state reported the largest increase in new claims the week of Jan. 3, at

24,465, due to layoffs in the construction, service, and transportation industries. California reported the biggest decrease, at 14,796, because of fewer layoffs in the construction and service industries.

### *Producer Prices Decline*

Wholesale prices fell 0.9% for 2008 as a whole, the biggest calendar-year decline since 2001, capping a stunning reversal in which the PPI went from near double-digit annual rates to below zero in the space of only four months.

The producer price index for finished goods plunged 1.9% on a seasonally adjusted basis, the Labor Department said Thursday, in line with Wall street expectations.

The core PPI, which excludes food and energy, advanced 0.2% last month, slightly above expectations, according to a Dow Jones Newswires survey. That was up 4.3% from a year ago, the highest calendar-year increase since 1988.

On Wednesday, the Labor Department reported a large drop in import prices for December. Consumer prices set for release Friday are also expected to show a steep decline, of 0.8% on a monthly basis.

If so, that may bring the year-over-year CPI rate down below zero for the first time since the 1950s, marking a sharp retreat from just a few months ago when inflation was considered a major threat.

Normally, signs of disinflation would be a welcome reprieve for households that saw their purchasing power eroded last year by soaring energy and food prices. But in the current climate, the latest price figures reflect the hard economic times that are causing consumers and businesses to delay many purchases, threatening a downward spiral of lower prices and declining spending and investment known as deflation.

However, the fact that core prices are still advancing should ease fears somewhat that deflation might grip the overall U.S. economy the way it did Japan's in the 1990s.

According to Thursday's report, energy prices posted a 9.3% drop last month, led by a record 25.7% plunge in wholesale gasoline prices. Food prices, meanwhile, were down 1.5%, the steepest drop in almost three years. Consumer goods prices, excluding food, were down 3% compared to November, reflecting the recent pullback in consumer spending.

Prices of passenger cars rose 1.2% on the month, partially reversing recent declines, while light truck prices advanced 0.8%.

Deeper in the production pipeline, prices fell sharply, suggesting more soft wholesale-price readings in coming months. Prices of raw materials, known as crude goods, fell 5.3% on the month, while core crude goods prices tumbled 2.2%.

Intermediate goods prices slid 4.2%. Core intermediate goods decreased a record 3% on the month.

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