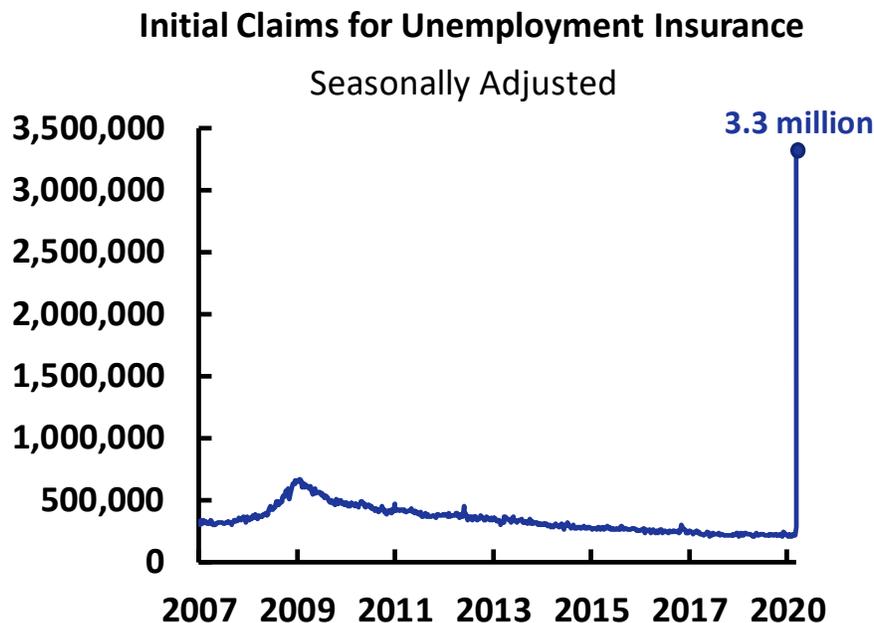




Millions of New Claims Suggest the Unemployment Rate Will Skyrocket

The Department of Labor announced Thursday that almost **3.3 million** Americans filed new unemployment claims last week. This is more than **fifteen times higher** than the 218,000 average weekly claims over the past six months and **five times higher** than the 665,000 new filers in the worst single week of the Great Recession.¹

The spike in new claims suggests that the U.S. unemployment rate has **risen more than two percentage points to 5.7 percent** in only two weeks. Moody's projects that unemployment could reach **10 percent** by the end of the second quarter while the Federal Reserve Bank of St. Louis estimates it may reach **30 percent** by that time, worse than the almost 25 percent peak unemployment rate during the Great Depression.²



Source: Department of Labor

The report substantially understates the number of newly unemployed American workers

Gig workers and independent contractors who lost work did not qualify for unemployment benefits and so are not counted in today's numbers (legislation passed by Congress and headed to the White House today will make them eligible for benefits until December 2020). Moreover, many recently unemployed workers were not able to file last week due to packed offices, jammed

phone lines and crashing websites.³ It is anticipated that there could be a very large second wave of initial claims next week.

The unemployment rate is expected to at least triple

- Moody's Analytics projects the unemployment rate will climb from the current rate of 3.5 percent to above 10 percent.⁴
- The Economic Policy Institute estimates 14 million job losses by June, even with \$1 trillion in stimulus.⁵ The unemployment rate would reach 12 percent.
- Morgan Stanley estimates that 17 million jobs could be lost through May and the unemployment rate will reach 12.8 percent in the second quarter.⁶
- Economists at the St. Louis Federal Reserve estimate that as many as 47 million workers could lose their jobs in the second quarter of this year, with the unemployment rate reaching 32.1 percent.⁷

Economists express alarm at the millions of new claims

"This is an impossible-to-comprehend number. We just wiped out a year and a half of job growth." – Martha Gimbel, Manager of Economic Research at Schmidt Futures⁸

"... as today's report shows, the coronavirus outbreak is economically akin to a major hurricane occurring in every state around the country for weeks on end." – Daniel Zhao, Senior Economist and Data Scientist at Glassdoor⁹

"We haven't seen this big of a free fall before... Not even during the Depression... It's really like an instant Great Recession." – Keith Hall, former CBO Director¹⁰

"We have lost a scale to plot the surge in claims. Even other recessions look like a cake walk," – Diane Swonk, Chief Economist at Grant Thornton¹¹

"Bear in mind that at the absolute worst of the Great Recession we were losing 800,000 jobs *per month*. So this at least an order of magnitude worse." – Paul Krugman, *New York Times* columnist and Nobel Memorial Prize Laureate in Economic Sciences¹²

"I have been a labor economist for a very long time and have never seen anything like this." – Heidi Shierholz, Director of Policy at Economic Policy Institute and former DOL Chief Economist¹³

"A large part of the economy just collapsed." – Ben Herzon, IHS Markit Executive Director¹⁴

¹ Department of Labor. March 26, 2020. Unemployment Insurance Weekly Claims. <https://www.dol.gov/ui/data.pdf>

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³ Rebecca Rainey. March 26, 2020. Record-breaking unemployment claims may be vast undercount. *Politico*. <https://www.politico.com/news/2020/03/26/record-breaking-unemployment-claims-may-be-vast-undercount-150417>

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⁵ Julia Wolfe and David Cooper. March 25, 2020. States are projected to lose more jobs due to the coronavirus. *Economic Policy Institute*. <https://www.epi.org/blog/states-are-projected-to-lose-more-jobs-due-to-the-coronavirus-14-million-jobs-could-be-lost-by-summer/>

⁶ The Associated Press. March 26, 2020. 3.3 Million Seek US Jobless Aid, Nearly 5 Times Earlier High. *The New York Times*. <https://www.nytimes.com/aponline/2020/03/26/business/ap-us-virus-outbreak-unemployment-benefits.html>

⁷ Miguel Faria-e-Castro. March 24, 2020. Back-of-the-Envelope Estimates of Next Quarter's Unemployment Rate. *Federal Reserve Bank of St. Louis*. <https://www.stlouisfed.org/on-the-economy/2020/march/back-envelope-estimates-next-quarters-unemployment-rate>

⁸ Brendan Greeley, Mamta Badkar and Colby Smith. March 26, 2020. US jobless claims surge to record 3.3m as America locks down. *Financial Times*. <https://www.ft.com/content/0c249c3d-723d-484b-a4d4-714f5ebd3b1a>

⁹ Catherine Thorbecke. March 26, 2020. Coronavirus economic updates: 3.28 million unemployment filings shatter 1982 record of 695,000. *ABC News*. <https://abcnews.go.com/Business/coronavirus-economic-updates-32-million-people-filed-unemployment/story?id=69808162>

¹⁰ Eric Morath, Jon Hilsenrath and Sarah Chaney. March 26, 2020. Record Rise in Unemployment Claims Halts History Run of Job Growth. *The Wall Street Journal*. <https://www.wsj.com/articles/the-long-run-of-american-job-growth-has-ended-11585215000>

¹¹ DianeSwonk. (2020, March 26). [Tweet]. <https://twitter.com/DianeSwonk/status/1243157720896864257?s=20>

¹² PaulKrugman. (2020, March 26). [Tweet]. <https://twitter.com/paulkrugman/status/1243156756739633154>

¹³ Hshierholz. (2020, March 26). [Tweet]. <https://twitter.com/hshierholz/status/1243153800455696384>

¹⁴ Ben Casselman, Patricia Cohen and Tiffany Hsu. March 26, 2020. 'It's a Wreck': 3.3 Million File Unemployment Claims as Economy Comes Apart. *The New York Times*. <https://www.nytimes.com/2020/03/26/business/economy/coronavirus-unemployment-claims.html>