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

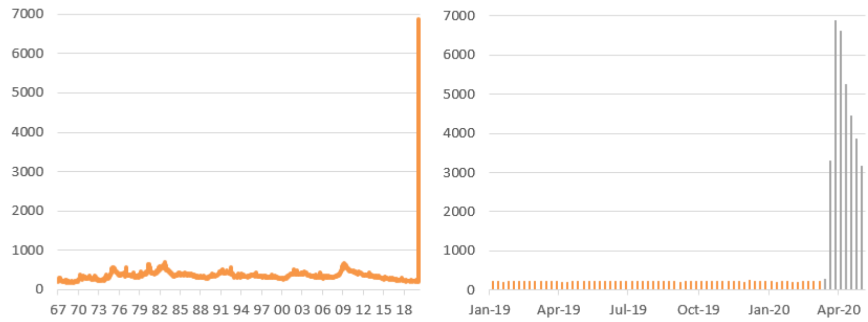
There were 3.169 million new jobless claims filed in week ending 2 May, bringing the running total to 33.483 million. The only positive thing to say is that it is the fifth straight weekly slowing, but even so, the rate of decline is weaker than hoped – the consensus was 3 million.

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.

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