

US: Signs of stalling in jobless claims

Today's jobless claims numbers suggest the reopening story isn't having as much of a positive impact on the labour market as hoped. It reinforces the case for more fiscal support to keep the economy on the recovery path



1.508mn The number of new jobless claims last week

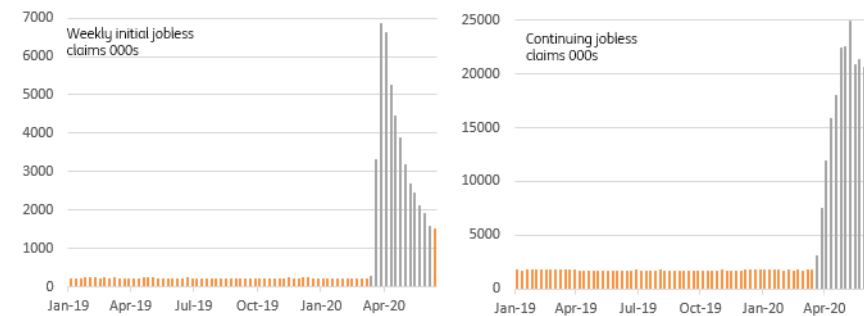
Worse than expected

Initial claims didn't fall as much as the market hoped - dropping to 1.508mn in the week of June 13 versus an upwardly revised 1.566mn for the week of June 6 (consensus 1.29mn). There had been indications of a potential miss from some of the individual states that release their own data early - Arizona and Wisconsin had both reported rises, for example. Continuing claims are also proving to be sticky, falling to 20.54mn from 20.6mn versus the consensus of 19.85mn.

This means the insured unemployment rate remains at 14.1%, which is higher than the "official" unemployment rate of 13.3% published by the Bureau of Labour Statistics - you have to be

actively looking for work to be classified as unemployed by the BLS, whereas due to benefit changes relating to Covid-19, you temporarily don't have to do this in order to claim benefits. Moreover, if we add in all the unemployment benefit claimants (including those receiving pandemic unemployment assistance) we get a total of 29,140,557 Americans, equivalent to an unemployment rate of 20%.

Improving claims numbers showing signs of stalling



Source: Bloomberg, ING

Today's numbers suggest that the reopening story may not be generating as much momentum for job creation as the surprise May payrolls number had suggested. It also tallies with comments yesterday from the Cleveland Fed's Loretta Mester and Atlanta Fed's Raphael Bostic. Mester implied firms are recalling workers more slowly than originally intended and the initial deterioration was "even steeper" than official statistics implied. Bostic said that after speaking to industry participants, 20-30% of restaurants and entertainment venues may not reopen in the Atlanta region with the labour market experiencing structural change.

So, while recent activity data, particularly surrounding the consumer sector, has been very encouraging we are a long way from returning to "normality". The extended unemployment benefits including the extra \$600 per week payment, have clearly supported incomes and spending. However, the \$600 payment is due to end in six weeks and if it isn't extended in an environment where unemployment remains very high, there is a clear risk spending subsides again. We are also carefully watching the renewed increase in Covid-19 cases in the south of the country. There is clearly the potential for reopening plans to be put on hold or even reversed in some localities and this would obviously have a detrimental impact on the economy.

Author

James Knightley

Chief International Economist

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>.