



Nearly 10 Million Claim Unemployment In Just Two Weeks - Labor Market Update

The sudden loss of jobs and mass layoffs by businesses nationwide has brought about the single largest increase in unemployment claims in the country's history. What should have been another average week for unemployment claims of roughly 243,000 based over the past five years, turned into 3.28 million people applying for unemployment for the week ending March 21st, and another 6.6 million for the week ending March 28th.

Unemployment claims and the unemployment rate is expected to only increase over the upcoming reporting periods. Optimistically, the 50-year low of 3.5% for unemployment is a buffer for the anticipated increase in unemployment.

There are varying estimates as to how high the unemployment rate may go as a result of the virus outbreak and its economic aftermath. Some economists project 25% unemployment, which was last seen during the Great Depression, while others expect 10-15%. Regardless of how high unemployment heads, many believe that it will be short-lived as companies and small businesses are encouraged and financially incentivized by the Cares Act to re-hire employees.

The Federal Reserve is preparing for a worst case scenario, estimating a possible 30% unemployment rate as noted by St Louis Fed President James Bullard. The dismal estimates allow the Fed to aggressively pump massive amounts of liquidity into the U.S. financial system and the economy in the form of buying bonds and maintaining ultra low interest rates until employment conditions improve.

The concern is that as unemployment rapidly increases, consumer confidence may fall to levels not allowing for a viable economic recovery. Roughly 2/3s of the country's GDP is hinged on consumer expenditures.

Sources: Dept.of Labor, Federal Reserve