



July 31, 2025

Initial Jobless Claims Edged Up to 218K in the Week Ending 7/26 and Continuing Claims Held Steady at 1.946 million in the Week Ending 7/19. The Labor Market is Softening.

- Initial jobless claims rose by only 1,000 to 218,000 in the week ending July 26.
- The four-week moving average of initial claims dropped by 3,500 to 221,000 in the week ending July 26.
- Continuing unemployment insurance claims remained unchanged at 1.946 million in the week ending July 19.
- The labor market is starting to soften as the pace of job growth slows which will persist for the rest of the year.

Initial claims for unemployment insurance edged up by 1,000 to 218,000 in the week ending July 26. The four-week moving average of initial claims ending July 26, which smooths out some of the weekly volatility, dropped by 3,500 to 221,000, back down into the lower half of a 213,000 to 240,000 range that had prevailed for the previous eight months, after rising above the top of that range in the first half of June. Initial and continuing claims in the week ending July 26 were moderately below the same week a year ago.

Continuing unemployment insurance claims held steady at 1.946 million (revised down from 1.955 in the previous week) in the week ending July 19. The four-week moving average of continuing claims ending July 19 fell by 3,000 to 1.949 million from a slightly revised down 1.952 million in the previous week. These levels are close to 80,000 above the same week a year ago and the highest levels since late-November 2021 clearly showing that it is taking unemployed workers somewhat longer to find a new job. The insured unemployment rate held steady at 1.3 percent in the week ending July 19, slightly above the same week a year ago.

There is a 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 772 in the week ending July 19, down by 67 from the previous week. There were 7,404 continuing claims filed by fired civilian Federal employees in the week ending July 12, an increase of 181 from the previous week. This is well below the 66,000 decline of Federal government employees in February, March, April, May and June combined (13,000 per month on average) according to the BLS. This suggests laid-off Federal government workers are finding jobs in the private sector.

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The July employment report will be released tomorrow morning at 8:30 EDT. We expect that total payroll jobs rose by about 95,000 and private payrolls rose by close to 130,000. In June, total payrolls jobs rose by 147,000 including an 63,000 rise in state and local education employment which was likely overstated by the difficulty of seasonally adjusting these jobs when schools are closing for the summer. We expect nearly one third of that job gain to be reversed in July along with a near 13,000 decline in Federal government jobs. Averaging-out June and July job gains shows a clearer picture of underlying total job gains which is close to 120,000 jobs per month and close to 105,000 jobs per month for private sector job gains. We expect the July unemployment rate edged up to 4.2 percent and average hourly wages rose by 0.3 percent, keeping the rise at 3.7 percent from a year ago. We also expect a complete reversal in July of the 0.3 percent decline in total hours worked in June. This would support the FOMC's statement from yesterday's meeting that "labor market conditions remain solid".

In summary, the declining level of initial claims for the past six weeks shows that employers are reluctant to lay-off workers but the large rise in continuing claims in the past eight weeks shows that employers are also reluctant to hire new workers. This combination is a clear sign that the labor market started softening in the late-spring and early-summer months which we expect to persist for the rest of this year.

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