

US: Jobless claims fuel recovery optimism

New unemployment claims fell yet again and are edging closer to pre-pandemic levels. With the economy opening up more and more each day we are anticipating a series of one million plus monthly payroll gains that could be enough for the Federal Reserve to call "substantial further progress" and start the tapering process before the end of the year

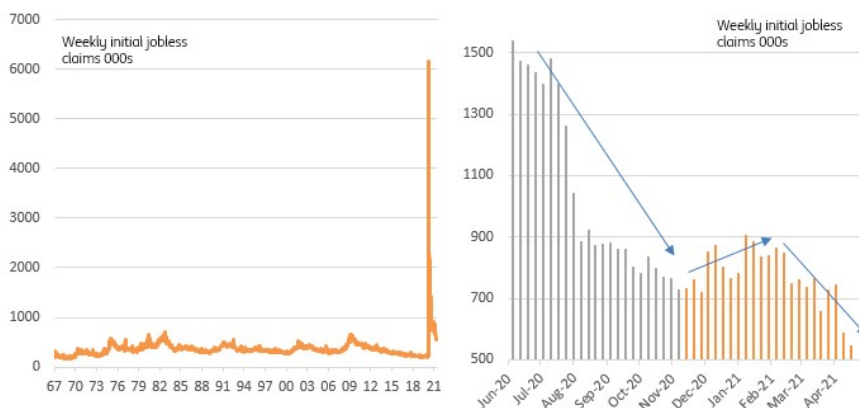


A busy US data calendar this week features third-quarter GDP figures and Friday's release of the Federal Reserve's preferred measure of inflation, the core PCE deflator

We have had another really good US jobless claims report, showing a fall to 547k in the week of 17 April from 586k, versus the consensus estimate of 610k. This is the lowest figure since the week of 14 March 2020 when the economy registered 256k new unemployment claims. Continuing unemployment benefit claims also drifted lower to 3.67mn.

California, Virginia, Ohio and Texas saw the biggest declines in new jobless claims on the week while New York and Florida both saw rises. Nonetheless, the data isn't universally great - the total number of people claiming some sort of unemployment benefit rose to 17.4mn from 16.9mn week of 3 April (there is a two week lag relative to the initial jobless claims numbers) due to rising Pandemic Emergency Unemployment assistance and Unemployment Compensation programme claims, which suggests there are still pockets of stress.

Weekly initial jobless claims numbers - 1967 onwards (000s)

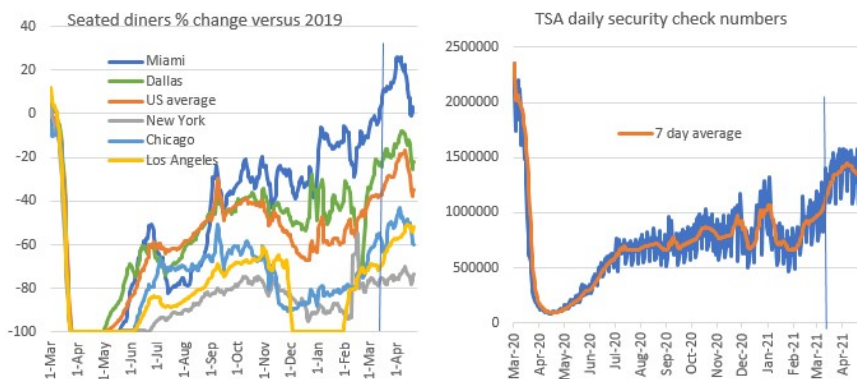


Source: Macrobond, ING

Nonetheless, with 135mn Americans having received at least one dose of a Covid-19 vaccination and the economy opening up more each day, the number of job opportunities will continue to rise. The data below shows that we should be looking for the number of people in work to easily increase by one million in April given that restaurant bookings and travel data point to surging demand for leisure and hospitality and transport related workers. The line marks the week when the data for the March jobs report was collected.

With stimulus payments being spent, optimism rising and the breadth of options to spend money continuing to expand, we suspect we will see a million plus payrolls figures for much of the next three to six months. We strongly suspect that if most of the jobs lost during the pandemic can be regained by late 3Q or early 4Q the Federal Reserve will have to say “substantial further progress” has been made. This could then trigger a December QE tapering announcement with the prospect of a December 2022 rate hike starting to appear on market radar screens.

Restaurant diners and airport travel numbers



Source: Opentable, Macrobond

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