Datanote: US Weekly Jobless Claims / Philly Fed Survey

In one line: Not definitive, but consistent with the idea that the trend is starting to rise

- Initial claims fell to 222K from 232K, trivially above the consensus, 220K.
- Continuing claims rose to 1,794K from 1,781K, a bit above the consensus, 1,780K.
- The May Philly Fed Index fell to +4.5, from +15.5, below the consensus, +8.0.

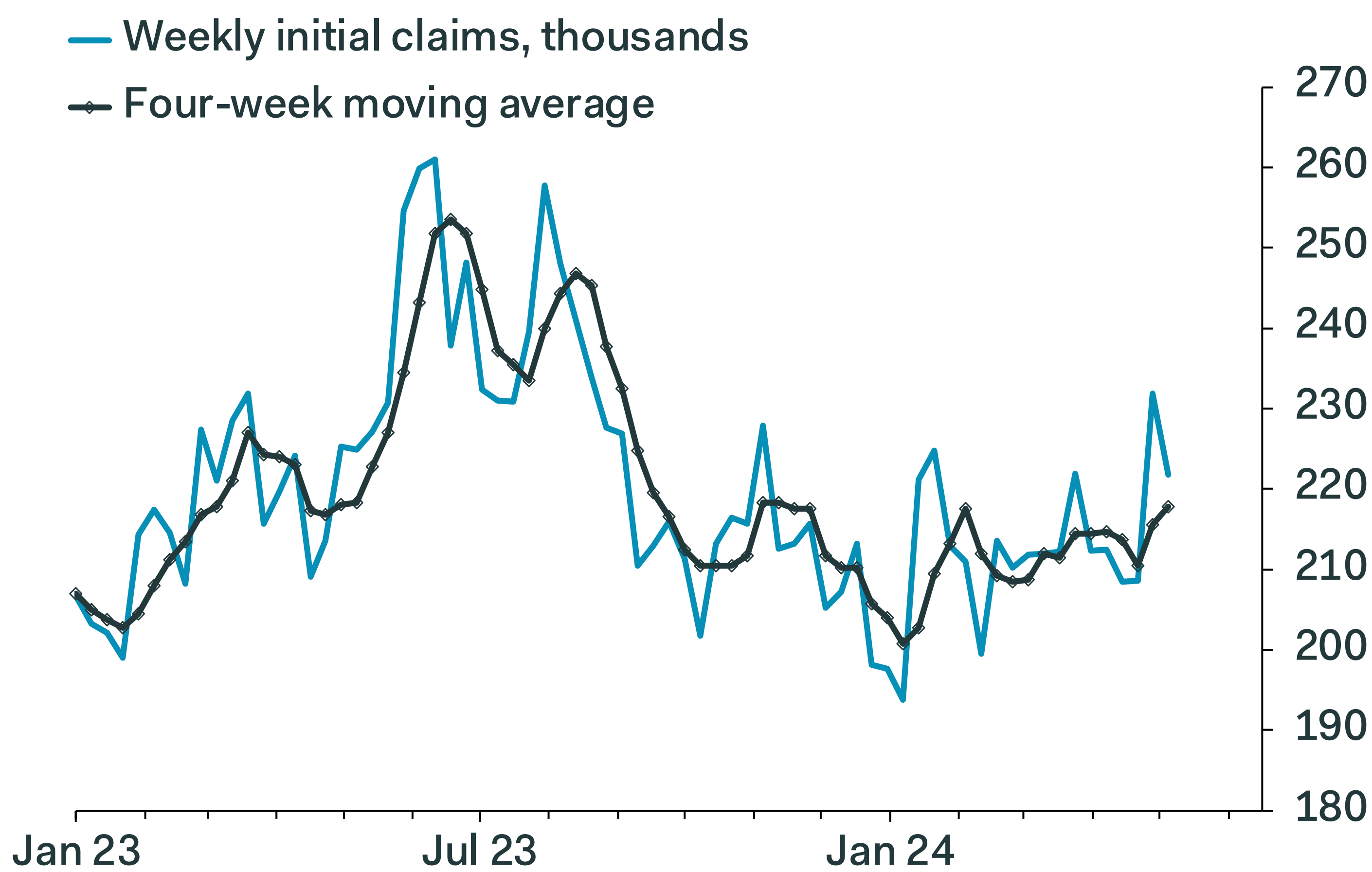
Last week's spike in claims always looked unsustainable; about half the increase appears to have been due to short-term benefit claims from NYC schools employees over spring break. That increase duly reversed almost in full, but claims elsewhere remain higher than two weeks ago. This is much too short a run of data to be definitive but it is consistent, at least, with signals of a rising trend in layoffs from the Challenger survey, WARN notices, the NY Fed's consumer survey of job loss fears, and Google searches for "claim benefits". We have long been expecting claims to trend higher in the spring, though we need to see a few more weeks' data before we can be sure this upturn is real.

So far, all the slowdown in payroll growth since the Great Rehiring of 2021-to-22 has been due to the moderating pace of gross hiring, which now appears to be morphing into a more serious downshift. If jobless claims are going to trend higher at the same time, payroll growth will head south rapidly. Remember, at the start of the business cycle downturns of 1990 and 2001 - the two most recent “normal” recessions - job growth dived from fine to zero in about four months. We would be unsurprised by a similar shift over the next few months, because that’s exactly what the NFIB survey’s hiring intentions measure says is going to happen.

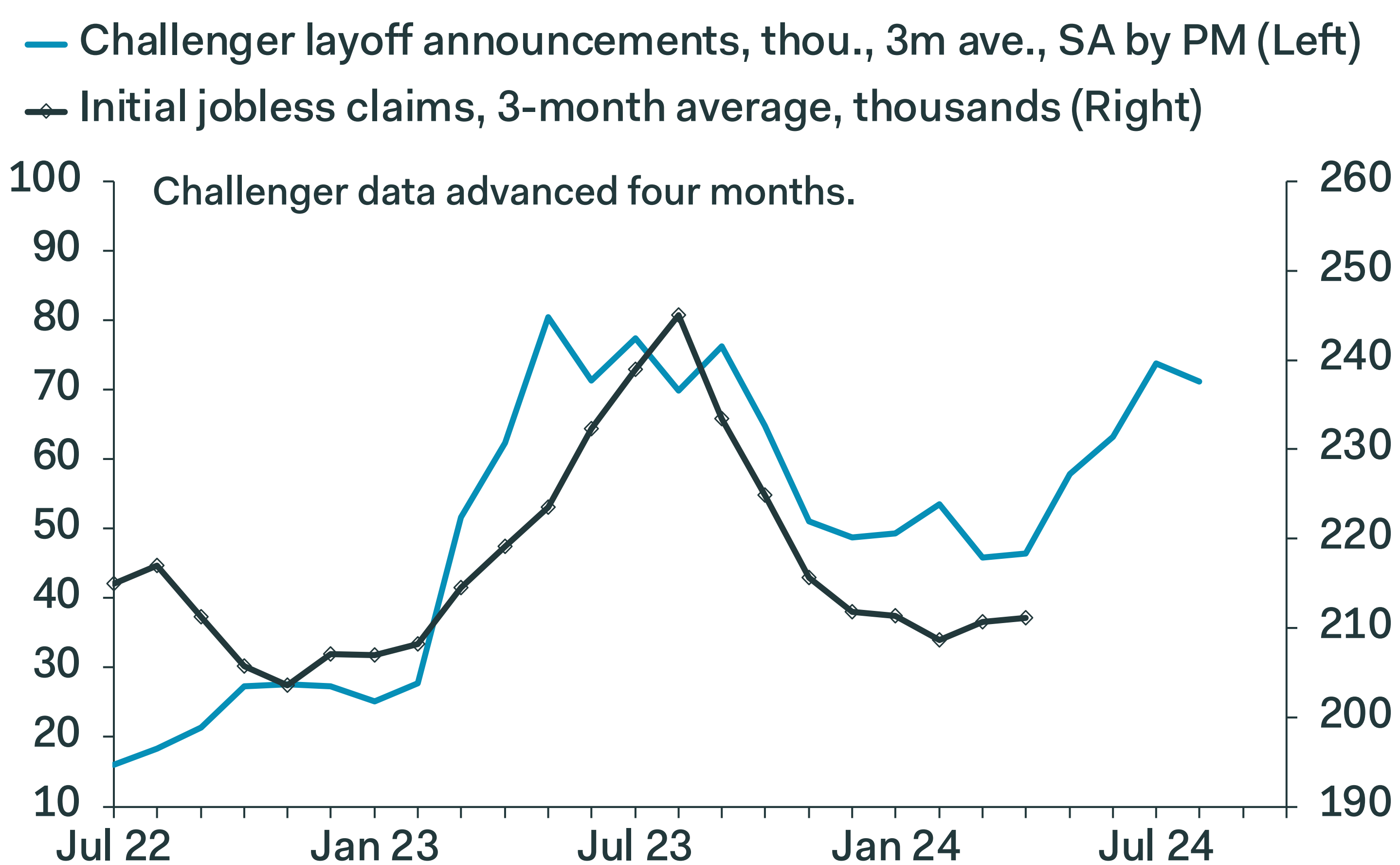
Meanwhile, the Philly Fed survey echoes yesterday’s Empire State survey in suggesting that the mild downturn in manufacturing output that began in late 2022 probably is over, but a meaningful recovery is yet to begin. The small sample sizes and limited geographical focus of the regional Fed surveys mean we treat them cautiously, but when they move together they usually are informative. The average of Philly's ISM-comparable components dropped in May and, like the Empire State survey, points to the ISM national manufacturing index falling to about 48 in May, from 49.2 in April. Manufacturers cut employment at a slower pace than in April and delivery times stopped shortening, but both the new orders and shipments indexes fell to four-month lows.

More positively, the net balance of manufacturers expecting to increase capital expenditure over the next six months held steady at +20 in May, well above its +1 average in the 2010s. Nevertheless, our penultimate chart shows that capex plans in the other regional Fed surveys remain weak, suggesting that the national capex picture remains lacklustre.

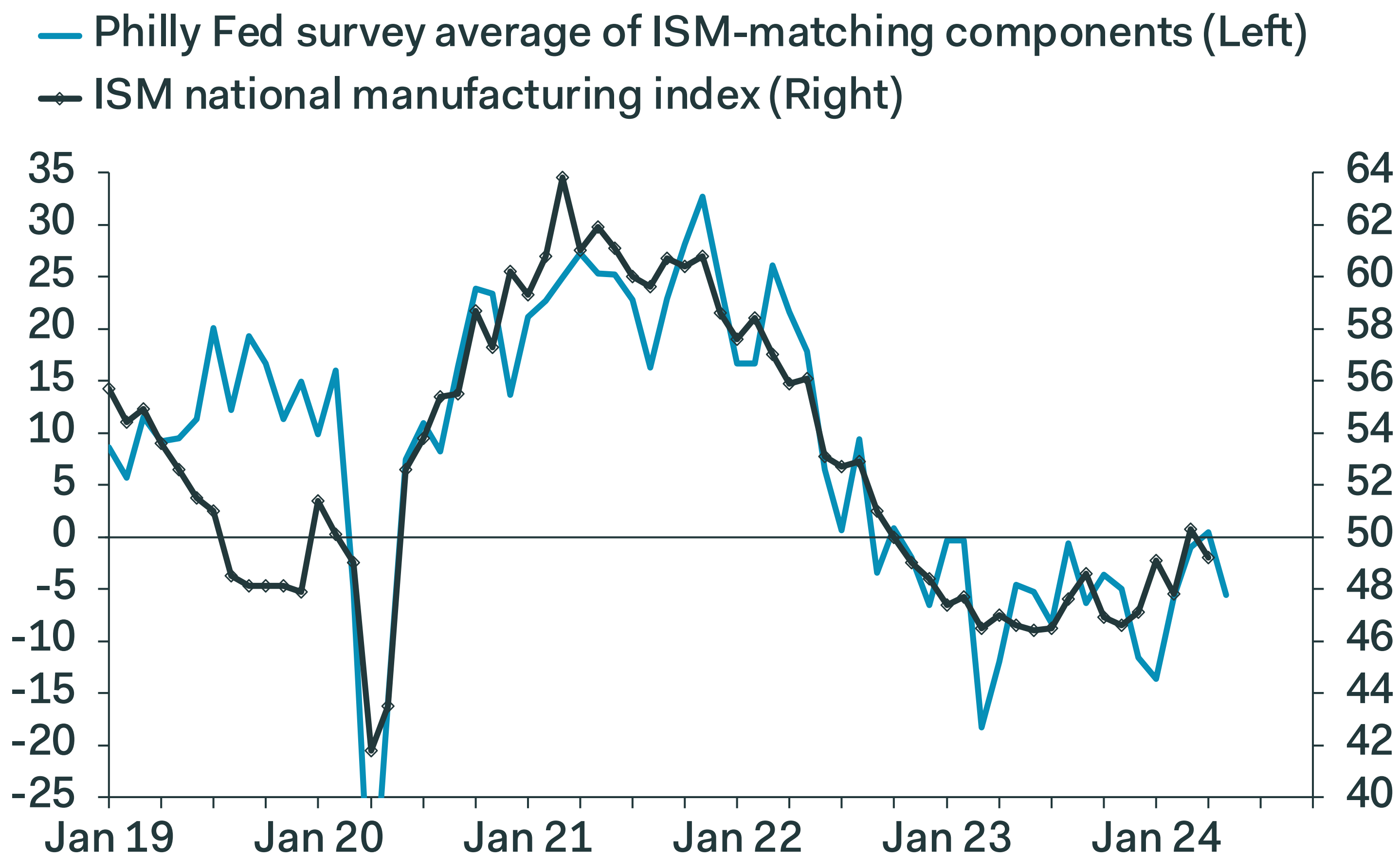
Meanwhile, the prices received index increased trivially to +6.6 in May from +5.5 in April, but remains below its 9.2 average in the low-inflation 2010s, offering reassurance that the recent upturn in ex-autos core goods CPI inflation will not be sustained. The Fed, however, also needs to see services CPI inflation slow further before it cuts rates.

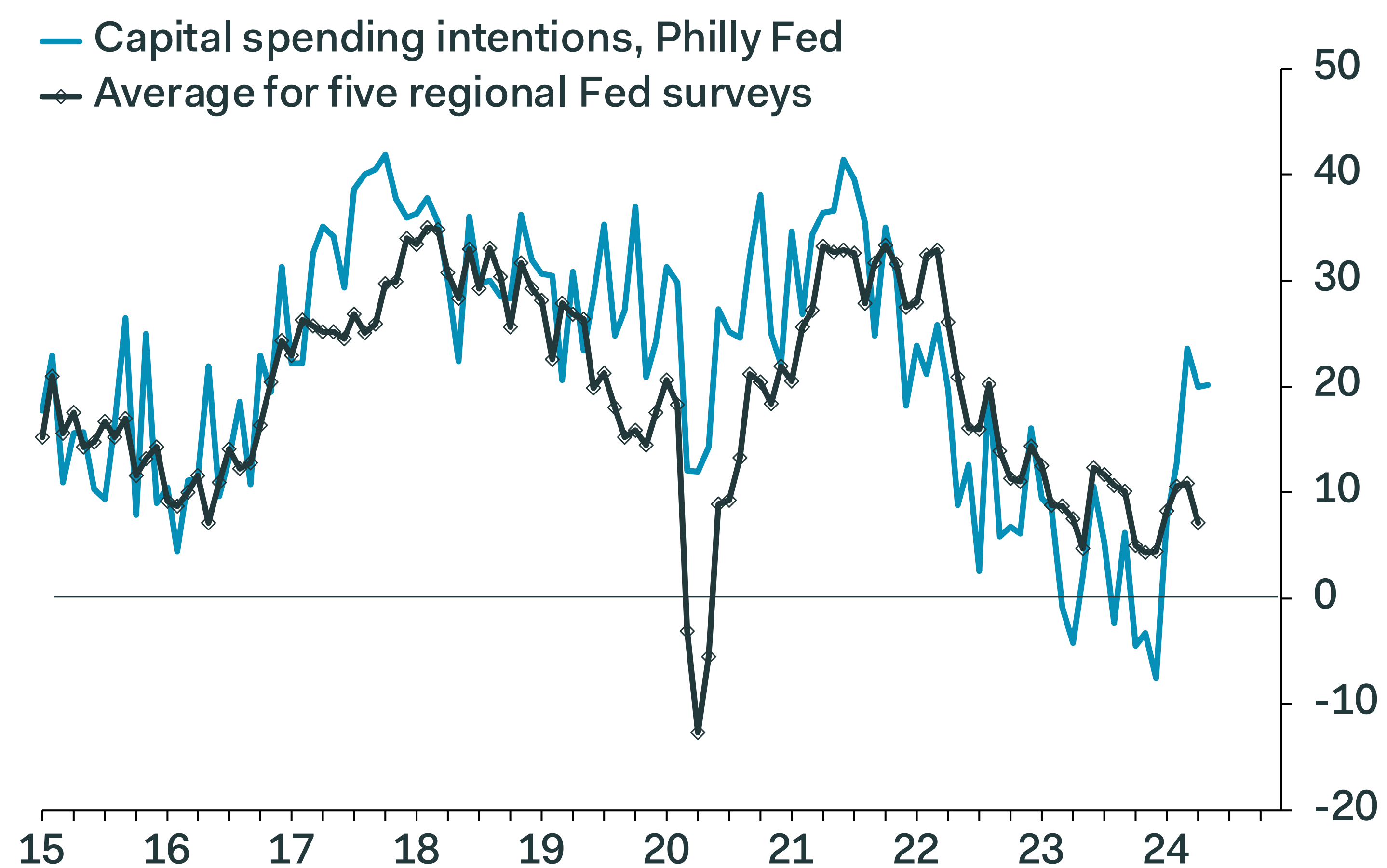


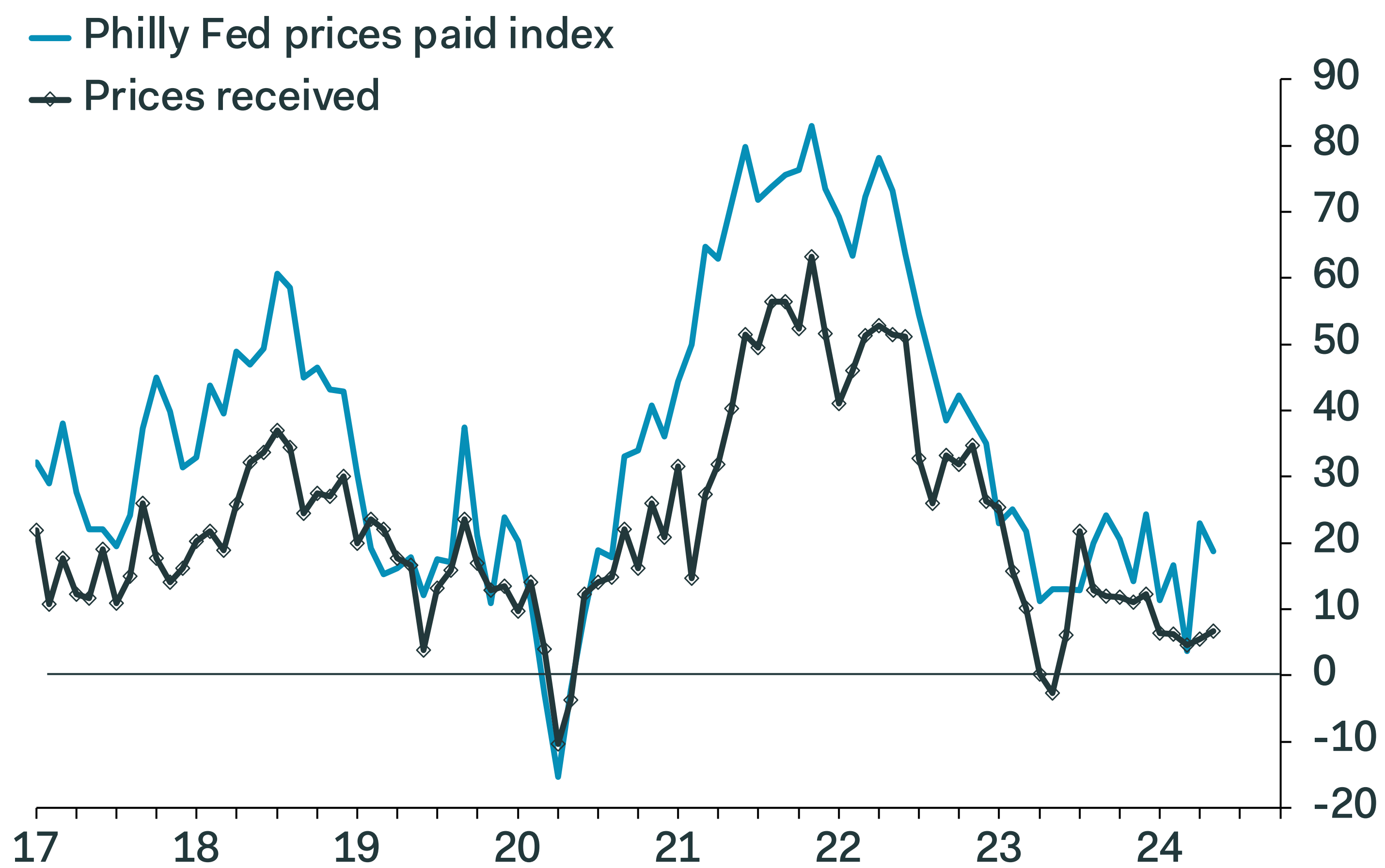
Weekly initial claims, thousands
Four-week moving average
270
260
250
240
230
220
210
200
190
180
Jan 23
Jul 23
Jan 24



Challenger layoff announcements, thou., 3m ave., SA by PM (Left)
Initial jobless claims, 3-month average, thousands (Right)
Challenger data advanced four months.
100
90
80
70
60
50
40
30
20
10
260
250
240
230
220
210
200
190
Jul 22
Jan 23
Jul 23
Jan 24
Jul 24


Philly Fed survey average of ISM-matching components (Left)
ISM national manufacturing index (Right)
35
30
25
20
15
10
5
0
-5
-10
-15
-20
-25
64
62
60
58
56
54
52
50
48
46
44
42
40
Jan 19
Jan 20
Jan 21
Jan 22
Jan 23
Jan 24


Capital spending intentions, Philly Fed
Average for five regional Fed surveys
50
40
30
20
10
0
-10
-20
15
16
17
18
19
20
21
22
23
24


Philly Fed prices paid index
Prices received
90
80
70
60
50
40
30
20
10
0
-10
-20
17
18
19
20
21
22
23
24