

## **ShadowStats Flash Commentary, Issue No. 1435**

**April 2020 Employment, Unemployment and Money Supply**

**May 9, 2020**

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**Headline April 2020 Unemployment Really Was Around 20%, Not 15%**

**Bureau of Labor Statistics  
Disclosed Erroneous Unemployment Surveying for a Second Month**

**About 7.5 Million People in the April Household Survey Were Misclassified as  
Employed Instead of Unemployed, per the BLS**

**Headline April U.3 Unemployment at 14.7%, Should Have Been 19.5%**

**The BLS Had Disclosed the Same Surveying Error Last Month;  
Where Headline March 2020 U.3 Was 4.4%, It Should Have Been 5.3%**

**Per the BLS, Headline Data Will Not Be Corrected:  
“To maintain data integrity, no ad hoc actions are taken to reclassify survey responses.”**

**Nonetheless, Headline April Unemployment Soared to Historic Highs from March:  
U.3 from 4.4% to 14.7%, U.6 from 8.7% to 22.8% and ShadowStats from 22.9% to 35.4%**

**More Realistic, Those Same Unemployment Numbers, Corrected:  
U.3 from 5.3 % to 19.5%, U.6 from 9.6% to 27.7% and ShadowStats from 23.7% to 39.6%**

**April 2020 Payrolls Collapsed by an Unprecedented 20.5 Million Jobs**

**Annual Growth in April 2020 Money Supply Measures Soared to Historic Highs**

**U.S. Economic Activity Has Collapsed to Great Depression Levels, with the  
Federal Reserve Creating Unlimited Money**

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## Overview

**Meaningful Number of “Unemployed” Have Been Misclassified as “Employed”**

**Nonetheless April Headline Labor Details Looked Like the Great Depression**

**Fed’s Money Creation Continues to Explode as Economic Activity Implodes**

**Collapsing April Labor Numbers and Continued Explosive Money Supply Growth.** Today’s *Flash Commentary, Issue No. 1435* reviews the unstable headline April 2020 Unemployment and Payroll Employment reporting, beginning on *Page 4*, and briefly updates surging annual Money Supply growth in the month of April, beginning on *Page 14*. Both circumstances are extremely negative, particularly in combination, foreshadowing a potential Hyperinflationary Great Depression. That circumstance will be reviewed extensively in the long-pending *Special Hyperinflation Commentary, Issue No. 1436* of the week ahead.

*For the Benefit of Subscribers, New Circumstances Are Highlighted in the [Daily Update](#).* Rapidly shifting headlines, reporting details, intervening events, unusual developments and schedule changes—all are covered regularly in the *Daily Update* section of the [ShadowStats Home Page](#).

For recent and evolving economic, market and systemic assessments, see [Special Commentary, Issue No. 1429](#) (Pandemic and FOMC Panic), [Special Commentary, Issue No. 1430](#) (Continuing Crisis), [Flash Commentary, Issue No. 1431](#) (Cass Freight Index®), [Flash Commentary, Issue No. 1432](#) (Key Economic Indicators), [Flash Commentary, Issue No. 1433](#) (Retail Sales Benchmarking and Pre-Pandemic Slowdown) and [Flash Commentary, Issue No 1434](#) (First-Quarter 2020 GDP).

**Please call me any time, with questions on current circumstances, or if you just would like to talk, at (707) 763-5786. Leave a message if your call goes to Voicemail. I shall be back to you.**

**Your questions and comments always are welcomed. Again, please contact:  
John Williams (707) 763-5786, [johnwilliams@shadowstats.com](mailto:johnwilliams@shadowstats.com)**

## April Household and Payroll Employment Surveys

**Headline April U.3 of 14.7% Really Was 19.5% per the Bureau of Labor Statistics**

**New Claims Confirmed 20% to 21% April Unemployment and Signal 30% for May**

**April Payroll Employment Plunged by 20.5 Million**

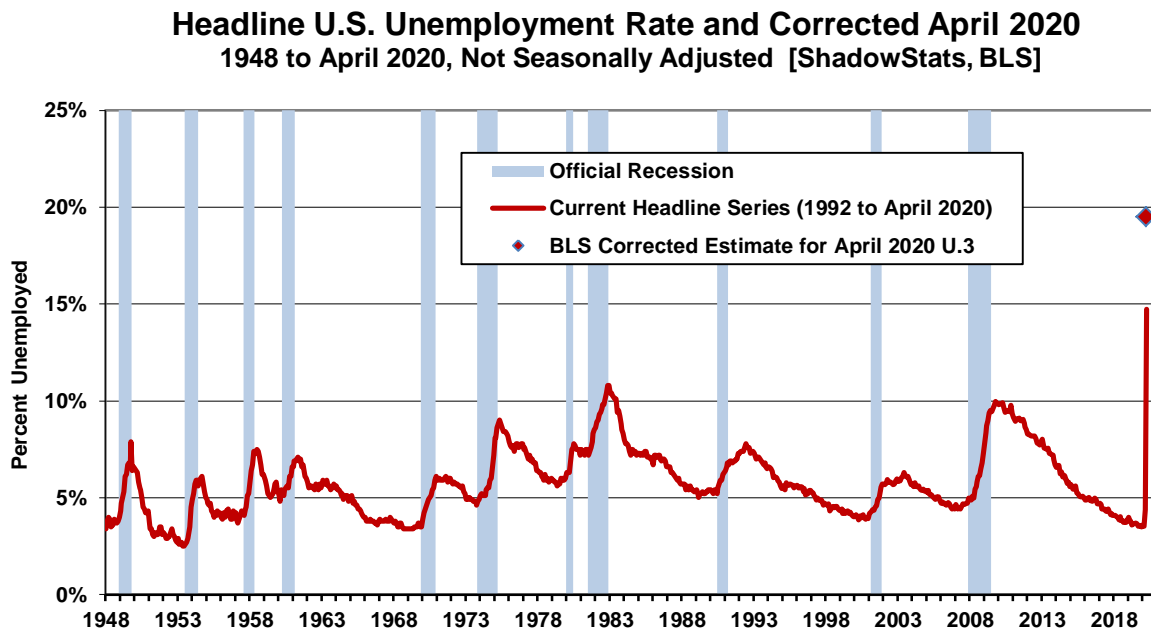
**April Household Survey Misclassified 7.5 Million Unemployed People as Employed; Nonetheless, Headline U.3 Unemployment of 14.7% Was the Highest in the History of Series (Since 1948); April 2020 Payrolls Collapsed by 20.5 (-20.5) Million, Worst in the History of the Series (Since 1939).** The headline April 2020 unemployment spikes and the payroll employment plunge were the worst ever seen in the history of those series, effectively at levels not seen since the Great Depression.

*Per the BLS, April U.3 Unemployment Should Have Been 19.5%, Instead of the Headline U.3 of 14.71%, Which Was Minimalized by Household Survey Surveying Errors.* Reported May 8th by the Bureau of Labor Statistics (BLS), all was not quite as indicated in the headline reporting of the April U.3 Unemployment Rate at 14.71% (up from 4.38% in March). The BLS separately reported that substantive Household Survey employed/unemployed classification errors continued for a second month. A more proper U.3 accounting, per the BLS, showed April Unemployment of 19.5% (up from 5.3% in March). As detailed in the following section: ***BLS Explanation of 7.5 Million “Unemployed” People Being Counted as “Employed,”*** the Household Survey was conducted in April, where a meaningful number of surveyed “Unemployed” individuals (7.5 million in April) were classified mistakenly as “Employed.” The BLS goes on to estimate that corrected classifications would have shown a headline U.3 unemployment rate of 19.5% in April, instead of the current 14.7%. In like manner, headline unemployment in March would have been 5.3% instead of 4.4%.

As noted below, however, the BLS will not correct its headline numbers formally, because: “... according to usual practice, the data from the household survey are accepted as recorded. To maintain data integrity, no ad hoc actions are taken to reclassify survey responses.”

That’s nice. Look at ***Graph 1***. It plots the full history of the headline Unemployment Rate from 1948, up to the April 2020 14.7% headline reading. The diamond marker reflects the more-accurate 19.5% headline level, as suggested by the BLS corrective analysis. Consider that the headline April U.3 is the highest-ever reading for the series, by about five percentage points, except for the “corrected” number, which would be the highest ever by about ten percentage points. This is not a minor error. If I were the head of the BLS, not only would I find a way of correcting the meaningfully bad headline numbers, but also make sure that current surveying techniques were fully understood by the people in the field, before next week’s surveying of May unemployment begins. A headline or “corrected” May 2020 unemployment rate of about 30% lies in the balance.

**Graph 1: Headline Monthly Unemployment Rate 1948 to April 2020**



## BLS Explanation of 7.5 Million “Unemployed” People Being Counted as “Employed”

### Headline April 2020 U.3 Was 19.5% Instead of the Reported 14.7%

From [BLS Press Release – April 2020 Employment Situation](#), beginning on page 5, fourth paragraph of:

#### Coronavirus (COVID-19) Impact on April 2020 Establishment and Household Survey Data

... In the household survey, individuals are classified as employed, unemployed, or not in the labor force based on their answers to a series of questions about their activities during the survey reference week (April 12th through April 18th). Workers who indicate they were not working during the entire survey reference week and expect to be recalled to their jobs should be classified as unemployed on temporary layoff. In April, there was an extremely large increase in the number of persons classified as unemployed on temporary layoff.

However, there was also a large increase in the number of workers who were classified as employed but absent from work. As was the case in March, special instructions sent to household survey interviewers called for all employed persons absent from work due to coronavirus-related business closures to be classified as unemployed on temporary layoff. However, it is apparent that not all such workers were so classified.

If the workers who were recorded as employed but absent from work due to “other reasons” (over and above the number absent for other reasons in a typical April) had been classified as unemployed on temporary layoff, the overall unemployment rate would have been almost 5 percentage points higher than reported (on a not seasonally adjusted basis). However, according to usual practice, the data from the household survey are accepted as recorded. To maintain data integrity, no ad hoc actions are taken to reclassify survey responses.

**Extended detail and calculations followed [here](#):**

... One assumption might be that these additional 7.5 million workers who were included in the “other reasons” category should have been classified as unemployed on temporary layoff. If these 7.5 million people were to be considered unemployed on temporary layoff, the number of unemployed people in April (on a not seasonally adjusted basis) would increase by 7.5 million from 22.5 million to 30.0 million. The number of people in the labor force would remain at 155.8 million in April (not seasonally adjusted) as people move from employed to unemployed but stay in the labor force. The resulting unemployment rate for April would be 19.2 percent (not seasonally adjusted), compared with the official estimate of 14.4 percent (not seasonally adjusted). Estimates of people with a job but not at work are not available on a seasonally adjusted basis, so seasonally adjusted data, such as the unemployment rate mentioned in The Employment Situation news release, are not used in this exercise. (Repeating this exercise, but combining the not adjusted data on people with a job but not at work with the seasonally adjusted estimates reported in The Employment Situation news release yields a similar 4.8 percentage point increase in the unemployment rate for April—or 19.5 percent, compared with the official seasonally adjusted rate of 14.7 percent.)

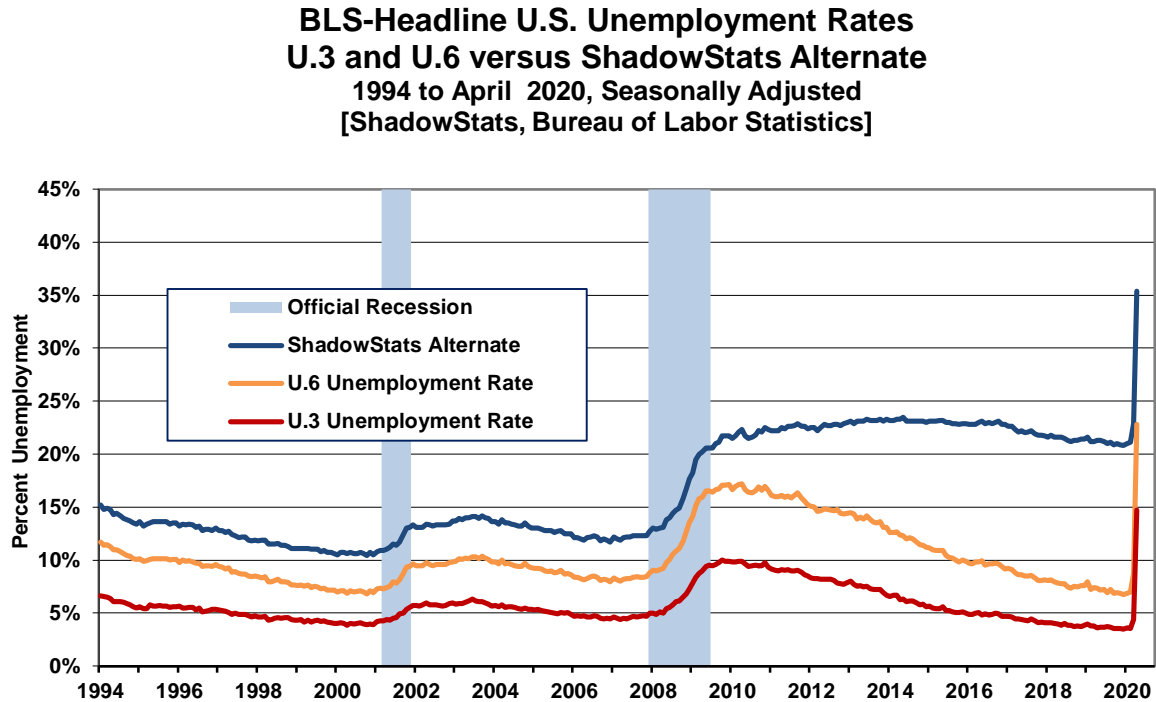
Since the BLS continues to publish its understated unemployment rates as the headline data, those rates are used for the ShadowStats posting of the numbers and the graph on the [ALTERNATE DATA TAB](#), also linked at the top of [www.ShadowStats.com](#) Home Page.

That said, where the understated headline U.3 flows through to U.6 and the ShadowStats Alternate Measure, such is detailed in accompanying *Table I*, and plotted in *Graph 2* for the “Headline” data, and *Graph 3* for the “Corrected” data.

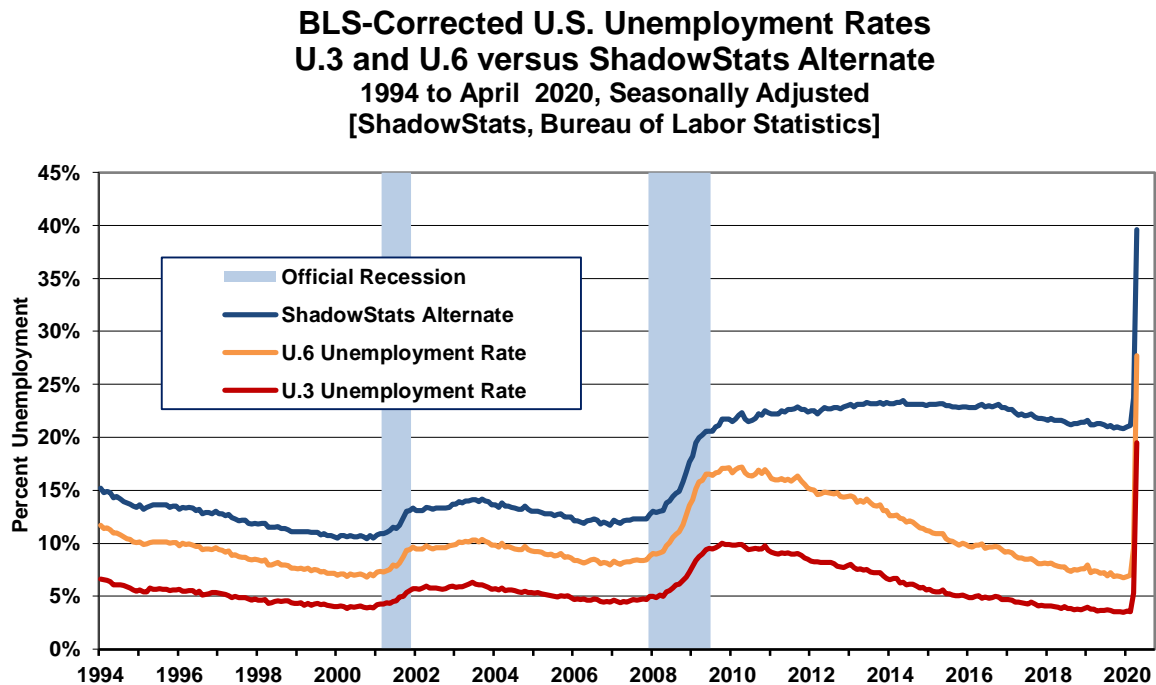
**Table I: Headline and “Corrected” Unemployment Estimates**

Headline Unemployment Rate vs. BLS “Corrected” or Based on BLS - “Corrected Estimate”			
Measure	Month		
	Feb '20	Mar '20	Apr '20
Headline U.3	3.5%	4.4%	14.7%
Corrected	--	5.3%	19.5%
Headline U.6	7.0%	8.7%	22.8%
Corrected	--	9.6%	27.7%
Headline ShadowStats	21.1%	22.9%	35.4%
Corrected	--	23.7%	39.6%
Sources: Bureau of Labor Statistics, ShadowStats			

**Graph 2: Headline Erroneous March and April U.3, U.6 and ShadowStats Alternate Unemployment Rates**



**Graph 3: BLS-and ShadowStats-Corrected March and April U.3, U.6 and ShadowStats Alternate Unemployment**

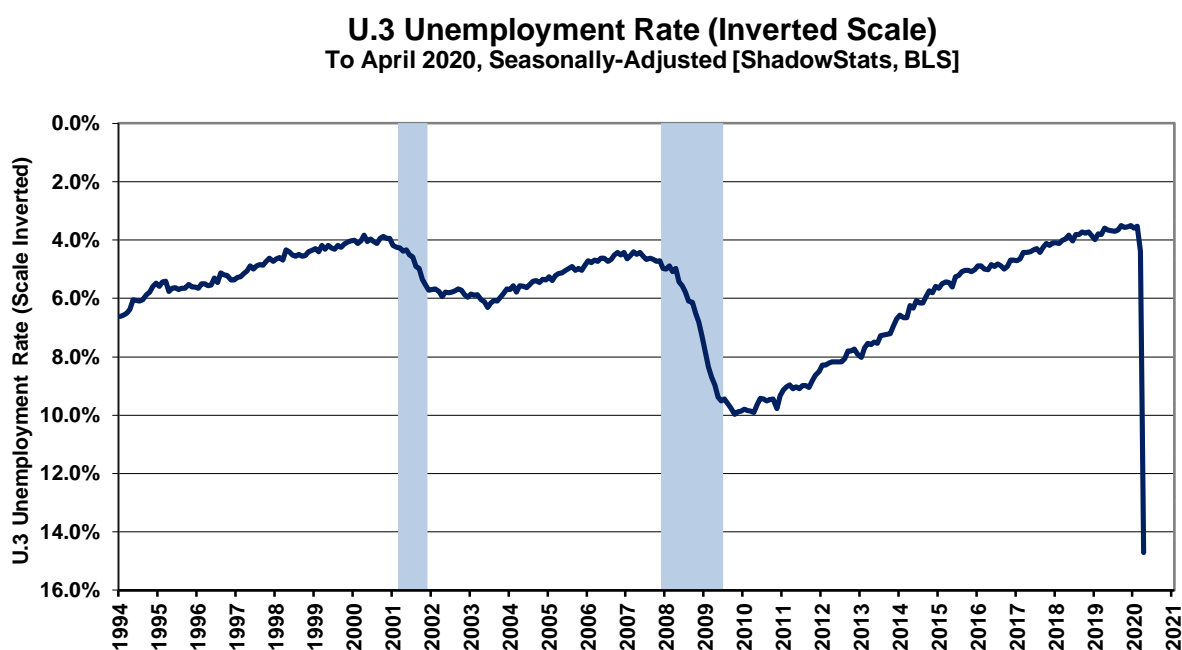




**Shadows Alternate Unemployment Rate Still Explains Labor-Market Stresses in the Employment-Population Ratio and Participation Rate Better Than the Headline U.3.** The recent (February) historically low U.3 unemployment at 3.2% (see **Graph 4**), consistent with a heavily hyped economic “boom,” never was consistent with high levels of employment stress and a headline ShadowStats Alternate Unemployment over 20%, which were signaling an Economy remaining in serious trouble, pre-Pandemic, never having recovered fully from the Great Recession.

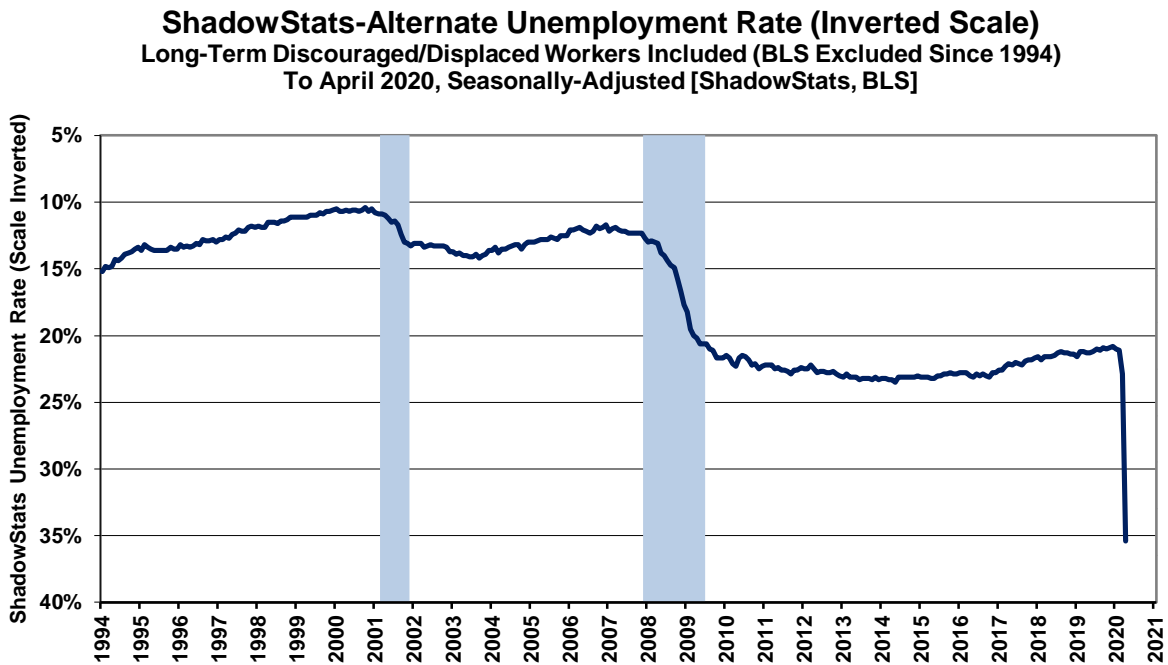
As the Pandemic crisis pummeled recent economic activity, headline ShadowStats Alternate Unemployment still has continued to reflect the pattern of mounting labor-market stresses more consistently than the heavily gimmicked headline U.3 unemployment. Such can be seen, by comparing **Graph 5** of the inverted-scale ShadowStats Alternate Unemployment Rate against **Graph 6** of the Employment-Population Ratio and **Graph 7** of the Participation Rate. Again, such is in contrast to **Graph 4** of the inverted-scale headline U.3 Unemployment Rate. The suggested underlying reality here remains that the headline economic boom into early 2020 never fully realized an economic recovery subsequent to the Great Recession, an area to be reviewed in pending **No. 1436**.

**Graph 4: Headline U.3 Unemployment Rate, Inverted Scale (1994 to April 2020)**

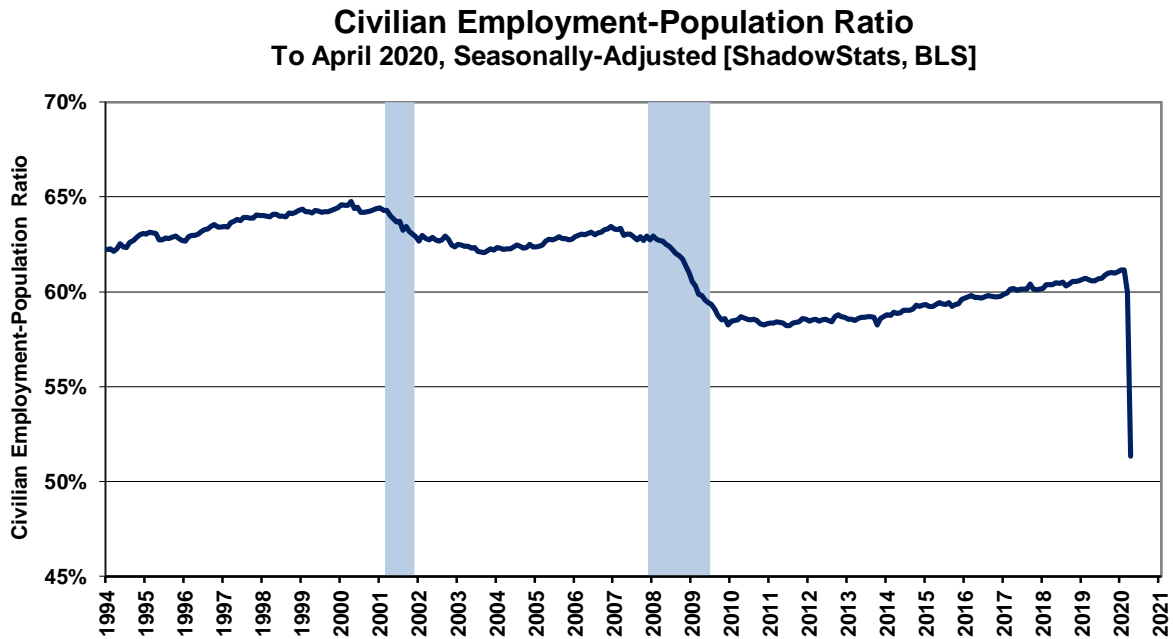


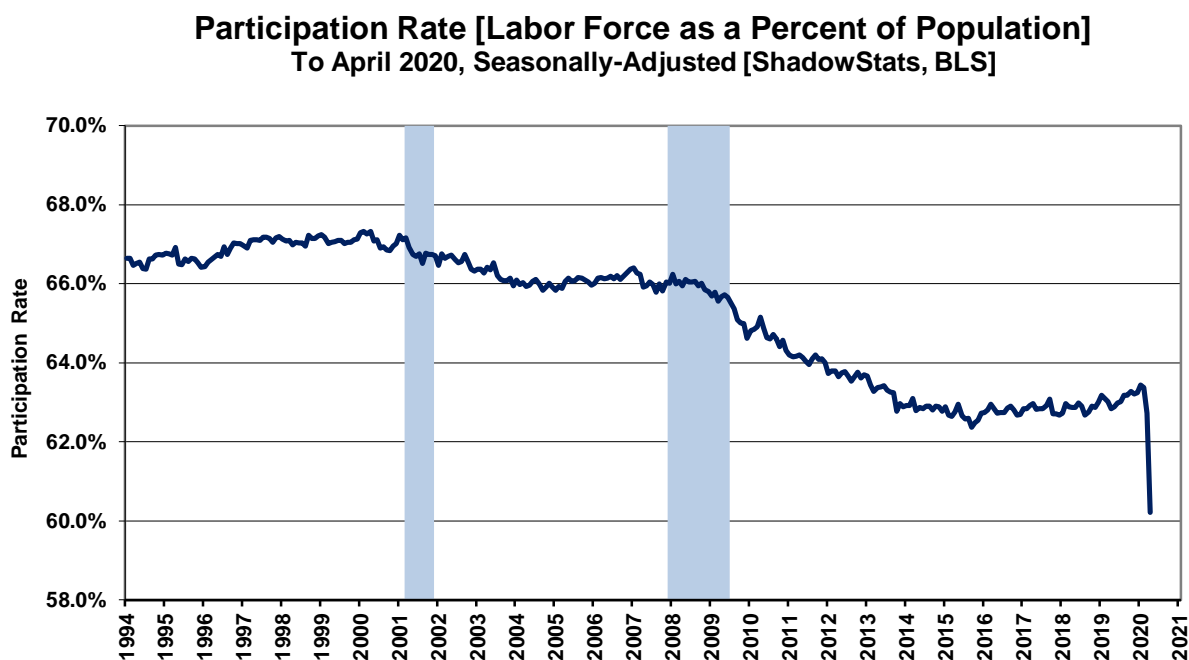


**Graph 5: ShadowStats Alternate Unemployment Rate, Inverted Scale (1994 to April 2020)**



**Graph 6: Civilian Employment-Population Ratio (1994 to April 2020)**



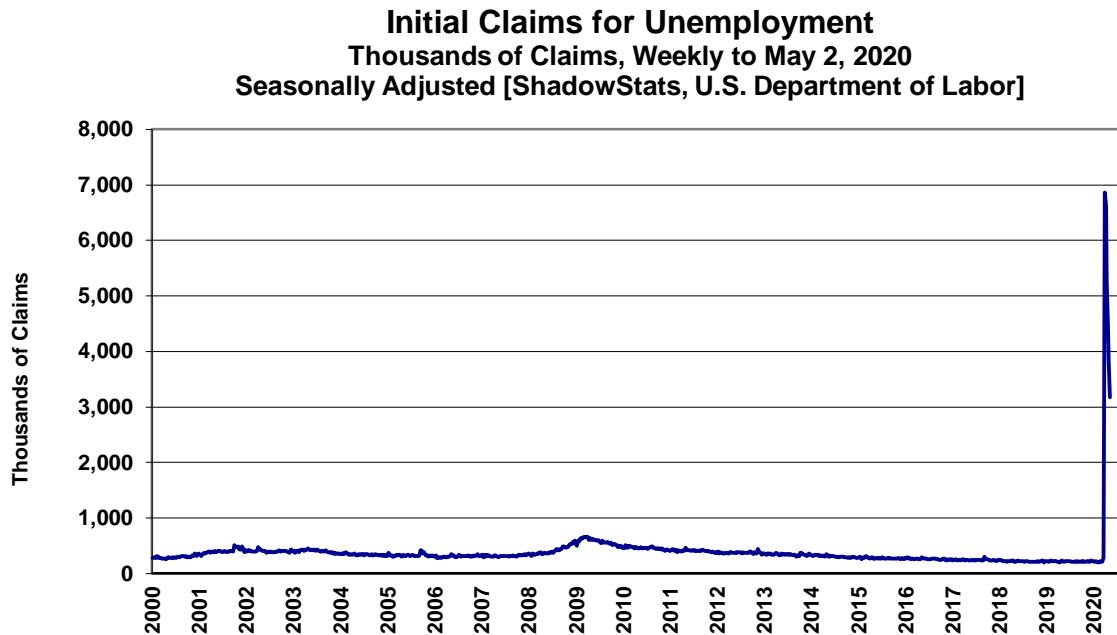
**Graph 7: Participation Rate (1994 to April 2020)**

**Latest Weekly New Claims for Unemployment Insurance Jumped by 3.2 Million, an Aggregate Surge of 33.5 Million Since Mid-March, Consistent With May 2020 U.3 Unemployment of 30%.**

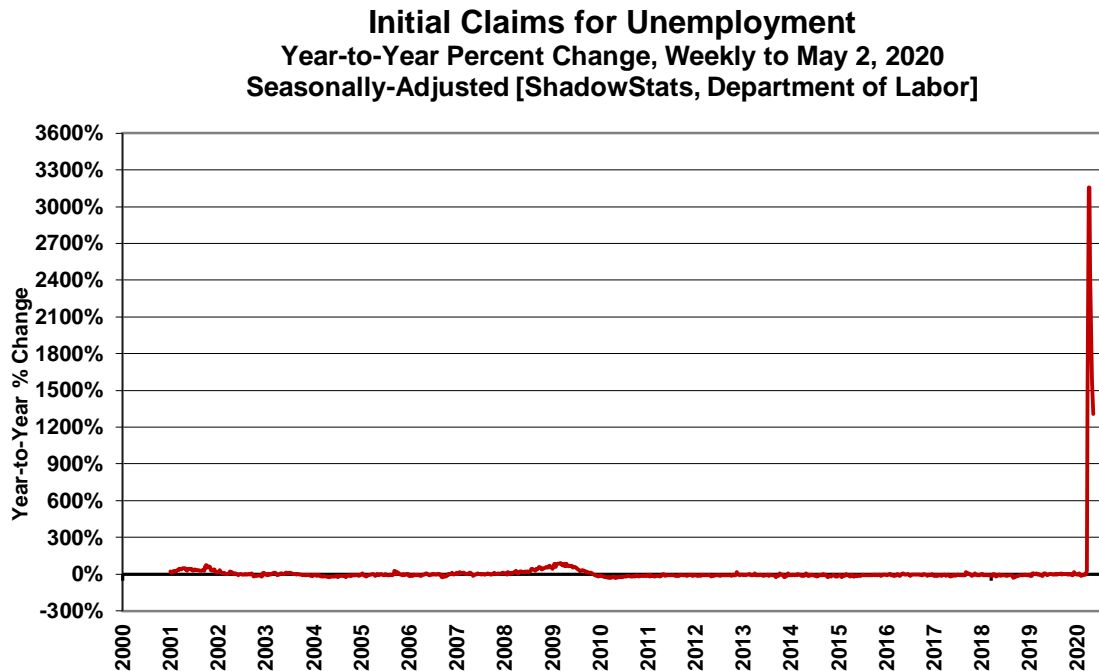
Reported by the Department of Labor on May 7th, week-ended May 2nd Unemployment Claims continued to surge at a slowing pace, up by 3.168 million, versus an upwardly revised gain of 3.846 [previously 3.839] million the prior week, and up by 1308% against 225,000 New Claims in the year-ago week, as reflected in **Graphs 8 and 9**. The numbers continued to indicate May 2020 U.3 Unemployment could top 30%, and remained consistent with an April U.3 of about 20% to 21% (see the earlier April 2020 Unemployment comments). Although the pace of the weekly surge is slowing, a new round of secondary furloughs is on the rise, and the Insured Unemployment count continues to jump each week, with the May 2nd week reading another “highest in history,” continuing to expand beyond the Great Recession Peak.

**[Graphs 8 and 9 follow on the next page.]**

**Graph 8: Initial Claims for Unemployment Insurance Through Week-Ended May 2, 2020**



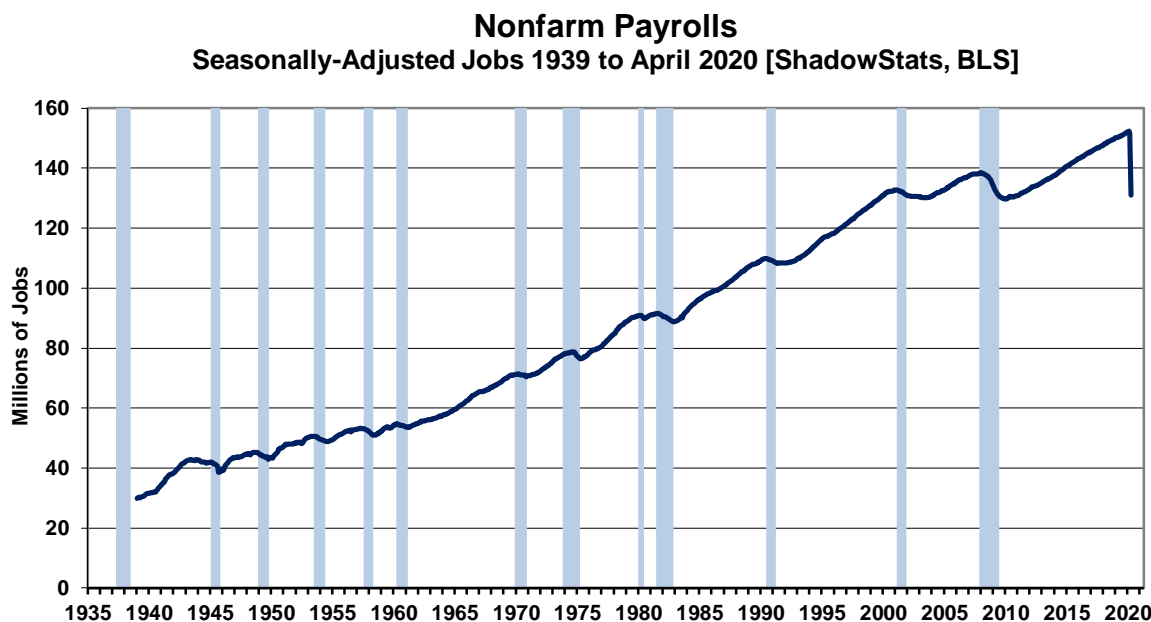
**Graph 9: Year-to-Year Change in Initial Claims Through Week-Ended May 2, 2020**



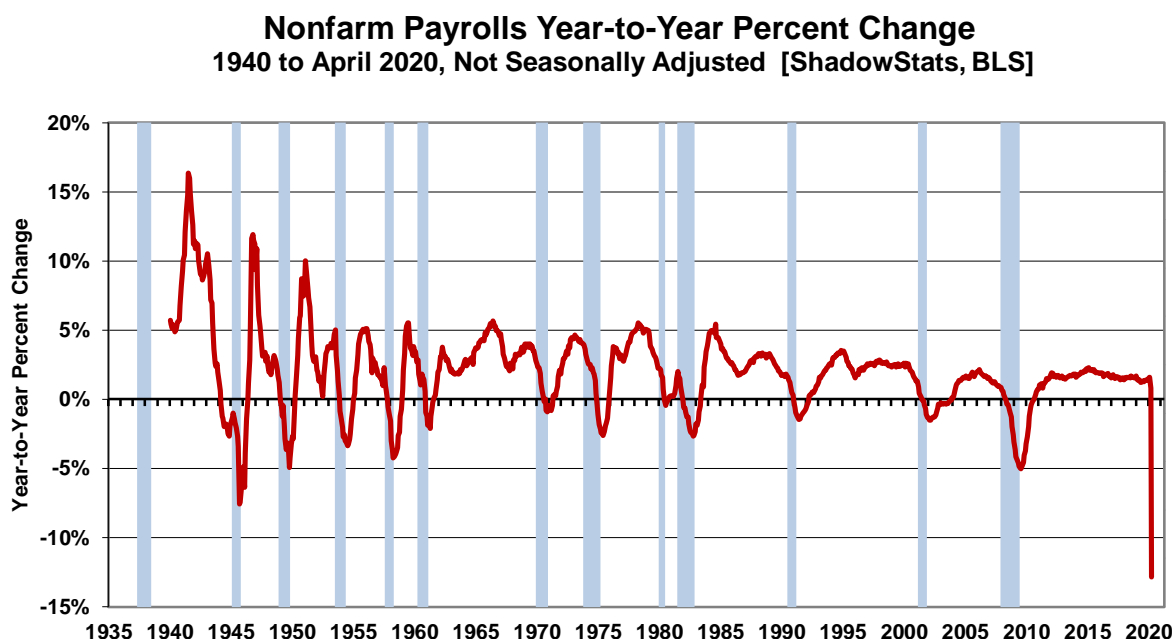
## April Monthly Payroll Employment Plunge of 20.5 Million Was Worst Ever

**Pandemic Induced Payroll Plunge Slashed 20.5-Million Jobs in April, Taking Payrolls into an Unprecedented Annual Decline of 12.9% (-12.9%), Having Gained 0.8% in March.** The steepest-ever decline in Payroll Employment activity is plotted here in *Graphs 10 to 13*.

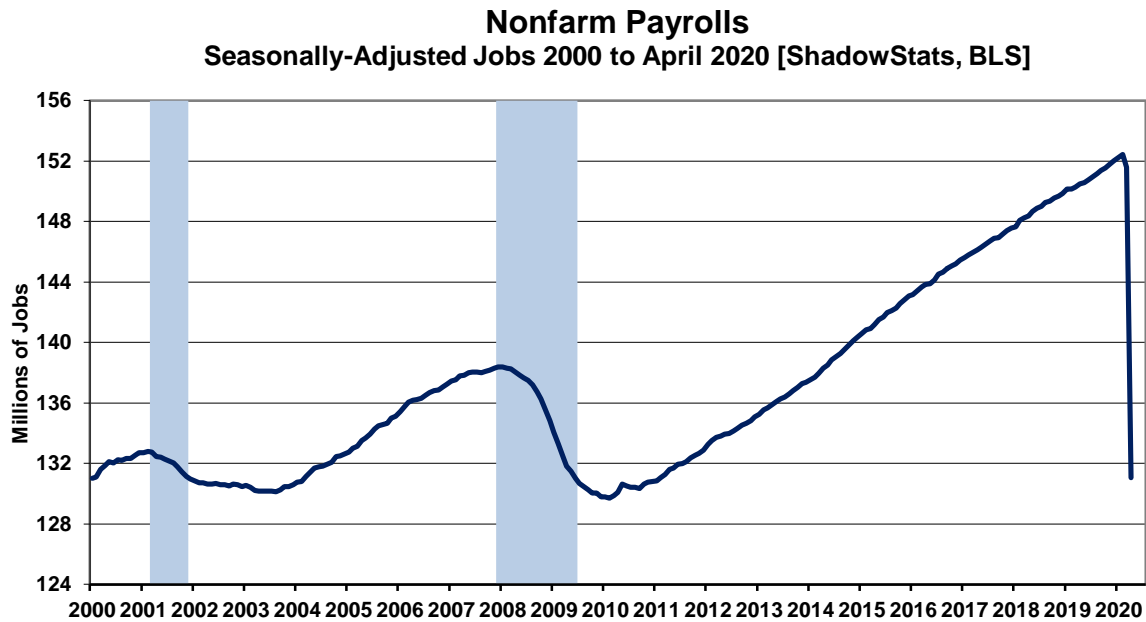
**Graph 10: Headline Nonfarm Payroll Employment 1939 to April 2020**



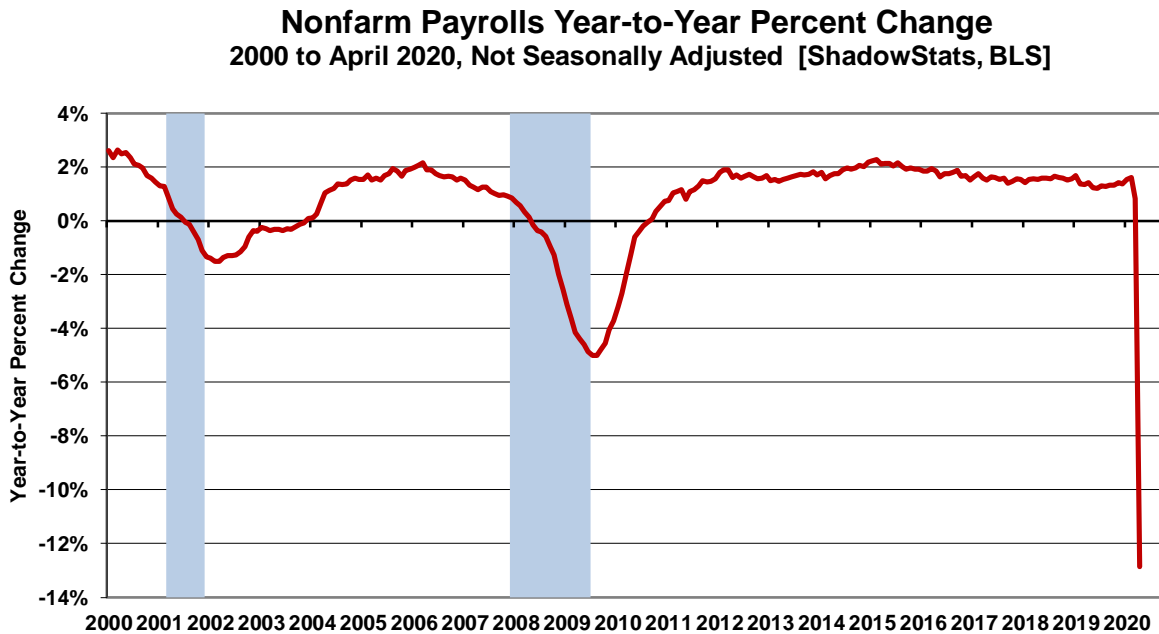
**Graph 11: Headline Nonfarm Payroll Employment 1939 to April 2020, Year-to-Year Change**



**Graph 12: Headline Nonfarm Payroll Employment 2000 to April 2020**



**Graph 13: Headline Nonfarm Payroll Employment 2000 to April 2020, Year-to-Year Change**



## Ever-Surging Money Supply Growth Promises Inflation

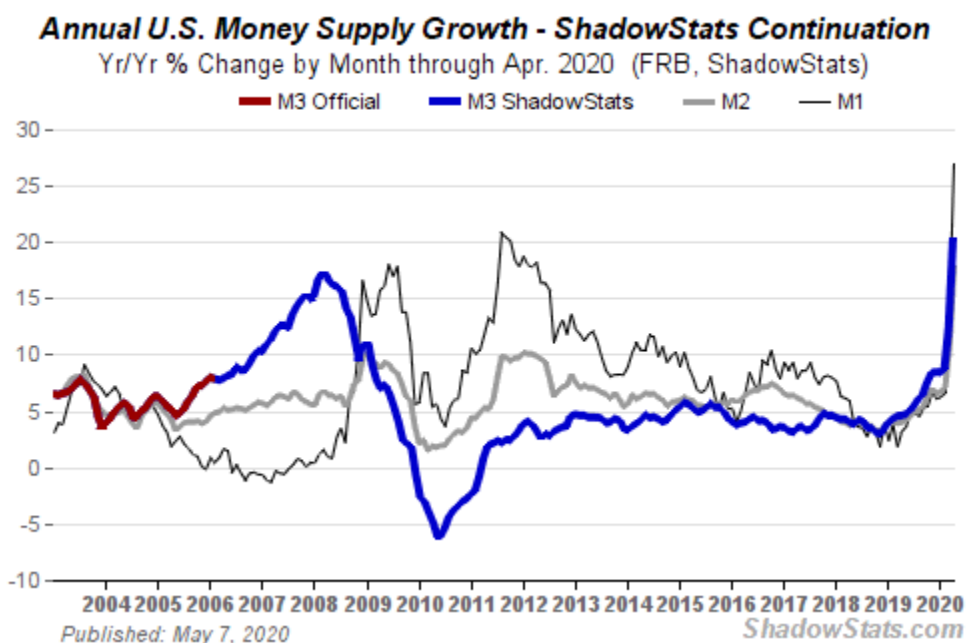
### FOMC and the Updated Money Supply

#### Initial Estimates of Annual Growth in April M1, M2 and ShadowStats Alternate M3 at Historic Highs

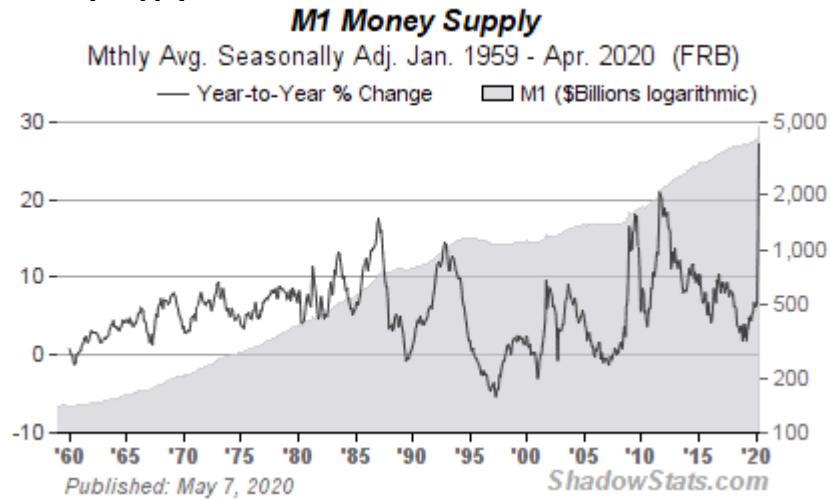
**FOMC's Expansive Money Policies and the Targeted 0.00% to 0.25% Fed Funds Rate Will Continue for the Duration of the Pandemic.** Systemic turmoil is just beginning as the Fed and U.S. Government continue to drive uncontrolled U.S. dollar creation. The April 29th FOMC Statement confirmed, as did Fed Chairman Powell at his April 29th FOMC Press Conference, that current policies will continue, "... until we're confident the economy is solidly on the road to recovery." Such is in the context of exploding, record annual growth in April 2020 Money Supply (M1 at 27%, M2 at 18% and ShadowStats M3 at 20%), unlimited liquidity creation and a Fed Funds range of 0.00% to 0.25%.

Noted regularly in the *Daily Update Section* on the [www.ShadowStats.com](http://www.ShadowStats.com) home page, successive weekly Federal Reserve Money Supply and related series have shown continual, soaring annual growth rates, at successive historic highs. Following *Graphs 14 to 17*, plot the various annual growth measures through the fourth week of April 2020 (an initial monthly estimate) for Money Supply M1, M2 and the ShadowStats M3 Alternate. The plots and data seen here are kept current on the [ShadowStats Alternate Data Tab](#), in advance of the expanded Monetary Policy discussion pending in *ShadowStats Special Hyperinflation Commentary, Issue No. 1436*.

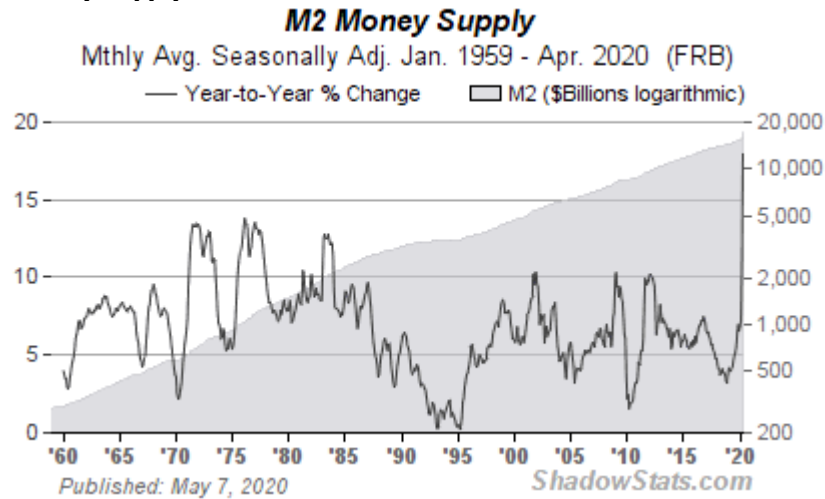
**Graph 14: Money Supply, Monthly Year-to-Year Growth to Initial Estimate of Full April 2020**



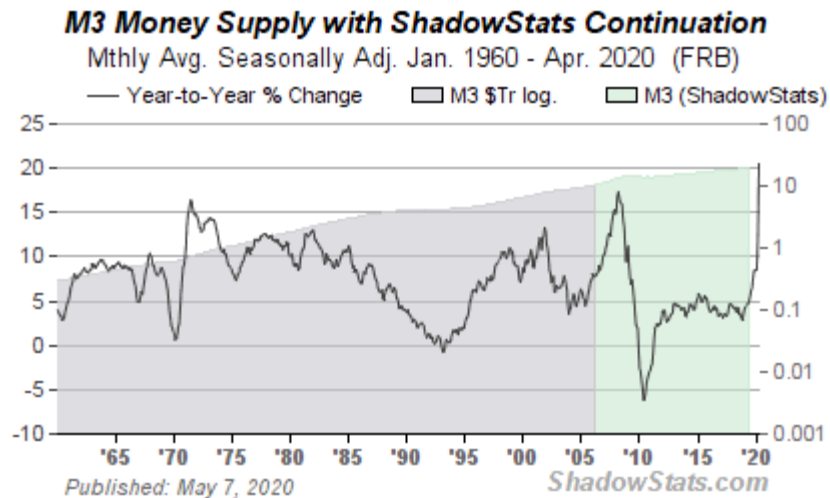
**Graph 15: Historical M1 Money Supply**



**Graph 16: Historical M2 Money Supply**



**Graph 17: Historical M3 Money Supply**

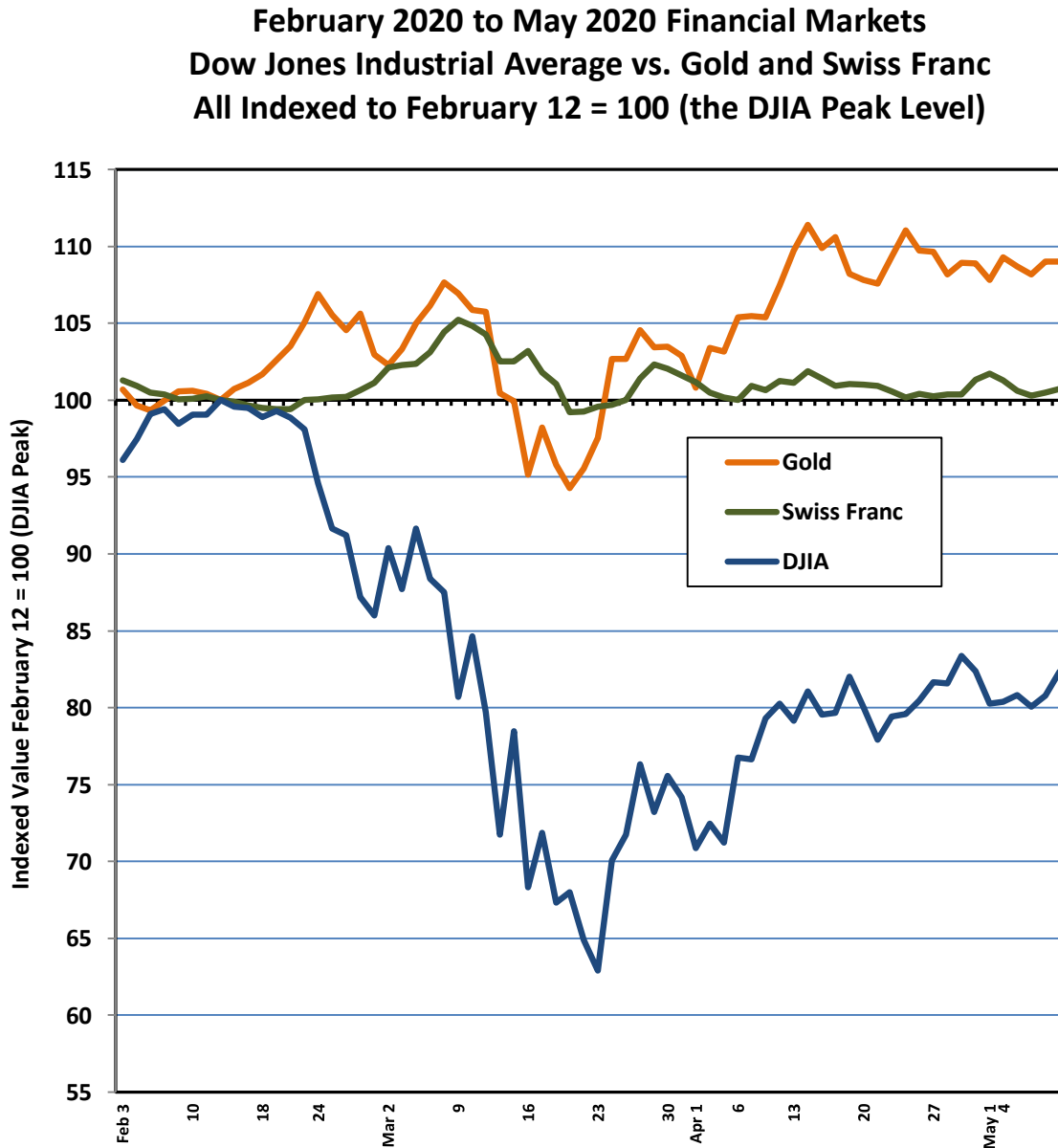




## Updated Financial Markets to May 8, 2020

### Physical Gold and Swiss Franc Continue to Protect U.S. Dollar Purchasing Power

**Graph 18: February to May 2020 Financial Markets -- Scale: Feb. 12 = 100, Day of DJIA All-Time High Close**



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