1 April 2020

Research US

Why the March jobs report is already outdated

Normally, the US jobs report is considered perhaps *the* most important economic indicator, but the jobs report for March due out on Friday is already outdated before it is released. We know from initial jobless claims that there was a record spike of 3.3m in the number of jobless claims two weeks ago but this will not be reflected in the March jobs report.

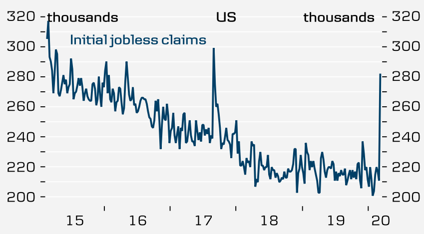
To understand this, one should look into the technical notes on how the jobs report is made. **The jobs report is based on the pay period covering the 12th of the month, which is before the US really started to lock down. In this week, initial jobless claims 'only' rose by 60-70,000 more than a 'normal' week before the coronacrisis.** If you had a paid job in this week, you are counted as having a job, regardless of what happened later in the month. This also explains why consensus among economists is for a decline in employment of 'just' 100,000 (which would put an end to 113 consecutive months with positive employment growth) even though we know that we are in the middle of a very deep recession right now.

Instead, the focus is on the initial jobless claims for last week, which is due out tomorrow Thursday. According to consensus among economists, the sad record is about to be beaten, as economists expect another spike of 3.5m applications for unemployment benefit last week. We are likely to continue to see layoffs in coming weeks, as long as the US economy remains locked down, and hence the jobs report for April will be extremely negative. **If claims have risen by another 3.5m, the April jobs report will show a decline in employment of at least 7m but, unfortunately, probably more.**

As the jobs report is already outdated, we do not expect it to be a major market mover this week. As mentioned, the focus is instead on the initial jobless claims due out tomorrow, Thursday.

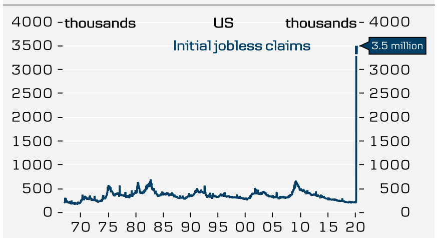
Our base case is still for an economic rebound in the second half of the year. This is based on the assumption that 1) the US gets the coronavirus under control and the US can begin a gradual re-opening of the economy in May and we do not see a significant second wave later in the year, 2) policymakers are doing enough to offset the economic impact and make economic policy expansionary also after the health crisis and 3) the sharp rise in unemployment has not already started a negative spiral, which is what normally creates a recession. **Although we expect an economic rebound, we do not expect US GDP to come back above the pre-crisis level before Q3 21. This also means that we do not expect unemployment to come back to the low pre-crisis level in the near-term**. For more details on our US macro outlook, please see *Macro US: Sharp GDP contraction but we still expect a rebound in H2*, 24 March.

US initial jobless claims were 'only' 60-70,000 higher than a 'normal' pre-corona week



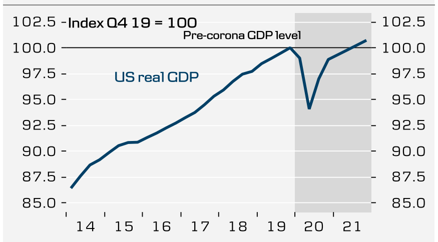
Source: US Department of Labor, Macrobond Financial

Last week's jobless claims even worse than two weeks ago, according to consensus from Bloomberg



Source: US Department of Labor, Macrobond Financial, Bloomberg consensus

US GDP unlikely to move above pre-crisis level before Q3 21



Sources: BEA, Macrobond Financial, Danske Bank forecast

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Expected updates

None.

Date of first publication

See the front page of this research report for the date of first publication.

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