U.S. Jobless Claims Jumped by 21K in the Week Ending August 5 but Continuing Claims Fell by 8K a Week Earlier: The Labor Market Remains Tight

- Initial claims for unemployment insurance jumped by 21,000 to 248,000 in the week ending August 5. The four-week moving average of initial claims edged up by only 3,000 to 231,000.

- Continuing claims fell by 8,000 to 1.684 million in the week ending July 29, its lowest level since mid-January.

- The labor market is showing signs of cooling, but labor demand remains strong.

Initial claims for unemployment insurance (UI) increased by 21,000 to 248,000 for the week ending August 5. The four-week moving average of claims, which smooths out some of the weekly volatility, edged up by only 3,000 to 231,000 and is at the second lowest level since mid-March. Weekly claims are up from exceptionally low levels throughout 2022 which sometimes dipped below 200,000 per week.

Continuing claims fell by 8,000 to 1,684,000 in the week ending July 29 and the four-week moving average of continuing claims fell by 9,000 to 1.701 million. These are both at their lowest levels since mid-January. This continued decline reflects the fact that laid-off workers are quickly finding new jobs. The insured unemployment rate held steady at a record-low 1.1% in the week ending July 29.

Payroll job growth has remained strong this year with the U.S. economy adding more than 235,000 jobs per month, on average, through July 2023 – well above the long-run trend. The pace of job growth has slowed this summer with the last three months’ job gains averaging 217,000 per month. The unemployment rate was 3.5% in July, remaining close to a more than 50-year low set in April of 3.4 percent.

PNC expects a shallow recession to start in late 2023 or early 2024 as the impact of higher interest rates continues to work its way through the economy. Also, the resumption of student loan principal and interest payments starting in October (estimated to average between $350-$400 per month) for close to 27 million borrowers and the cancellation by the SCOTUS of Biden’s $20K debt cancellation are both moderate negatives for consumer spending in the final holiday quarter of this year and in 2024. That is built into our forecast for a shallow recession.
Please reach out with any questions.

PNC Economics
economics@pnc.com
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