

# US jobless claims not slowing rapidly enough

Jobless claims in the US slowed again last week, but not as much as hoped. As the economy re-opens more broadly this process should accelerate, but the economic pain resulting from mass unemployment will restrain the recovery process



33.483m

Number of people filing a new unemployment claim in the past seven weeks

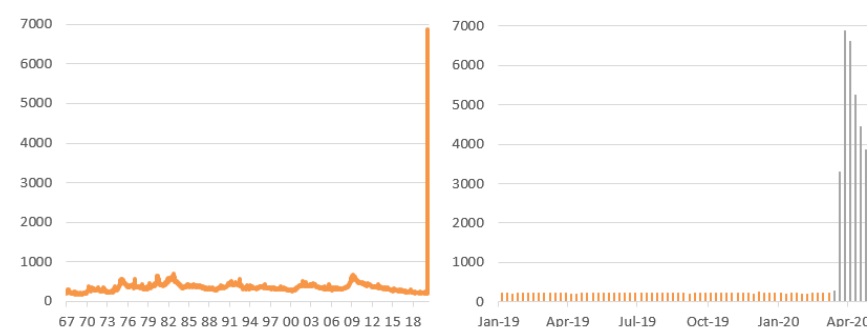
There were 3.169 million new jobless claims filed in week ending 2 May, bringing the running total to 33.483 million. The only positive thing to say is that it is the fifth straight weekly slowing, but even so, the rate of decline is weaker than hoped – the consensus was 3 million.

That said, we are seeing signs of improvement in states that are starting to re-open. In Georgia they fell 39,681 versus the previous week while in Florida they declined 259,912 and Alabama they dropped 46,783. However, other states continue to see a pick-up with New Jersey claims rising

15,574 on the prior week to 87,540. Oklahoma, Connecticut, New Mexico and Maryland (+27,337) all saw sizeable increases too.

As more states start the re-opening process over the coming weeks we are likely to see steeper declines in initial claims, but the numbers are likely to remain horrible and well in excess of anything seen during the Global Financial Crisis. This report tells us nothing about hiring though, which is likely to remain weak for some time to come given the economically depressing effects of social distancing, consumer caution relating to Covid-19 fears, travel restrictions and the legacy of tens of millions of people being out of work.

## US weekly initial jobless claims (000s)



Source: Bloomberg, ING

## Points to note for tomorrow’s “official” jobs report

The running total after seven weeks is 34 million people having filed a new unemployment claim. However, tomorrow’s jobs report only includes data up to the week of 12 April, which were “only” at 22 million. There is some evidence that jammed phone lines and crashed websites mean the actual number of jobs lost could be higher, but then again some people may have filed more than one claim in the confusion while a lucky few may have got work elsewhere.

We look for payrolls to fall 21 million tomorrow, wiping out all the job gains since the end of the Global Financial Crisis. For May we provisionally look for payrolls to fall a further 12 million, which would take us to the lowest level of employment since early 1996.

The unemployment rate will obviously surge – we look for 15.8%, but the biggest surprise could be in wages. This figure is the change in average *hourly* earnings. Given the bulk of the 21 million or so we expect lost their jobs in the April report worked in retail and hospitality, they will be skewed towards the lower end of the salary distribution. With these people disappearing from the calculation the figure for **average** hourly earnings will jump, possibly in excess of 1% month on month. This is a statistical calculation quirk and should be ignored – there is no wage growth going on in the US economy.

### Author

**James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.