

11 June 2020

Snap

Lingering strains in the US jobs market

Initial and continuing jobless claims continue to fall, but remain at elevated levels as the economic dislocation from Covid-19 containment measures only slowly fades



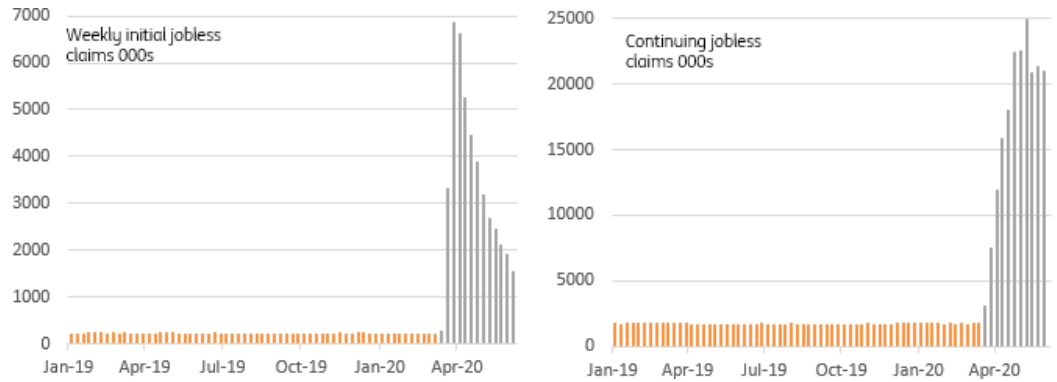
Massive churn in the jobs market

This week's jobless claims numbers provide a bit of a mixed picture of what is happening in the jobs market. Initial claims fell pretty much as expected to 1.54m the week of June 6 from 1.90m the previous week. However, continuing claims declined more slowly than hoped to 20.9m from 21.3m (consensus was looking for a figure of 20.0m).

Continuing claims are falling as consumer-facing businesses call back staff as the re-opening process gains momentum. The slow rate of decline may reflect that the uprating of unemployment benefits with the extra US\$600 per week from the government stimulus plan means that to return to work would leave many people financially worse off. Indeed, the University of Chicago estimates that 68% of benefit claimants have higher incomes now than when they were working.

However, the stresses caused by the Covid-19 crisis continue to spread through the broader economy, such as supply chains and professional services. Companies are finding that revenues and profits are not rebounding as quickly as hoped and are being forced to lay-off staff, meaning initial jobless claims remain elevated. This is likely to keep initial jobless claims running above 1 million for a few weeks longer.

Initial and continuing weekly jobless claims



Source: Macrobond, ING

Which unemployment rate to believe?

Under the Emergency Unemployment Insurance Stabilisation and Access Act unemployment benefit claimants no longer need to be "actively" searching for work. However, to be included as "unemployed" in the "official" unemployment numbers published by the Bureau for Labour Statistics individuals must be actively seeking employment. Otherwise, they would not be counted as participating in the labour market. Therefore, the official unemployment rate is not the broadest definition of unemployment right now.

Last Friday's jobs report from the BLS reported unemployment at 13.3%, but today's "insured" unemployment rate based on continuing claims is at 14.4%. Add in all unemployment benefit recipients – including those receiving help under the Pandemic Unemployment Assistance and that's 29,505,027 people – and we get 20.3% unemployment

Contributing to the confusion over which measure to use and how accurate they are, we need to remember that in the "official" BLS report the usual checks and balances haven't been able to be completed due to social distancing constraints limiting the ability to do face to face interviews contributing to the response rate for the May report being well down (15%) on usual.

Consequently, we suspect there will be some large revisions over time with the two figures for unemployment only gradually converging again.

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