Datanote: US Weekly Jobless Claims/Philly Fed Survey

In one line: Tranquil labor market conditions unlikely to last much longer.

- Initial claims were unchanged at 212K in the week, slightly below the consensus, 215K.
- Continuing claims increased to 1,812K, from a downwardly-revised 1,810K, but undershot the consensus, 1,818K.

- The April Philly Fed Index jumped to 15.5, from 3.2, well above the consensus, 0.0.

Today's claims data provide the first clean read on labor market conditions since early March, after the seasonals struggled to cope with the early Easter. The very low level of claims confirms that firms still are hoarding staff, but several leading indicators suggest that claims will soon rise towards the 250K level seen in mid-2023. Our seasonally adjusted measure of

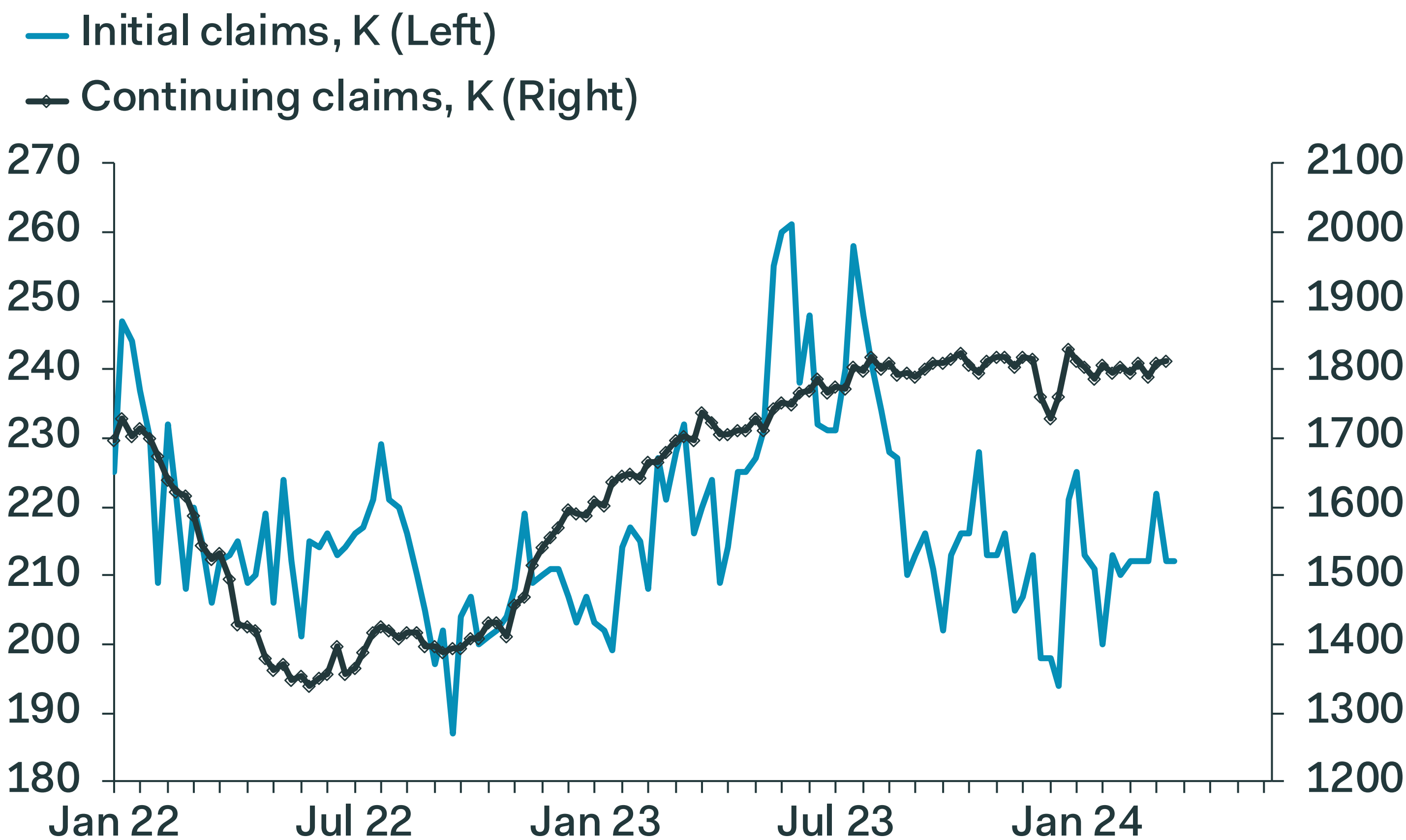
Challenger layoff announcements increased in March to its highest level since May 2023, consistent with weekly claims rising to about 240K by June. The March NY Fed Survey of Consumer Expectations also revealed that the probability that households attach to losing their jobs leapt to the highest level since September 2020. WARN layoff announcements dipped in March, but we think that probably can be attributed to the early Easter, not a declining trend. Accordingly, layoffs look set to pick up just as small businesses scale back their plans to hire new workers. As a result, we continue to think that growth in payrolls will slow sharply soon, suddenly ratcheting up the pressure on the Fed to start reducing rates.

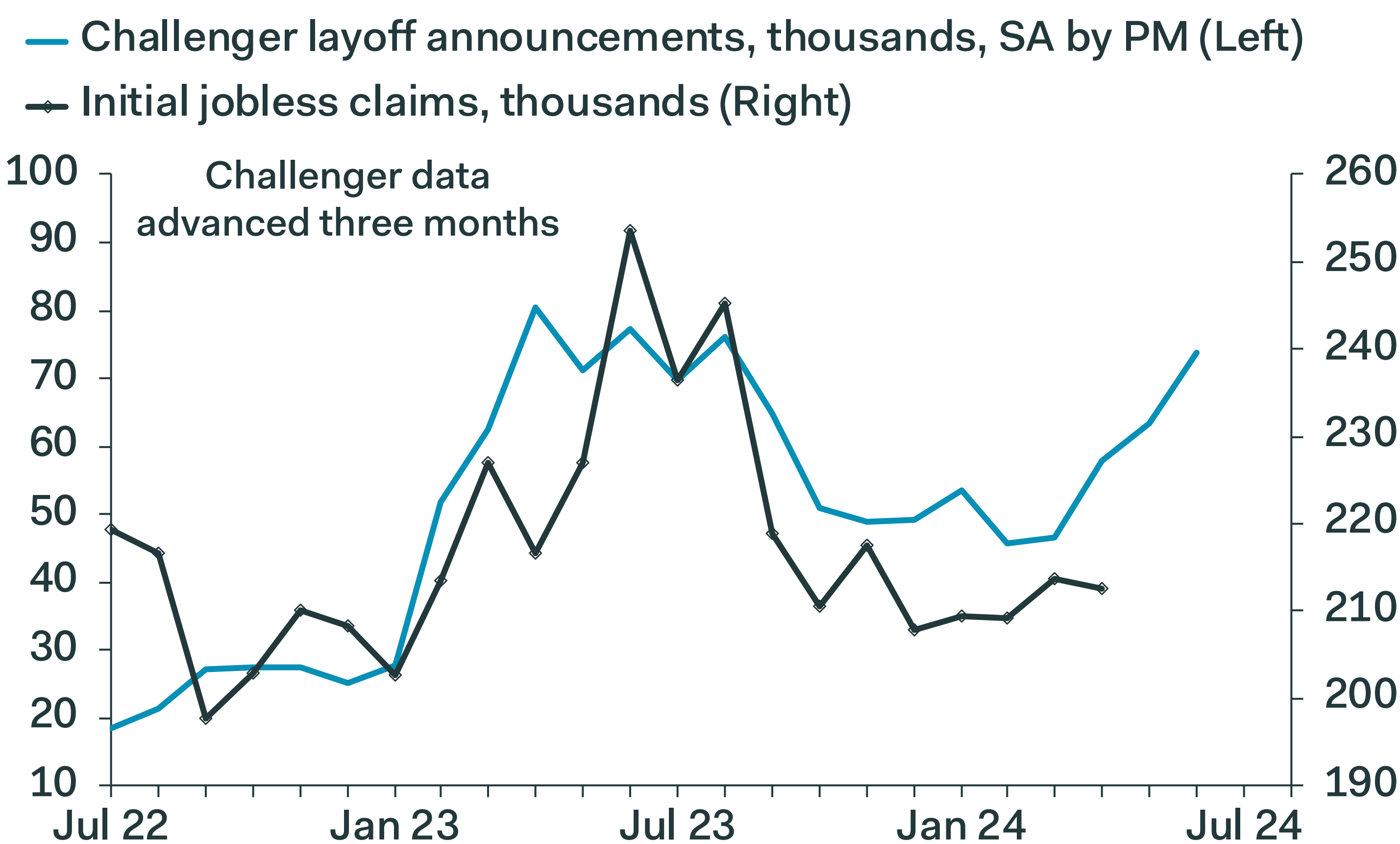
Elsewhere, the 12.2-point surge in the Philly Fed Index to its highest level in two years is encouraging, particularly since the Empire State index failed to rebound this month following its slump in March. The regional Fed manufacturing surveys are volatile from month-to-month due to their small sample sizes and often mislead on the direction of the national manufacturing surveys in the very short term. But over periods of more than a couple of months the Philly Fed surveys is a better guide than the Empire State to the trajectory of the ISM manufacturing index.

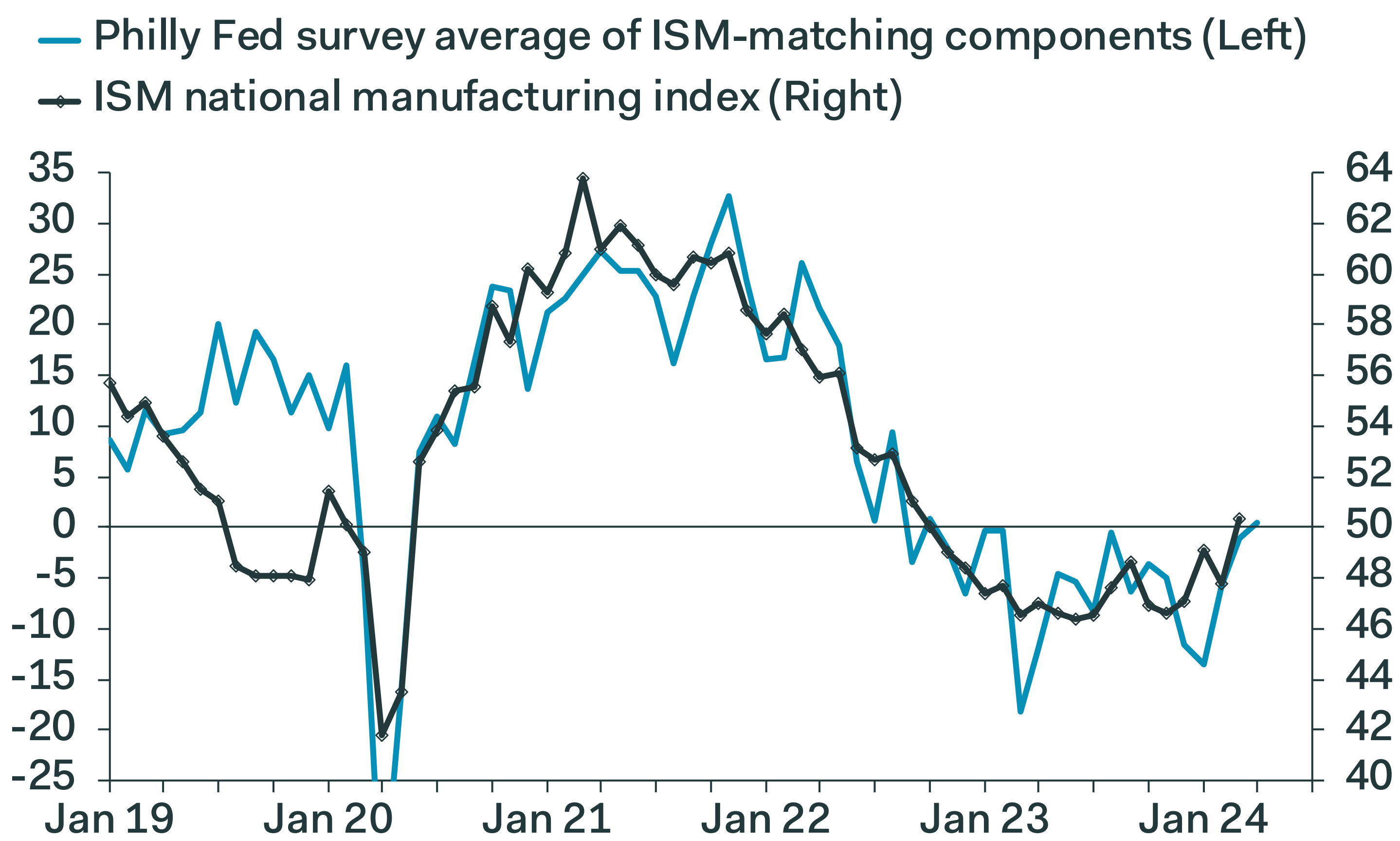
Behind the headline jump, however, the average of the ISM-matching components of the Philly Fed survey edged up only marginally in April, by

0.5 points, because a very sharp drop in the survey's inventories subindex largely offset big gains in the survey's shipments, new orders, and delivery times subindexes. While far from conclusive, this report provides some marginal support in favor of a recovery in the manufacturing sector after its prolonged slump.

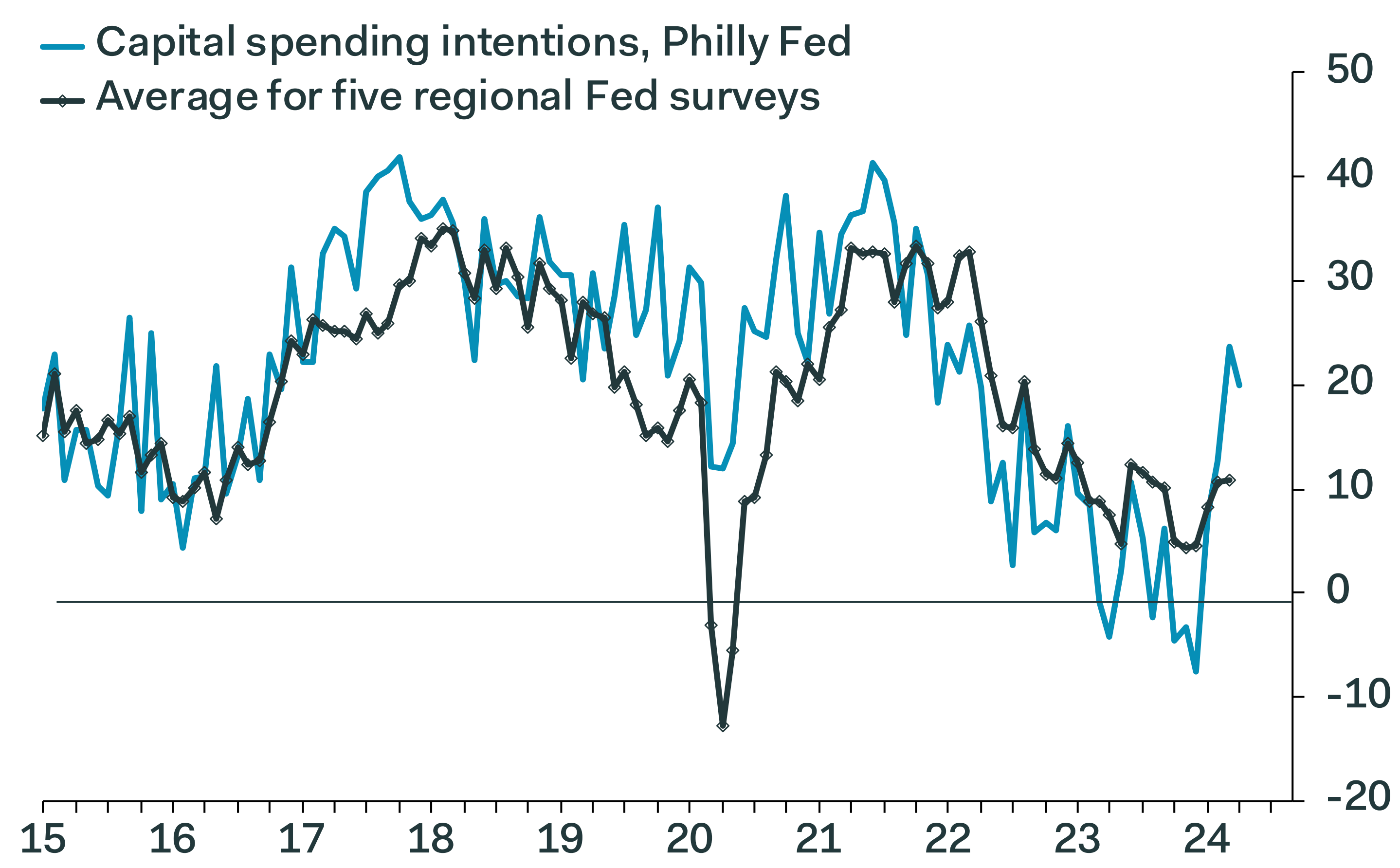
Admittedly, the survey's future capex subindex dropped back a bit this month, although this comes after three big increases in the preceding months and just moves the Philly Fed measure closer in line with the average of the same measure across the regional Fed surveys. We are unfazed, meanwhile, by the near-20 point jump in the prices paid subindex given that this can probably be chalked up in part to the recent rebound in oil prices, and still leaves the index at a low level. The prices received index, meanwhile only edged up slightly, and at 5.5 is well below its average of the past few years, and is still consistent with continued deflation in goods prices.


Initial claims, K (Left)
Continuing claims, K (Right)
270
260
250
240
230
220
210
200
190
180
2100
2000
1900
1800
1700
1600
1500
1400
1300
1200
Jan 22
Jul 22
Jan 23
Jul 23
Jan 24

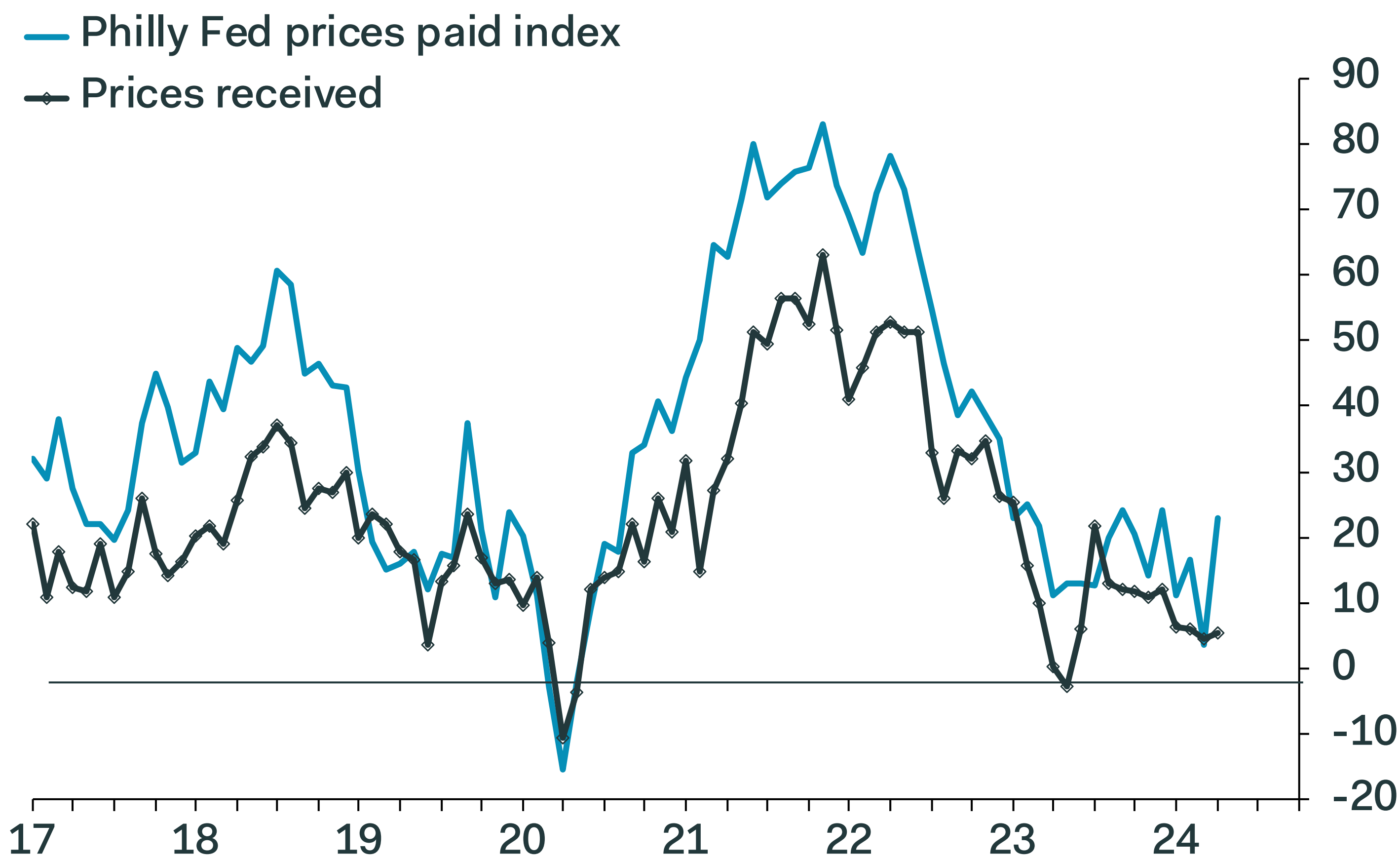

Challenger layoff announcements, thousands, SA by PM (Left)
Initial jobless claims, thousands (Right)
Challenger data advanced three months
100
90
80
70
60
50
40
30
20
10
260
250
240
230
220
210
200
190
Jul 22
Jan 23
Jul 23
Jan 24
Jul 24



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