



Economics Group

Tim Quinlan, Senior Economist
tim.quinlan@wellsfargo.com • (704) 410-3283
Matthew Honnold, Economic Analyst
matthew.honnold@wellsfargo.com • (704) 410-3059

Jobless Claims: When 2.4M is Good, You Know Things Are Bad

Just over 2.4 million people filed claims for unemployment last week. That is terrible. But amidst that misery, there is some hope: the number of people filing claims fell for the seventh straight week.

Less Awful Numbers as Claims Fall for Seventh Week

At any other time in the past 50 years, news that 2.4 million (M) Americans filed claims for unemployment insurance in a single week would be a horrifying development. But in March and April we saw weekly figures that at times crested above six million, so today’s news that jobless claims fell to 2.438M after 2.687M last week is good news (note that this was revised down from 2.981M previously). A four-week average of claims also came in lower at 3.042M, down almost exactly half a million from 3.543M last week. So, in short, it’s getting better, or at least not-as-bad.

Although we saw improvement with first time claims, unfortunately the data suggest the number of people still filing continuing claims for unemployment was still on the rise in the second week of May (the continuing claims numbers lag by an additional week).

Standing in Line Has Become Waiting Online

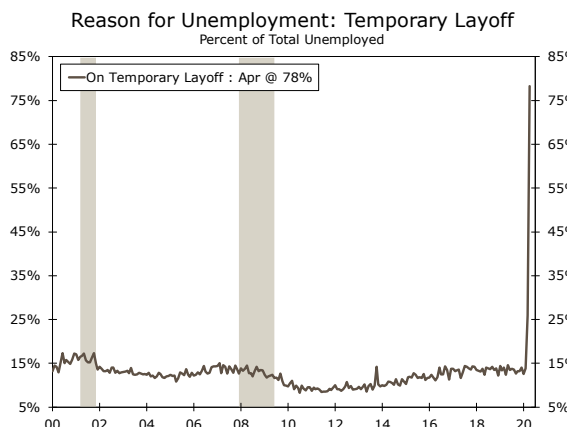
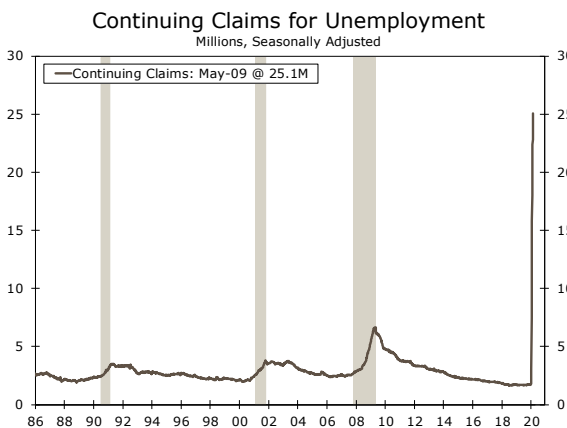
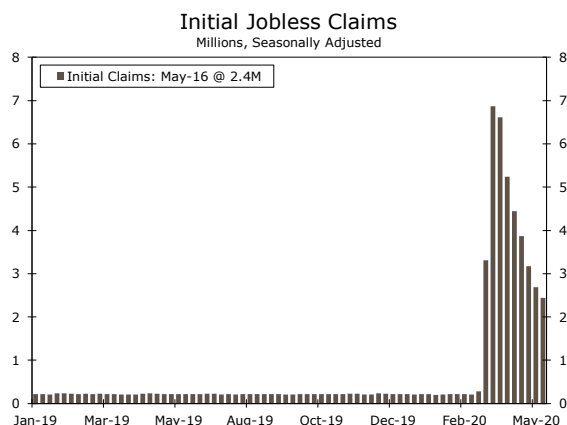
For economy-watchers, one of the great merit of the jobless claims report is that unlike the monthly employment report which combines a household survey and another survey of business establishments, the claims data is a hard number. In statistics terms it is the entire population rather than just the sample. So jobless claims is often favored by economists for being a very reliable leading indicator of the labor market; there are some problems with that thinking in this cycle however.

Widespread media reports suggest long wait-times, phone calls going unanswered, website outages and other problems at state-level unemployment offices around the country. These local offices have never had so many claims to process and due to social distancing, many states are not using the familiar in-office process and are trying to process most or all of the new claims over the phone and online. Some states have reported additional hiring just to manage the surge. There is no hard data to cite to know for sure how many people are having difficulty getting benefits, but in a rare example of some good news with respect to the employment situation: 78% of people recently joining the ranks of the unemployed expected it would only be temporary according to the April jobs report.

With Reopening Underway, Some Hope on the Horizon

As of this week, every state in the country has begun at least early phases of reopening. That means over the course of the summer we will get a sense of whether or not that 78% share of displaced do in fact get themselves back on the payroll.

Between now and then, state unemployment benefits plus an additional \$600/week from the Federal government should help households stay solvent until we get to other side of this crisis. Personal income and spending figures for April due out tomorrow morning will provide some color on that.



Wells Fargo Securities Economics Group

Jay H. Bryson, Ph.D.	Acting Chief Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	International Economist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Azhar Iqbal	Econometrician	(212) 214-2029	azhar.iqbal@wellsfargo.com
Sarah House	Senior Economist	(704) 410-3282	sarah.house@wellsfargo.com
Charlie Dougherty	Economist	(704) 410-6542	charles.dougherty@wellsfargo.com
Michael Pugliese	Economist	(212) 214-5058	michael.d.pugliese@wellsfargo.com
Brendan McKenna	International Economist	(212) 214-5637	brendan.mckenna@wellsfargo.com
Shannon Seery	Economic Analyst	(704) 410-1681	shannon.seery@wellsfargo.com
Matthew Honnold	Economic Analyst	(704) 410-3059	matthew.honnold@wellsfargo.com
Jen Licis	Economic Analyst	(704) 410-1309	jennifer.licis@wellsfargo.com
Hop Mathews	Economic Analyst	(704) 383-5312	hop.mathews@wellsfargo.com
Coren Burton	Administrative Assistant	(704) 410-6010	coren.burton@wellsfargo.com

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