Initial jobless claims rose by 8k to 237k in the week ending 8/30 and continuing claims fell by 4k to 1.940 million in the week ending 8/23. The labor market is clearly softening.

Headlines

- **Initial jobless claims rose by 8,000 to 237,000 in the week ending August 30, slightly above market expectations.** The four-week moving average of initial claims edged up by 2,500 to 231,000.
- **Continuing unemployment insurance claims fell by 4,000 to 1.940 million in the week ending August 23.** This is just below the highest level of continuing claims since late 2021 when the economy was still recovering from the pandemic.
- **The ADP August private sector job rise was 54,000, somewhat less than expected.**
- **The labor market has softened as the pace of payroll job growth slowed in the past six months to 81,000/month and will weaken further during the rest of the year.**

Details

Initial claims for unemployment insurance rose by 8,000 to 237,000 in the week ending August 30, slightly above market expectations. The four-week moving average of initial claims ending August 30, which smooths out some of the weekly volatility, edged up by 2,500 to 231,000, moving up into the upper half of a 213,000 to 240,000 range that has prevailed during the past year, after temporarily rising above the top of that range in June. Initial and continuing claims were slightly above the same week a year ago.

Continuing unemployment insurance claims fell by 4,000 to 1.940 million in the week ending August 23 from a downward revised 1.944 million in the previous week (was 1.954 million). The four-week moving average of continuing claims ending August 23 fell by 7,000 to 1.947 million, near the highest level since late-2021. These levels are close to 90,000 above the same week a year ago, 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 August 23, slightly above the rate for same week from a year ago.

There is still a small impact from the Department of Government Efficiency's layoffs of Federal government employees. Initial jobless claims filed by fired civilian Federal employees were 515 in the week ending August 23, down by 73 from the previous week. There were 8,128 continuing claims filed by fired civilian Federal employees in the week ending August 16, a decrease of 328 from the previous week. This is well below the 84,000 decline of Federal government employees in February through July combined (14,000 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 BLS releases the August employment report tomorrow at 8:30 am EDT. PNC expects a rise of 85,000 payroll jobs. This includes a 5,000 rise in government employees with a 20,000 rise in the state and local governments jobs as schools reopen offsetting a 15,000 decline in Federal government jobs (DOGE). The unemployment rate should edge up to 4.3% as household jobs and the labor force both rise by near 100,000. Average hourly wages are expected to rise 0.3% in August and edge down to 3.8% year-over-year. This "soft" jobs report will reinforce a decision by the FOMC to cut its target Fed funds rate by 25 bps to a 4.00-4.25% target range at their September 17 meeting.

ADP's estimate of private sector payroll job gains in August is 54,000, somewhat less than market expectations, and only half of the rise in July. These estimates can vary widely from the private sector payroll job gains from the BLS for the same month, but from January-July 2025 the ADP estimate of private sector payroll was 85K/month compared to 84K/month from the BLS. Thus, ADP appears to be a reasonable estimate of the underlying trend in private sector payroll job growth.

According to the Challenger report released this morning, job cut announcements from U.S.-based employers increased in August to 85,979 and are up 13% on a year-ago basis. Only 11 of the 30 industries expressed a need for additional workers in August. The layoff total has risen 66% year-to-date compared to the same period last year and is the highest since the pandemic in 2020. The pharmaceutical, financial services, and tech industries led the layoffs in August, and were responsible for 58% of the job cut total. From January through August, the largest private industry contributor to job cuts was tech with 102,239 planned cuts (-3% y/y). Retail has the second most layoffs year-to-date, with 83,656 planned cuts (+242% y/y). Aside from DOGE actions, market/economic conditions are the leading cause of layoffs this year. Hiring plans are weakening and fell to the lowest for the month of August on record but are up about 10% in the eight months through August compared to the same period last year.

In summary, the relatively low levels of initial claims below 240,000 for the past eleven weeks shows that employers are reluctant to lay off workers, but the high levels of continuing claims above 1.935 million for the past thirteen weeks shows that employers are also reluctant to hire new workers. **This combination is a clear sign that the labor market was softer in the late-spring and summer months, which we expect to persist for the rest of this year.**

Figure 1: Initial Unemployment Insurance Claims (SA)

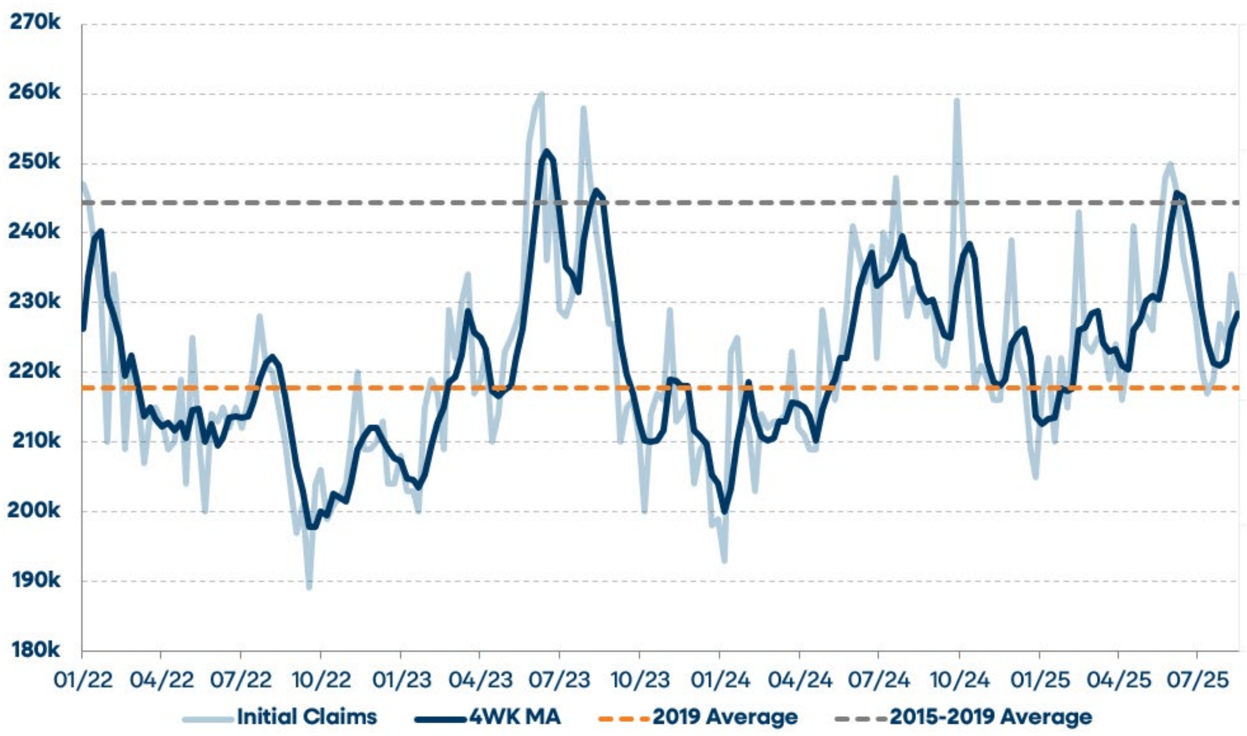
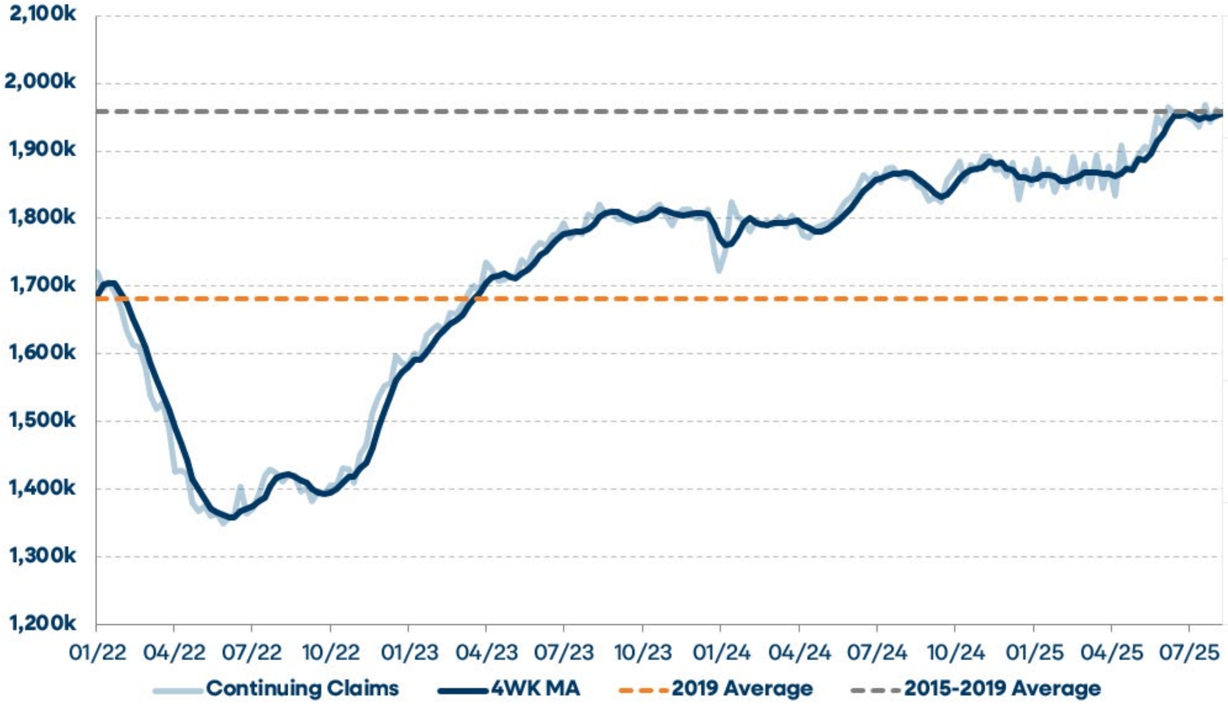


Figure 2: Continuing Claims for Unemployment Insurance Benefits (SA)



Please reach out with any questions,

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