

Datanote: US Weekly Jobless Claims, August 10

- Initial claims fell to 227K, from 234K, below the consensus, 235K.**
- Continuing claims dropped to 1,864K, from a downwardly-revised 1,871K, also below the consensus, 1870K.**

Jobless claims are always volatile over the summer; the latest data still are consistent with a gradual underlying deterioration in the labor

market. The relatively high prints over the last four weeks were partly due to Hurricane Beryl boosting claims in Texas and a slightly later-than-usual surge in claims this year in states with substantial auto manufacturing plants, which normally close for a couple weeks every summer.

Right now, we think the trend in claims is best monitored by tracking claims excluding Texas, Ohio—where there was a spate of fraudulent claims last year—and the seven states where

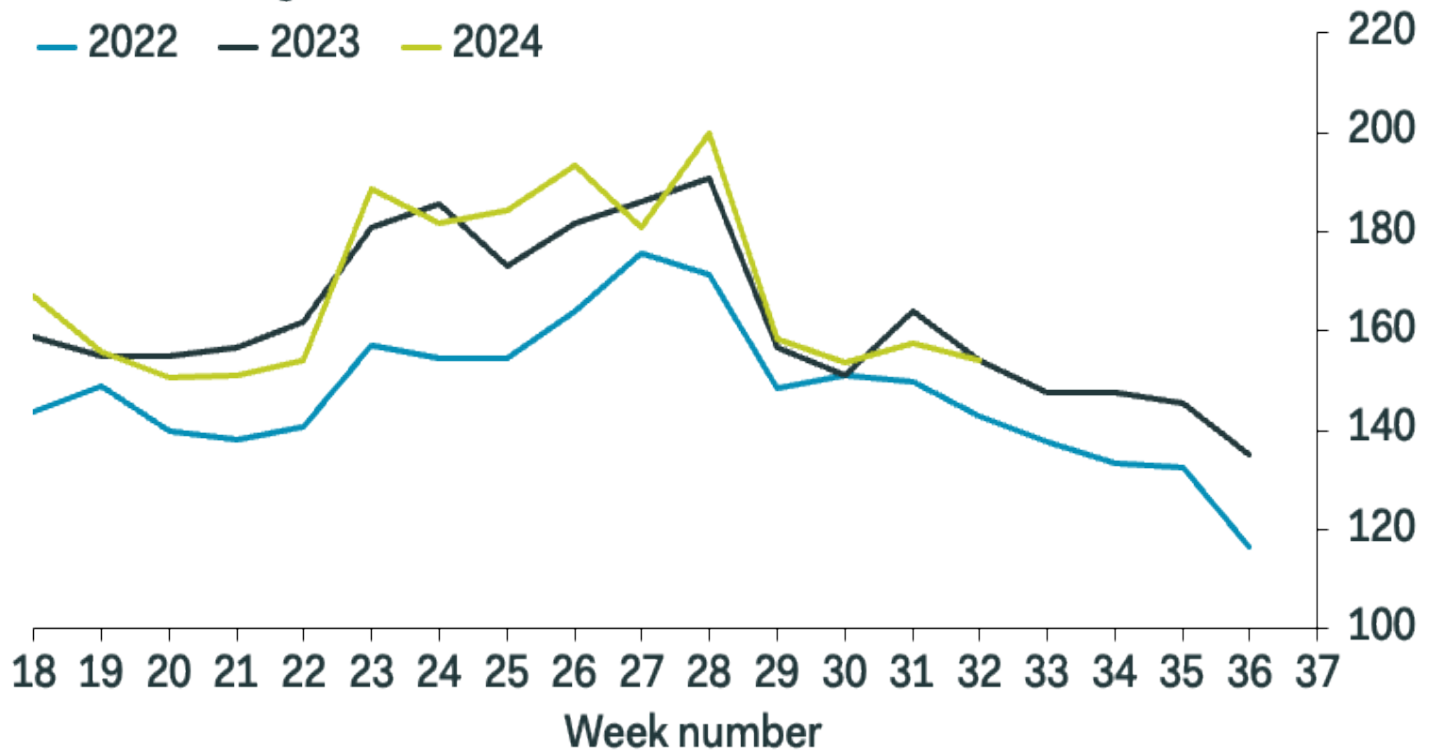
auto manufacturers account for more than 0.5% of state-wide employment. Our second chart below shows that on this basis, unadjusted claims fell slightly less last week than in the same weeks of 2022 and 2023, hinting at a modest underlying pick-up in layoffs. Admittedly, our underlying measure of claims includes Florida, which was hit by Storm Debby last week. Claims in Florida, however, were 0.4K lower than a year ago, suggesting that any boost from Storm Debby lies ahead.

Looking ahead, we continue to expect claims in the fall to move decisively above last year's level. Statistically, WARN notices, which employers must file if they are planning mass layoffs, are the best leading indicator of claims. According to data compiled by the Cleveland Fed, seasonally-adjusted WARN notices increased in June to their highest level since December 2020, excluding August 2023 when Yellow Corp. collapsed. Small businesses' finances now are under major stress from high real interest rates and tight

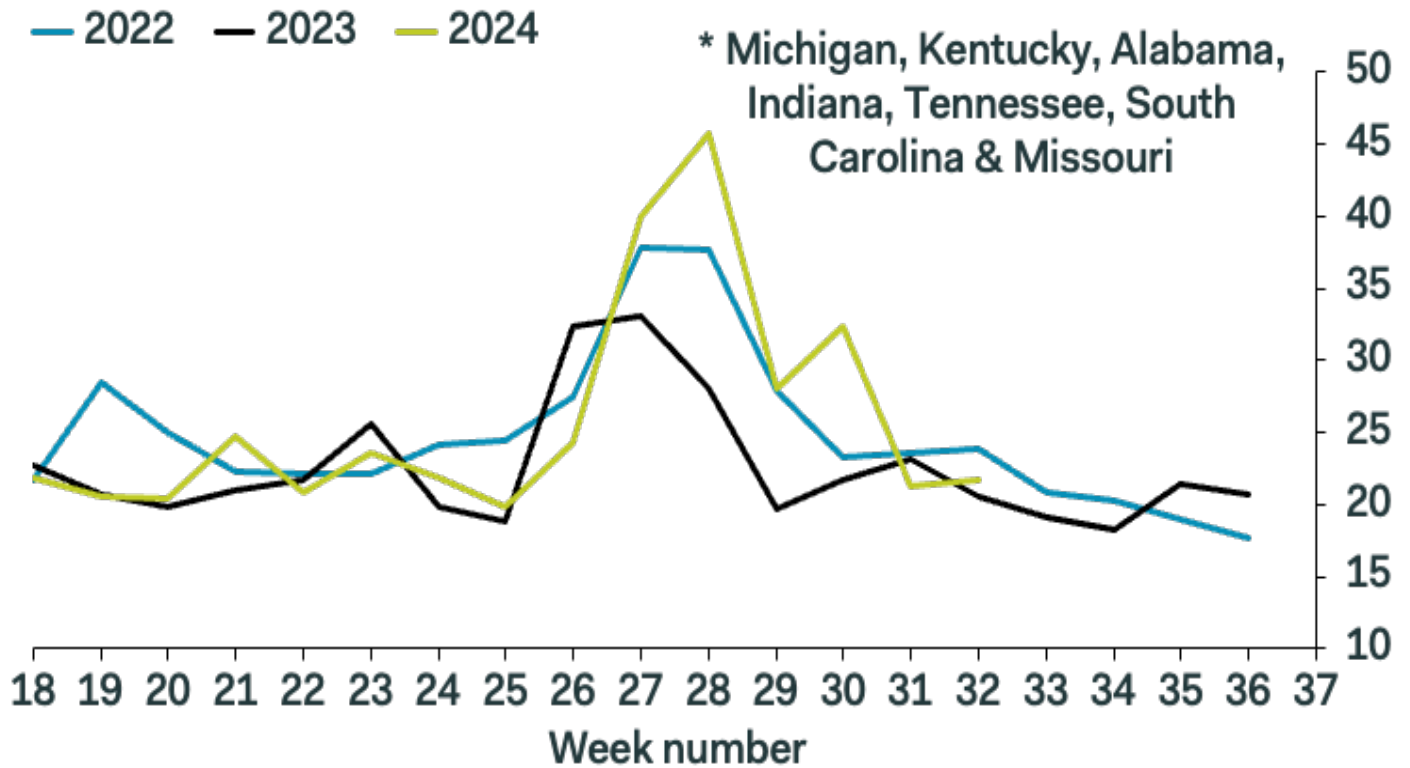
credit conditions. In response, we expect them to sharpen their cost-cutting drive over the coming months, as growth in consumer demand continues to slow. The recent pick-up in the unemployment rate also might make firms realise that they can hire easily if needs be in the future and so encourage them to push out under-utilized staff. Accordingly, we still expect the Fed to ease policy rapidly over the coming months in a bid to prevent the labor market from weakening even further.



Claims in states excluding Texas, Ohio and seven key motor vehicle manufacturing states, NSA, thousands



Claims in seven key motor vehicle manufacturing states*, NSA, thousands



— WARN layoff announcements*, thousands, adv. six months (Left)

— Initial jobless claims, thousands (Right)

