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Labor Pains

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The Bank of England has projected the COVID-19 pandemic will cause GDP for the United Kingdom to decline 14% this year. That's the worst economic performance in more than three *centuries*.

In 1706 (when the Bank of England was twelve years old) Great Britain was a very different place. With the Industrial Revolution fifty years in the future, the agricultural-based economy was devastated by wars and weather. The union with Scotland was still a year away, and Twinings had just manufactured its first tea bag.

Fast forward, across the pond the US economy has been similarly slammed with shocking labor numbers. From what seems now like an alternative universe, unemployment went from 3.7% at year-end 2019 to 14.7% today. And worsening.

The precipitous nature of this downturn has been astounding. As our *Chart of the Week* (thanks to S&P Global Ratings) illustrates, it took nine years to add 21 million US workers to payrolls; COVID-19 wiped them out in two months. No wonder given how quickly businesses were forced to close.

This brings total employment down to 51% – a record low – from 61% in February. The number might actually be lower, since a significant number of workers called themselves "absent from work for other reasons," yet were actually out of work.

The good news is 18 million of the unemployed self-classified as "temporarily laid off." That represents almost 80% of the newly out of work. So there's hope once US businesses emerge from lock-down, labor metrics recover as quickly as they tanked.

Data show industries affected are on the front-line of the pandemic battle. Leisure, hospitality, and food services represented more than one-third of April's job losses, per S&P. Other related declining sectors included arts, entertainment, and recreation.

Education and health services employment shrunk by 2.5 million. These included physicians' and dentists' offices and "other healthcare practitioners. Retail-related job hits last month amounted to 2.1 million. This mostly originated from clothing stores, auto dealers, and furniture and home furnishing outlets.

Warehouse clubs and supercenter stores, on the other hand, showed gains of almost 100 thousand jobs.

S&P economists forecast unemployment will worsen this month, then begin showing slight improvement by the end of the second quarter. By year-end 2020 the outlook is for joblessness to climb back up to "near 8%."

That climb will be anything but a straight line. It's clear from fraught discussions to open up the nation's commercial activity there are complexities no one envisioned. Not the least of which will be consumer willingness to jump back into the "non-line" marketplace.