

23 April 2020
Snap

US: Job capitulation continues

Another 4.427 million people filed a new unemployment claim last week bringing the total jobs lost to 26.5 million since mid-March. With the pain spreading from retail and hospitality to other sectors less than half of the working age population of America will be earning a wage by May



26.461m Total initial jobless claims over past five weeks

Another grim day for the household sector

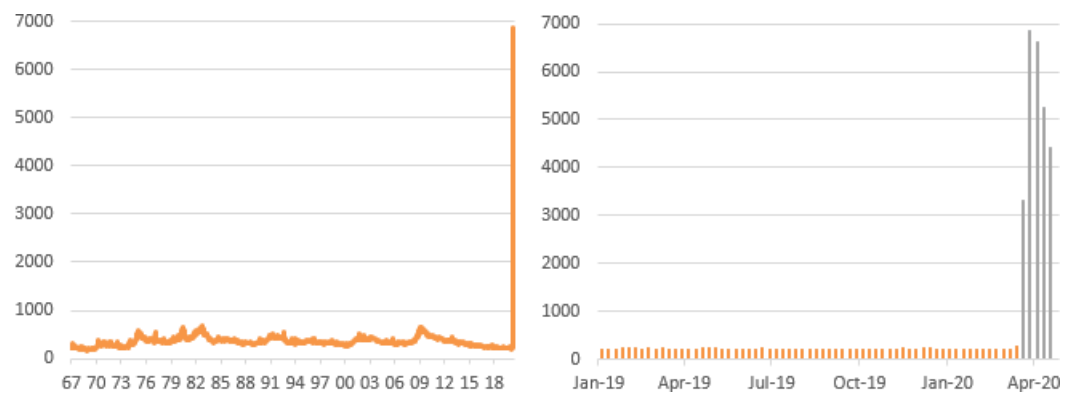
Initial jobless claims for the week of 18 April were 4.427m. This was marginally below the 4.5m consensus and as we scramble to look for positives, we can say that this is third consecutive fall in initial claims.

Nonetheless this is an awful outcome (today's number is more than six times higher than even the worst figure during the peak of the Global Financial Crisis in 2009) and underlines the economic pain for US households brought about by the pandemic. Nearly 27 million jobs have been lost since mid-March with millions more set to follow.

It is clear that while the initial wave of job losses were concentrated in retail and hospitality due to the shutdowns, it is spreading to suppliers and to other industries. Terrible manufacturing surveys point to job losses and the business service sector is certainly not going to be immune.

As such, it will be interesting to see what happens in the states that are re-opening parts of their economy from this weekend – Georgia, Tennessee, South Carolina and Florida. We would assume jobless claims will fall back sharply here, but if consumers remain reluctant to go shopping or visit a restaurant due to lingering Covid-19 fears, then employment is not going to rebound quickly. As such it would be another signal that a V-shaped recovery for the US economy is highly unlikely.

Weekly initial jobless claims (000s)



Source: Bloomberg, ING

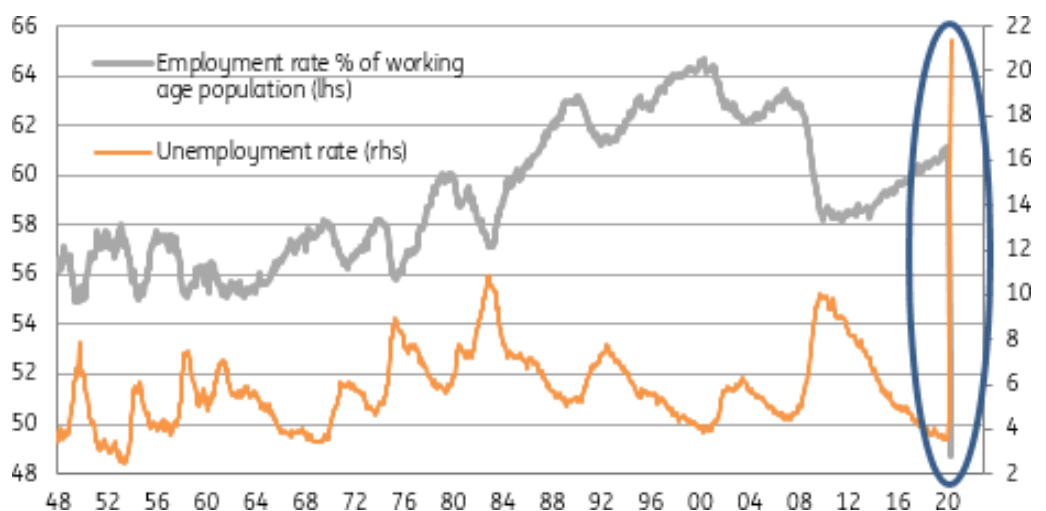
How bad can it get?

The April jobs report is published on Friday 8 May, but we have to remember the data is collected in the week of the 12th so today's numbers will actually be more applicable to the May jobs report, published in early June.

If we assume unemployment has risen 20 million in April, that would push the unemployment rate to around 16%. An additional 10 million unemployed in May and we are looking at an unemployment rate of around 22%. Thankfully this is below the 24.9% peak experienced in 1933, but we have to remember that one third of Americans aged 18-65 are not classified as employed or unemployed – they are students, early retirement, homemakers, carers or sick.

This leads us to yet another sobering statistic – that less than half of working age Americans will be earning a wage next month. In an election year, this means that the call for politicians to re-open the economy is only going to get louder, irrespective of the health advice.

Employment and unemployment with ING forecasts for April and May 2020



Source: Macrobond, ING

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