PANTHEON MACROECONOMICS

Datanote: US Weekly Jobless Claims, August 17

In one line: Underlying claims have plateaued, and will probably slip back in the near term.

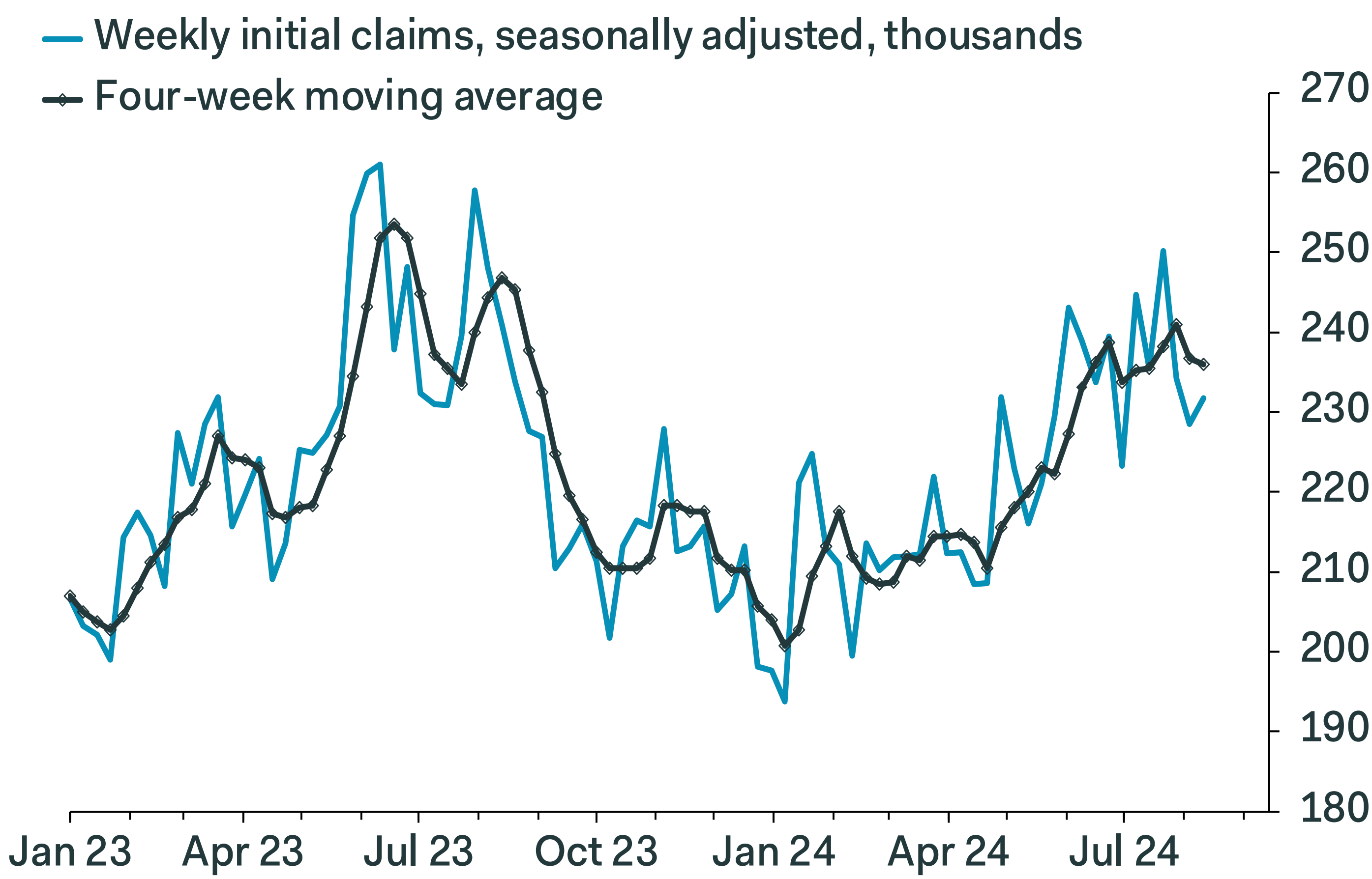
- Initial jobless claims ticked up to 232K, from 228K, in line with the consensus.
- Continuing claims also rose slightly to 1,863K, from 1,859K, a bit below the consensus, 1,870K.

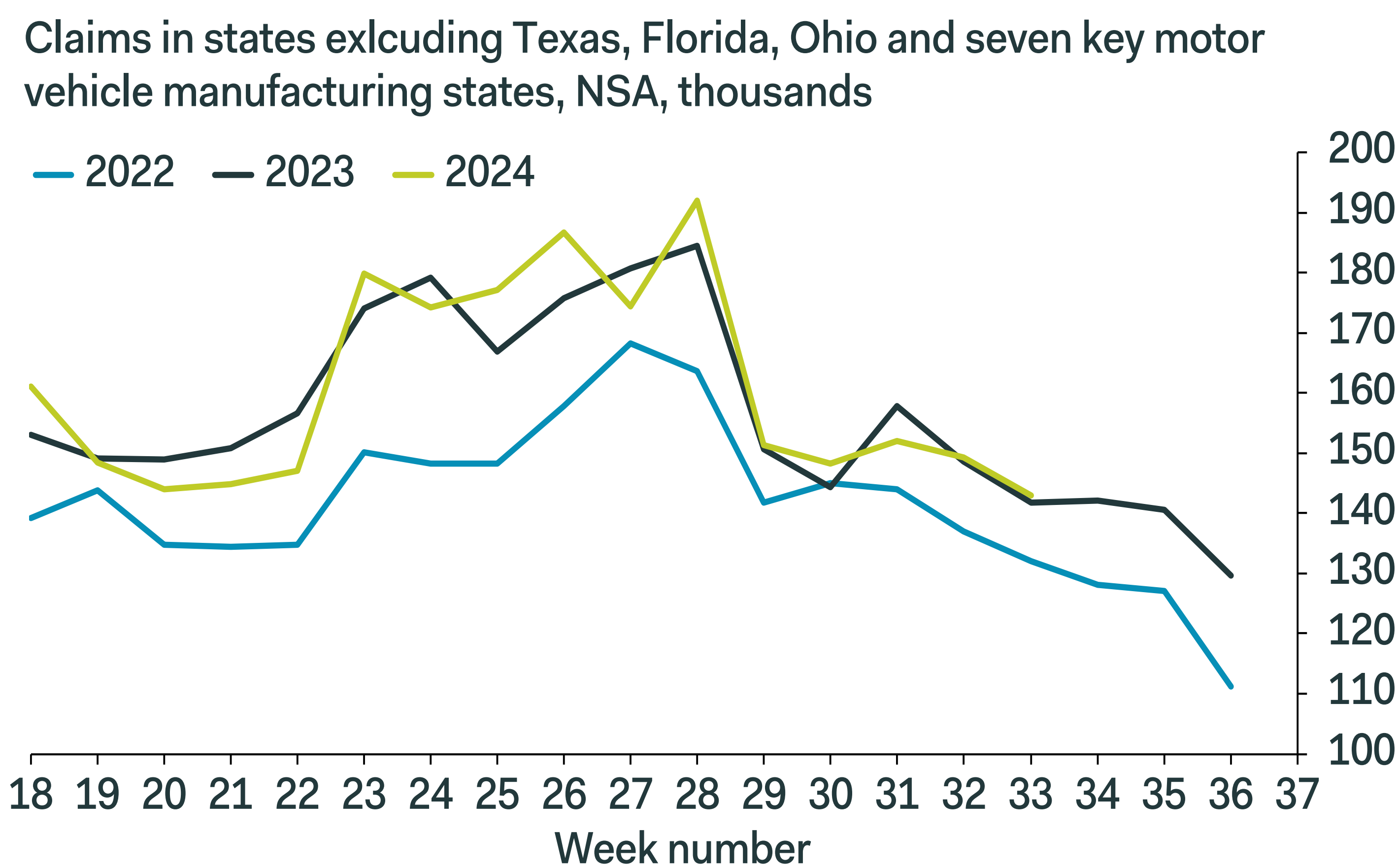
The initial claims numbers are always harder than usual to read at this time of year, partly because of the unpredictable and shifting timing of summer shutdowns at many auto plants. But the numbers have also been distorted recently by the upward impact on claims in Texas from Hurricane Beryl, which now appears to have mostly faded, with the unadjusted level of claims in Texas now only around 10% higher than the same week a year ago, having been more than double their level a year

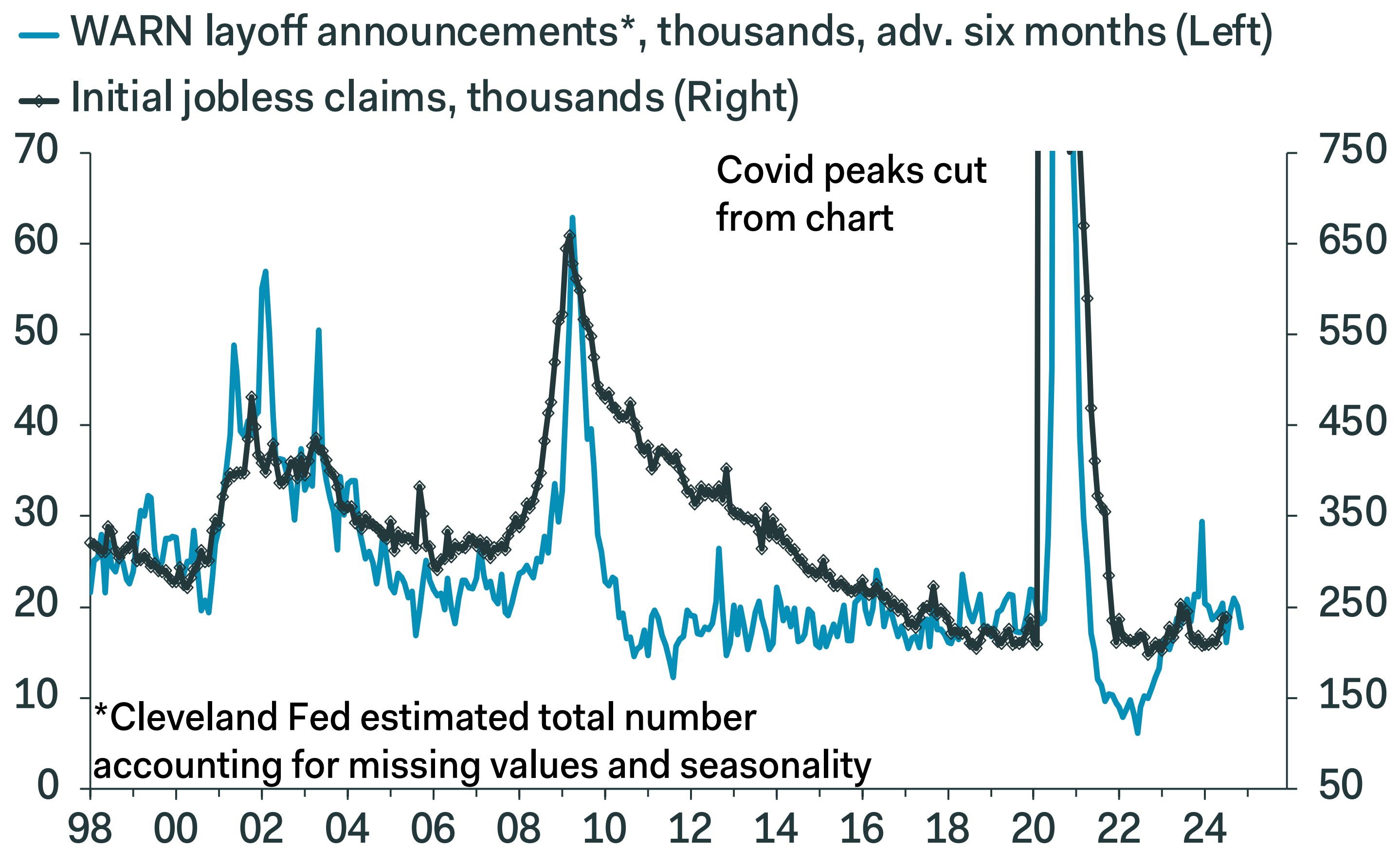
ago in mid-July. However, the belated impact of Storm Debbie now seems to be pushing up claims in Florida, which rose by about 2K last week, 32% higher than their same week a year ago.
The rise in claims in Florida this week accounts for about 70% of the total rise in the headline.

We think the underlying trend in claims right now is best gauged by comparing the trajectory of unadjusted claims excluding seven states where auto production accounts for more than 0.5% of employment, Texas, Florida, and Ohio, which saw many fraudulent claims around this time last year. Excluding those states still covers around 75% of the total. The unadjusted level of claims was 0.8% higher than in the same week in 2023, roughly the same year-over-year change as in the week prior. That suggests the jump in underlying claims that got underway in mid-April and June has been broadly sustained over the past month or so, but that underlying claims have not crept any higher since then.

The upward impact on Florida claims from Storm Debbie probably has a bit further left to run. But many of the same indicators that pointed to a jump in claims earlier this year have started to turn more recently, suggesting that underlying initial claims will either plateau or fall back a bit over the next couple of months. That includes the Challenger job cuts numbers and Google searches for “claims benefits”. The WARN data on advance layoff notices—statistically the most reliable leading indicator of initial claims—were still pointing to higher claims until recently. But the latest cut of the numbers compiled by the Cleveland Fed now also points to a dip in the near term. We think it would be foolish to ignore such consistent signals. Even so, a dip in claims is unlikely to stop growth in payrolls from slowing. The slowdown in employment growth seen so far this year has almost entirely reflected weaker gross hiring, rather than a big rise in layoffs, and we think there is plenty of room for that softer hiring to continue to push down payroll growth in the near term. Moreover, we see a high chance that the pressure from high rates and slower growth in demand will prompt many employers to ramp up layoffs again towards the end of this year.


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


Claims in states exlcuding Texas, Florida, Ohio and seven key motor vehicle manufacturing states, NSA, thousands
2022
2023
2024
200
190
180
170
160
150
140
130
120
110
100
18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37
Week number


WARN layoff announcements*, thousands, adv. six months (Left)
Initial jobless claims, thousands (Right)
Covid peaks cut from chart
*Cleveland Fed estimated total number accounting for missing values and seasonality
70
60
50
40
30
20
10
0
750
650
550
450
350
250
150
50
98
00
02
04
06
08
10
12
14
16
18
20
22
24