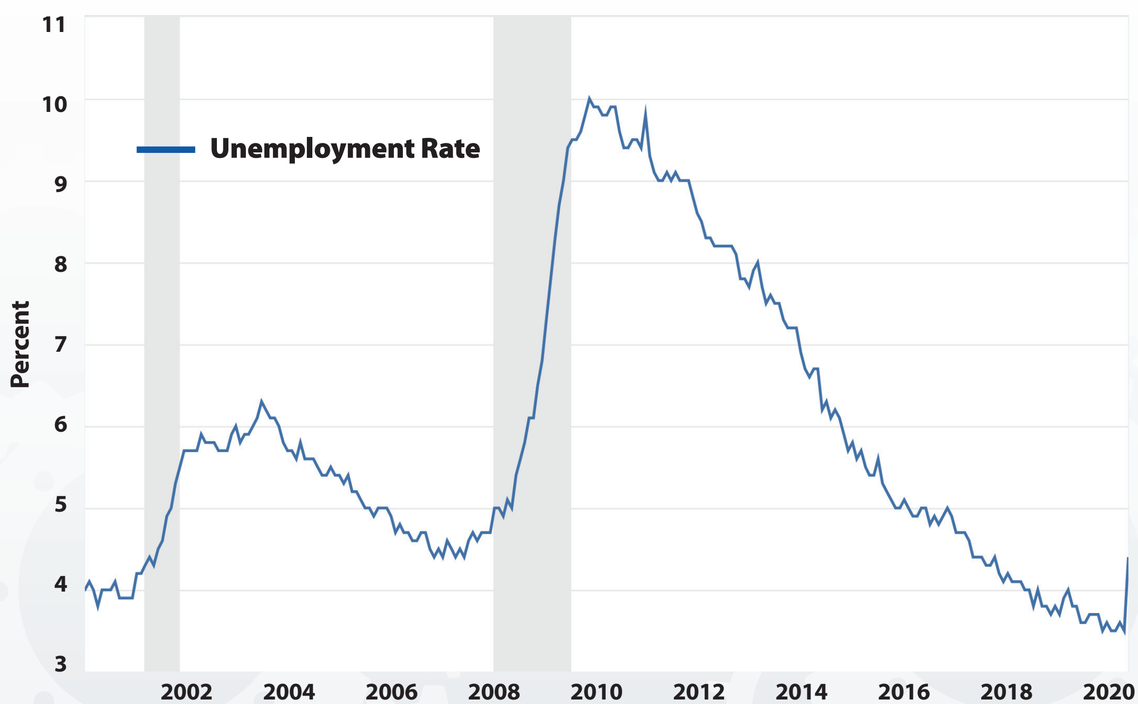
International Association of Machinists and Aerospace Workers

APRIL 2020

Jobs Report – Employment & Unemployment

The United States unemployment rate jumped to 4.4 percent in March 2020, the highest since August 2017 and well above market expectations of 3.8 percent (pre coronavirus forecast), as the COVID-19 crisis threw millions out of work. Overall, nonfarm payroll employment declined by 701,000 jobs.

FIGURE 1

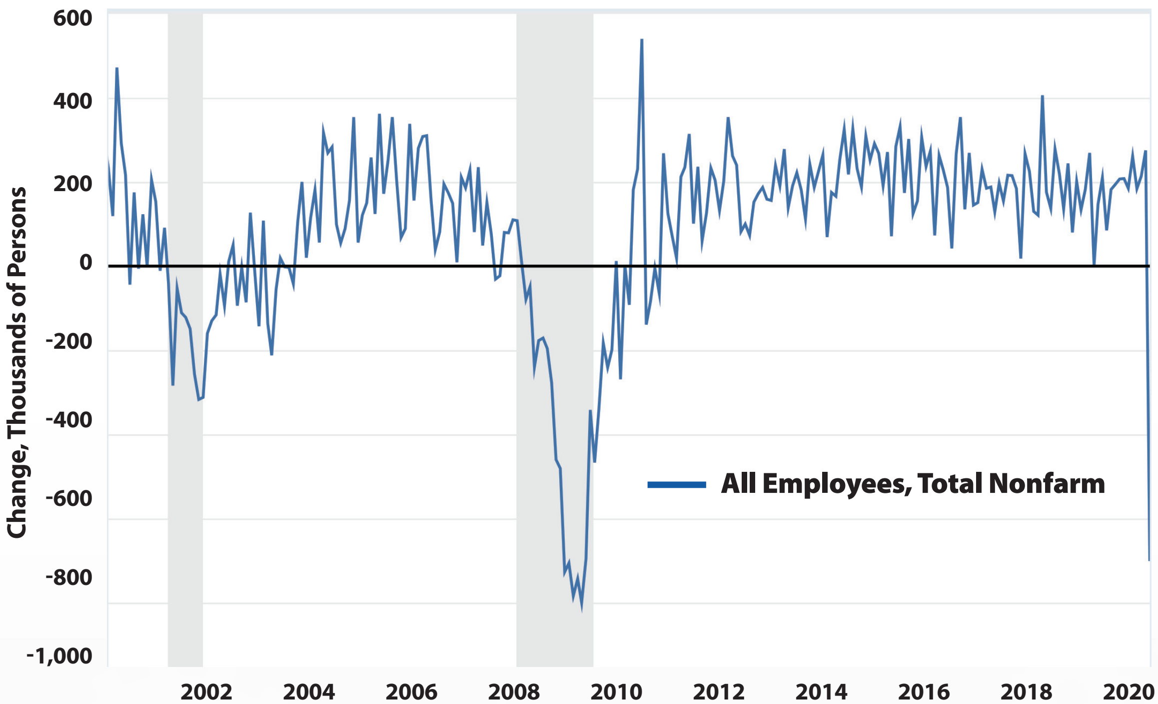


Shaded areas indicate U.S. recessions
Source: U.S. Bureau of Labor Statistics

April 2020 Jobs Report – Employment & Unemployment

Although not a complete picture of the impact of the coronavirus, the abrupt increase in unemployment reinforces one of the defining characteristics of this recession, which is a significant drop in employment as shown in the figures below. The decrease in employment nearly matches the lowest level during the Great Recession of 2008-2009. The difference is that it took several months to reach that point as opposed this sudden drop occurred in a matter of weeks following the planned slowdown of economic activity in the country.

FIGURE 2



Shaded areas indicate U.S. recessions
Source: U.S. Bureau of Labor Statistics

The hardest industries hit as of yet have been in leisure and hospitality. In total, 459,000 jobs were lost (mostly in food services and drinking places) approximately 3.4 percent of total employment.

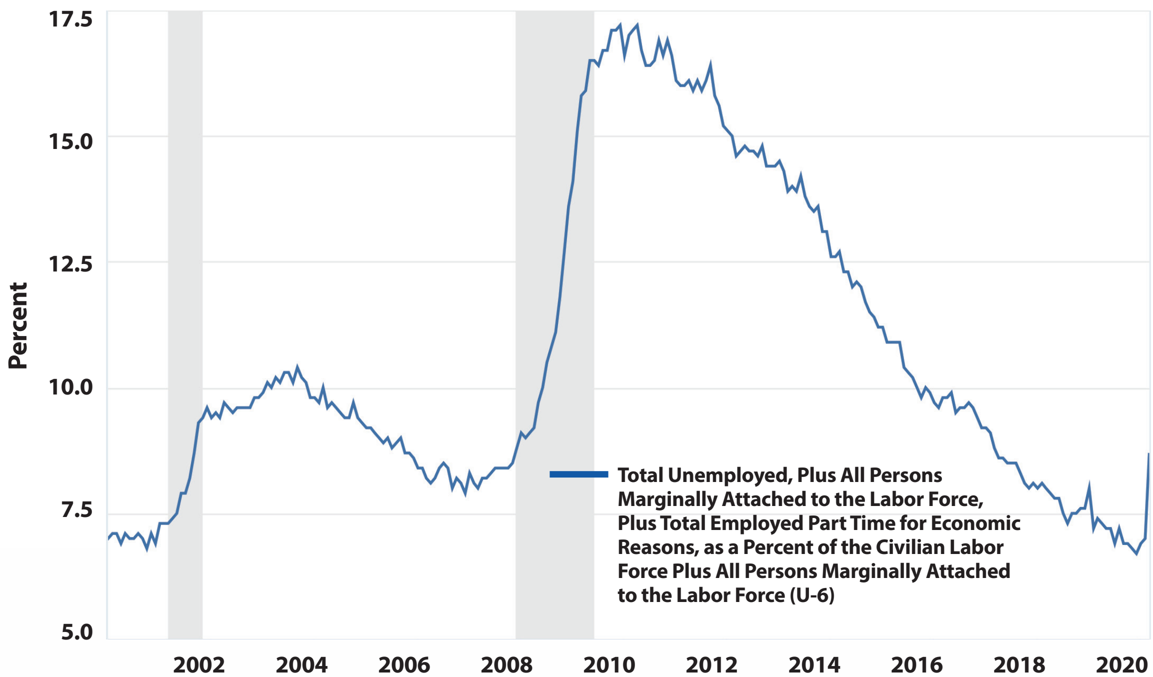
Manufacturing employment decreased by 18,000 workers. Over the past 3 months, the unemployment rate in the industry has steadily increased.

The "U-6" or "real" unemployment rate for March 2020 rose to 8.7 percent. The U-6 rate includes those who are traditionally considered unemployed along with discouraged workers, all other marginally attached workers and part-time purely for economic reasons.

A word of caution is needed for the March 2020 unemployment numbers in that in order to maintain consistency, the BLS survey measures the number of employees that were on business and government payrolls during the pay period that contained the 12th of

the month. Therefore, the current jobs report on March employment and unemployment data does not fully reflect the impact of the coronavirus on the economy.

FIGURE 3



Shaded areas indicate U.S. recessions   Source: U.S. Bureau of Labor Statistics

In other words, the bulk of the increase in initial claims for unemployment insurance occurred in the two weeks following the survey week and before the majority of people were under social distancing guidelines or stay at home policies. Therefore, many analysts and economists are in concurrence that the April 2020 numbers are expected to be even worse.

According to the United States Bureau of Labor Statistics (BLS)

> March data from the establishment and household surveys broadly reflect some of the early effects of the coronavirus (COVID-19) pandemic on the labor market. We cannot precisely quantify the effects of the pandemic on the job market in March. However, it is clear that the decrease in employment and hours and the increase in unemployment can be ascribed to effects of the illness and efforts to contain the virus. It is important to keep in mind that the March survey reference periods for both surveys predated many coronavirus-related business and school closures in the second half of the month.

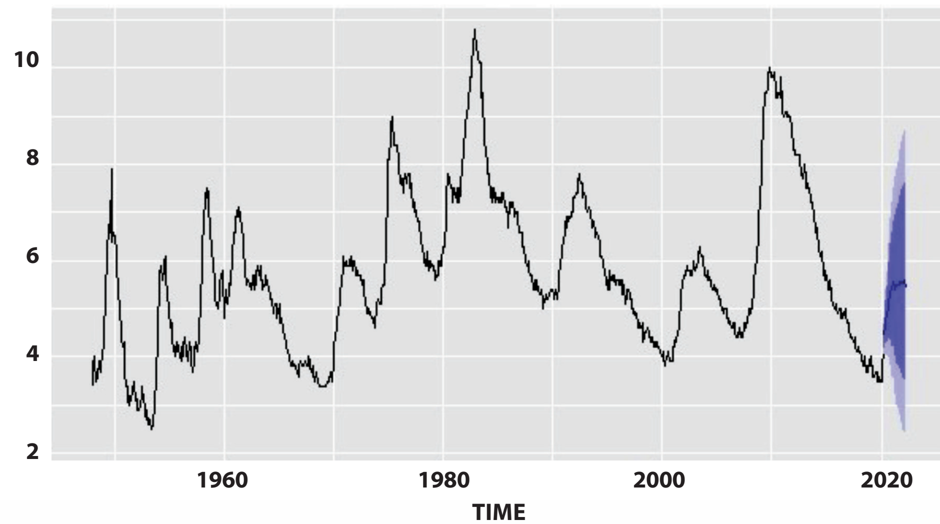
Specifically, several economists predict that the standard unemployment rate (u-3) will rise between 7%-15% in the second quarter of 2020. The Economic Policy Institute states the "implied" unemployment rate will grow to 15.6% by July 2020.

Other forecasts of U-3 unemployment rate indicate a steady climb over a 24 month period. At the highest range it is predicted that the unemployment rate will climb to over 8.5%.

U.S. UNEMPLOYMENT RATE WITH 24 MONTH FORECAST

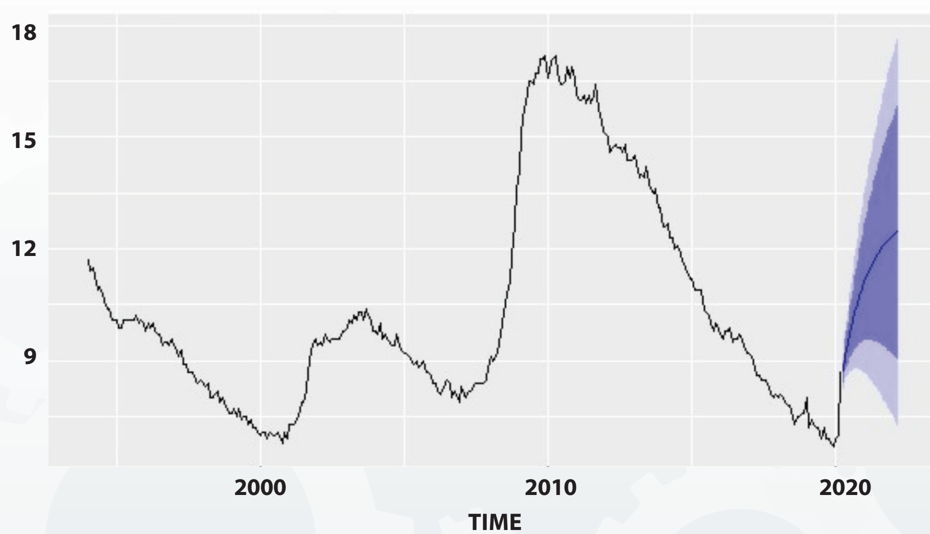
The numbers will more than likely increase at a more robust rate once April unemployment numbers are incorporated in the future forecast.

FIGURE 4 | U.S. Unemployment Rate and 24 month Forecast



Forecast for U-6 unemployment rates shows that at its highest range, the rate matches Great Recession levels.

FIGURE 5 | U.S. Underemployment Rate (U-6) and 24 month Forecast



As stated previously, the current unemployment numbers does not fully capture the full effects of COVID-19. Data in April and May will give a better idea of its impact.