

US: The lay-offs keep coming

US weekly jobless claims are not falling as quickly as they should in an environment of businesses re-opening, suggesting significant ongoing economic stress. This will intensify pressure on government to extend the US\$600 per week unemployment benefit boost



Source: Shutterstock

1.48mn Weekly initial jobless claim for 20 June

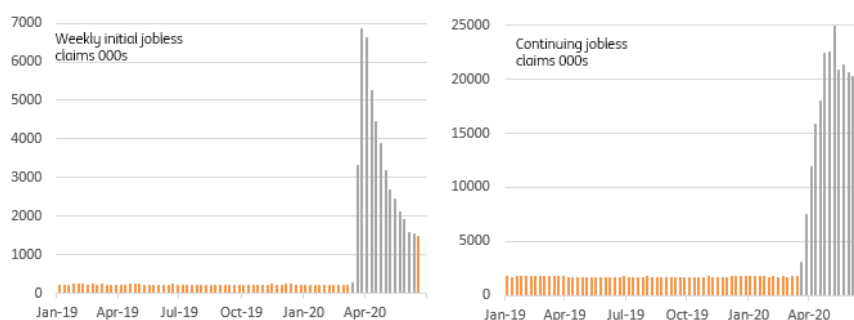
Initial jobless claims have come in at 1.48 million for the week of 20 June versus the consensus forecast of 1.32mn and a reading 1.508mn from the previous week. It is the 14th consecutive week of claims above 1 million with today's figure still more than double the worst number recorded during the global financial crisis (665,000 on 27 March 2009).

Continuing claims data fell to 19.5mn for the week of 13 June from 20.3mn. This was better than expected, but we would caution that it is rather choppy and could move higher once again next week. This relates to the fact that Florida and California only report numbers every two weeks

rather than every week, so we wouldn't over emphasise today's improvement. Moreover, the total number of people claiming benefits in all programmes for the week ending 6 June was 30,553,817, an increase of 1,294,309 from the previous week.

This means more than 20% of the workforce were claiming benefits in the first week of the month, well above the 13.3% "official" unemployment rate published by the Bureau for Labour Statistics. Remember, you have to be actively looking for work to be classified as "officially" unemployed, but to claim benefits right now, you don't. Therefore we should pretty much ignore the BLS number as it is grossly understating the true state of joblessness in the economy.

Initial jobless claims and continuing claims



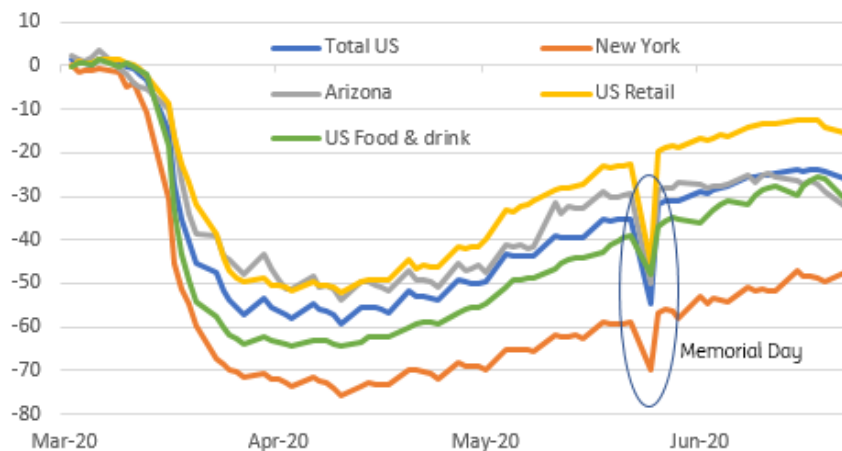
Source: Macrobond, ING

Returning to initial claims, we had been a little apprehensive ahead of the report given data from Arizona and Pennsylvania already in the public domain both recorded an increase in jobless claims. It therefore suggests that while the re-opening is happening there remains a huge amount of stress in the economy.

Moreover, there is a risk that these job losses may be more permanent versus the temporary lockdown-related job losses seen a couple of months ago. It may well be that businesses re-opened and brought staff back, but have found the "new normal" to be rather different from the pre-Covid environment. To remain profitable they are having to re-adjust their workforce size. This would appear to be backed up by data from Homebase.

Their published data is from over 60,000 businesses and 1 million hourly employees active in the US in January 2020. It was accurate in predicting the rise in employment within the May jobs report, but the worrying thing is that the number of active employees is now starting to fall once again. This suggests unemployment may be stickier than hoped.

Homebase: hourly employees that day vs. the median for that day of the week for the period Jan 4, 2020 – Jan 31, 2020



Source: Bloomberg, ING

With the number of Covid-19 cases clearly on the rise in many states we also have to be alive to the risk of containment measures being reinstated, which would add to economic stress and the risk of further lay-offs – consumer could of course vote with their feet if virus fears are not brought under control. Then with the US\$600 boost to weekly unemployment benefits scheduled an end on 31 July, we may be about to enter an uncertain period for household incomes and, by extension, consumer spending. The pressure will undoubtedly build for additional fiscal support in the next few weeks, otherwise forecasts for the 2H20 rebound may well need to be scaled back.

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