

Initial Jobless Claims Rose to 247K in the Week Ending 5/31. Continuing Claims Edged Down to 1.904 million in the Week Ending 5/26, the Second Straight Week Above 1.9 Million.

- Initial jobless claims rose by 8,000 to 247,000 in the week ending May 31.
- The four-week moving average of initial claims rose by 4,500 to 235,000 in the week ending May 31.
- Continuing unemployment insurance claims fell by 3,000 to 1.904 million in the week ending May 24.
- The labor market is starting to soften this year as the pace of job growth slows.

Initial claims for unemployment insurance rose by 8,000 to 247,000 in the week ending May 31, the highest level since early-October 2024. The four-week moving average of initial claims, which smooths out some of the weekly volatility, rose by 4,500 to 235,000 in the four weeks ending May 31, near the top of a 213,000 to 238,000 range in the past eight months.

Continuing unemployment insurance claims fell by 3,000 to 1.904 million in the week ending May 24, the second straight week above 1.9 million. The four-week moving average of continuing claims rose by 8,000 to 1.895 million, the highest level since late-November 2021 suggesting it is taking unemployed workers somewhat longer to find a new job. The insured unemployment rate edged down to 1.2 percent in the week ending May 24, the same rate as a year ago.

There is a growing but still small impact from the Department of Government Efficiency's layoffs of Federal government employees. Initial jobless claims filed by fired civilian Federal employees were 538 in the week ending May 24, down by 72 from the previous week. There were 6,719 continuing claims filed by fired civilian Federal employees in the week ending May 17, an increase of 341 from the previous week. This is below the 24,000 decline of Federal government employees in February, March and April combined (8,000 per month on average) according to the BLS. We expect similar size declines in May and June.

The Challenger Layoff report released this morning shows layoffs edged down by 11,000 in May to 94,000 but are still up by 47 percent from the same month last year. The largest contributor to layoffs was the services sector, followed by retail and tech industries. Hiring plans fell to 9,683 in May, down from 16,191 in May 2024. Announced layoffs in the first five months of the year are at their highest since 2020. This is in large part due to a surge in job cut announcements in March due to the Department of Government Efficiency's agency restructuring efforts. Excluding government, private sector layoffs have risen 18% on the year, as the labor market slows.

This Challenger May layoff report along with the latest initial jobless claims data provide a glimpse into the May employment report to be released tomorrow morning (June 6) by the Bureau of Labor Statistics (BLS). While the four-week moving average of initial claims is still low, it climbed by about 10,000 between the April and May payroll reference periods, suggesting somewhat higher layoffs will be a moderate drag on employment growth in May. Also, the ADP private sector report showed only a 37,000 rise in jobs in May, which signals slower hiring.

We expect a rise of 135,000 payroll jobs in May in the BLS report which is slightly smaller than the 144,000 monthly average rise in the first four months of this year. We expect the May unemployment rate remained at 4.2 percent and average hourly wages rose by 0.3 percent, bringing the year-over-year rise down slightly to 3.7 percent. This slower pace of job gains reflects a softening of the labor market which we expect to persist for the remainder of this year.

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