

COVID-19: UNEMPLOYMENT PROJECTIONS



Data and Information current as of April 13, 2020

THE LABOR FORCE AND EMPLOYMENT

One way to gauge the health of the U.S. economy is to track employment and unemployment in the labor force. The “**labor force**” is the sum of “employed” and “unemployed” persons. Those terms have specific definitions in this context. The labor force **DOES NOT** include:

- Active duty military personnel,
- Retirees,
- Students,
- Those taking care of children/other family members, and
- Those who are not working and are not seeking work.

The U.S. Bureau of Labor Statistics (BLS) conducts monthly surveys to estimate employment in the U.S. and publishes the data in a monthly *Employment Situation Summary*. Someone is “**employed**” if they did work for pay or profit in the week of the survey. Someone is “**unemployed**” if they (1) do not have a job, (2) have actively looked for word in the past four weeks, and (3) are currently available for work. The “**unemployment rate**” is the percentage of people in the labor force who are unemployed. Note that to be considered unemployed due to COVID-19, the federal CARES Act removes the requirement that a person have actively looked for work.

U.S. LABOR FORCE, 2020



Source: BLS, *The Unemployment Situation – March 2020*
<https://www.bls.gov/news.release/pdf/empsit.pdf>

CORONAVIRUS AND UNEMPLOYMENT

Millions of U.S. workers have lost their jobs in recent months due to the current coronavirus pandemic. By mid- to late-March, 2020, most U.S. states ordered closed non-essential businesses, prohibited gatherings of more than 10 people, and recommended that people stay in their homes to stem the spread of the virus, which has killed over 100K people globally. These measures led Goldman Sachs to project for the second quarter of 2020 “the deepest, fastest drop in economic activity since the government began calculating the nation’s GDP on a quarterly basis in 1947.”

The BLS’ March 2020 *Employment Situation Summary* showed that the unemployment rate in March rose to 4.4%, up from 3.5% in February and the largest month-over-month increase in the rate since January 1975. Of note, these data were based on surveys conducted before March 15 and do not reflect the staggering increase in new unemployment claims in the second half of March. Between March 7 and April 4, the U.S. Department of Labor reported new weekly unemployment claims of 211,000 (March 7), 282,000 (March 14), 3.3 million (March 21), 6.9 million (March 28), and 6.6 million (April 4).

U.S. UNEMPLOYMENT RATE PROJECTIONS – END OF SECOND QUARTER, JUNE 2020

In the past month, many U.S. Government institutions, financial businesses, and economists have made projections about how high unemployment rates will ultimately rise due to the coronavirus pandemic. The table below highlights four of these projections and notes factors and considerations that influence the projections. Projections range from a high of 30% unemployment estimated before passage of the CARES Act to a more modest 12% unemployment rate.

FEDERAL RESERVE BANK OF ST. LOUIS

32.1%

- Pre-CARES Act
- Compares estimated layoffs to total unemployed persons in 2nd quarter; layoffs include number of employees at risk of layoffs due to social distancing and employees in industries that require high-contact

FEDERAL RESERVE BANK OF CHICAGO

18.2%

- Estimate as of April 7, 2020
- Based on U.S. DOL initial unemployment claims, unemployment take-up rate (% of people eligible for unemployment that apply), prior experience with the Great Recession
- Estimates June unemployment rate between 14% and 18%

BLOOMBERG

12.6%

- Median forecast; based Bloomberg's monthly survey of 69 economists from April 3rd to April 9th

CONGRESSIONAL BUDGET OFFICE

12.0%

- Assumed unemployment rate used to calculate cost of CARES Act, assumes social distance continues for three months
- Expected to exceed 10% during the second quarter, reflecting the 3.3 million new unemployment insurance claims reported on March 26 and the 6.6 million new claims reported April 3rd

THIRD QUARTER 2020 AND BEYOND

Bloomberg anticipates that the unemployment rate will peak in summer of 2020 and fall gradually to 8.1% in the final three months of 2020. By 2022, Bloomberg reports an average unemployment rate of 5.4%. These assumptions are based on a gradual re-opening of the country with economic recovery that lasts well into 2022. Similarly The Congressional Budget Office projects an unemployment rate of 9% by the end of 2021, assuming the possibility of a second coronavirus outbreak and extended social distancing measures into late 2019.

NATIONAL CAPITAL REGION UNEMPLOYMENT PROJECTIONS – JULY 2020

The Economic Policy Institute (EPI) estimates state unemployment rates as of July 2020. These data are based on BLS data from February 2020 and Goldman Sachs' March 31st U.S. Economic Analyst Forecast.

EPI estimates that 19.8 million workers in the U.S. will likely be laid off or furloughed by Summer 2020, bringing the national unemployment rate to 15.6%. EPI estimates that California is expected to lose the largest number of jobs, 2.3 million, while Nevada is expected to have the largest job losses in percentage terms (20.1%) due to the state's high concentration of retail, leisure, and hospitality jobs. Nevada is also expected to have the highest unemployment rate of any state (19.7%) by July.

Within the National Capital Region, EPI estimates that Virginia will have the largest number of jobs lost (507K). However, the District is expected to have the highest unemployment rate of 23.4%.

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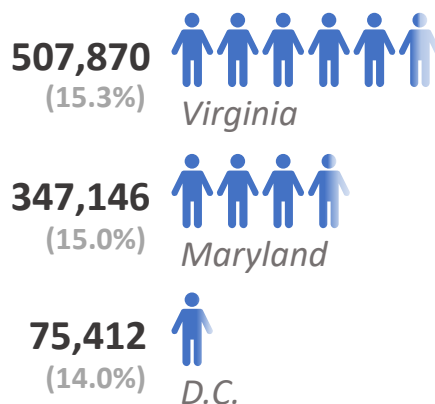
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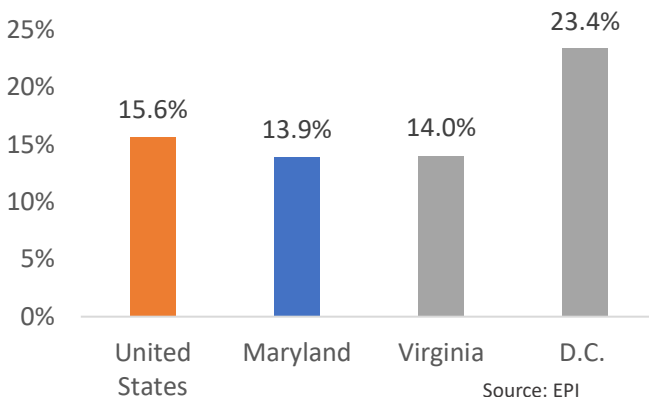
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EPI Estimated Jobs Lost by Summer 2020 (as % of Private Employment)



Source: EPI

EPI Estimated Unemployment Rate – July 2020



Source: EPI

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Questions, Comments?

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