

Economic Indicator — February 4, 2021

## Another Drop in Claims Adds to Slowly Brightening Labor Picture

### Summary

The 33K drop in jobless claims to a nine-week low of 779K adds to the evidence that the labor market's recovery is getting back on track. Tomorrow's jobs report is likely to further suggest that the worst of the winter-slowdown may already be behind us.

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## Drifting Lower

New filings for unemployment insurance fell for a third straight week at the end of January, dropping 33K to 779K. As we move further away from the volatility surrounding the end-of-year holidays, the trend is becoming clearer: the pace of layoffs is easing once again. Although not seasonally adjusted, claims under the Pandemic Unemployment Assistance program fell by 55K to a total of 349K.

Continuing claims for regular state benefits continued to fall for the week ending January 23, while recipients under all programs, including extended benefits, fell by 486K the week ending January 16 (most recent available). While that suggests some unemployed persons may be getting back to work, some of the decline may also be symptomatic of gaps in coverage surrounding programs being extended at the last minute in December.

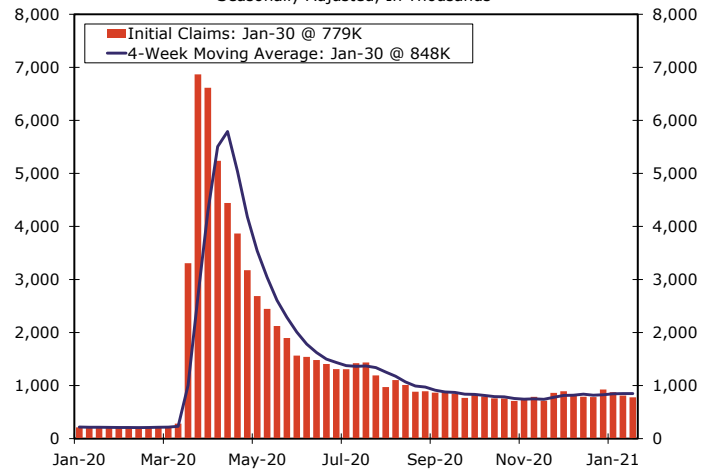
## Payrolls to Show Further Evidence of Jobs Market Getting Back on Track

The decline in new claims in recent weeks adds to the evidence that the worst months for the labor market could very well be behind us. Hiring picked up more than expected in January according to the ISM surveys and ADP reports, while job postings according to Opportunity Insights also turned higher in January. Vaccinations have been gathering pace and more fiscal support has started to find its way into the economy, with [likely more to come](#).

Still, tomorrow's employment report is likely to show that the labor market remains in a delicate position. We expect to see job growth of around 60K in January. That barely puts a dent in the 9.84M job deficit since February. However, considering the backdrop of the weeks leading up to the survey—record hospitalizations, ongoing restrictions and uncertainty that another major relief package would make it across the finish line—a resumption in hiring would show the recovery is getting back on track.

### Initial Jobless Claims

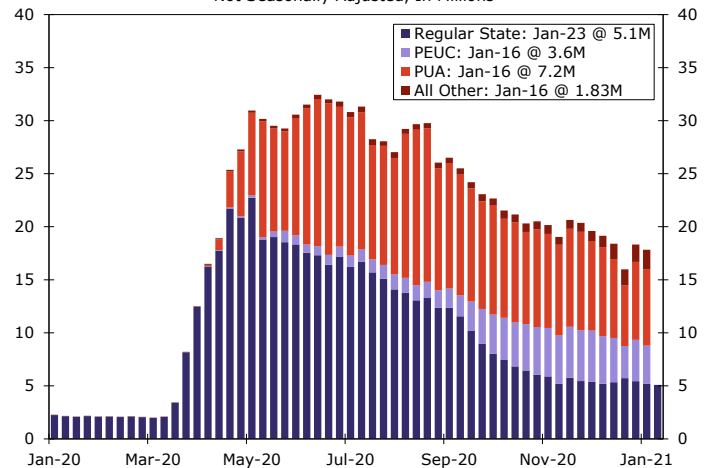
Seasonally Adjusted, In Thousands



Source: U.S. Department of Labor and Wells Fargo Securities

### Continuing Claims for Unemployment

Not Seasonally Adjusted, In Millions



Source: U.S. Department of Labor and Wells Fargo Securities

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