

US: jobless claims slow crawl lower

US initial jobless claims dropped for the sixth straight week, but remain painfully high at 2.98 million. As the economy gradually re-opens this decline will continue, but with social distancing constraints, consumer anxiety relating to the virus and household incomes feeling the strain, unemployment will not drop anywhere as quickly as it spiked

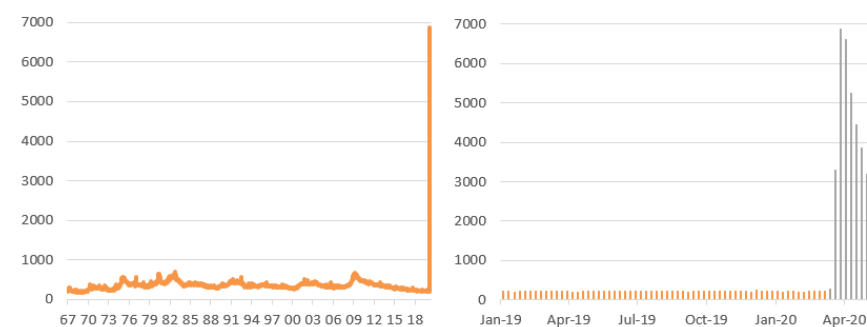


36.76 Cumulative new jobless claims over past 8 weeks
million

Initial jobless claims for the week of 9 May didn't slow as quickly as hoped at 2.981 million (versus consensus forecast of 2.5 million and only 195,000 below the previous week) bringing the 8-week running total to 36.76 million. The data shows a huge spike in claimants in Connecticut – 298,680 versus 36,138 the previous week – while Florida and Georgia, which are supposedly more advance in the re-opening process, also saw fairly sizeable increases on the previous week of 47,045 and 13,035 respectively. Most other states saw a slowing in new jobless claims with California seeing 102,299 fewer and Texas 102,263 fewer than the week of 2 May. Nonetheless, these are still

astonishingly huge numbers that underline the economic pain caused by Covid-19 containment measures.

Initial jobless claims (000s)



Source: Macrobond, ING

Continuing claims are not climbing as quickly though, rising to "only" 22.8 million from 22.4 million. There is an extra week lag in the data (week of 2 May, rather than the 9th), but the gap between the two series is somewhat strange. Obviously not everyone will qualify for unemployment benefits and there may well be the case of double counting on initial claims as people try to register both online and by phone. There could also be issue with backlogs between filing and receiving benefits and then being classified as a continuing claimant.

As such the "true" figure of the number of people out of work right now is somewhere in between and our best guess is that after payrolls fell 20.5 million in April we will see another 11-12 million decline for May. After all, we have to remember the initial jobless claims data only reflect the debit side, there will be some job creation coming through as the different states start to re-open their economies.

Nonetheless, social distancing constraints, consumer anxiety relating to the virus and household incomes feeling the strain with tens of millions of Americans out of work, unemployment will not drop anywhere as quickly as it spiked. We look for it to rise to around 22-23% and with a third of working age Americans not included within the labour force (students, early retirement, sick, homemakers, carers) we will have less than half of 16-65 year-olds earning a wage this month.

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