PANTHEON MACROECONOMICS

Datanote: US Weekly Jobless Claims / International Trade

In one line: Challenger data point to a big rise in claims this spring.

- Initial jobless claims fell to 221K, from 242K, below the consensus, 233K.
- Continuing claims rose to 1,897K, from a downwardly-revised 1,855K, above the consensus, 1,874K.
- The overall trade deficit jumped to $131.4B in January, from $98.1B, a bit above the consenus, $128.8B.

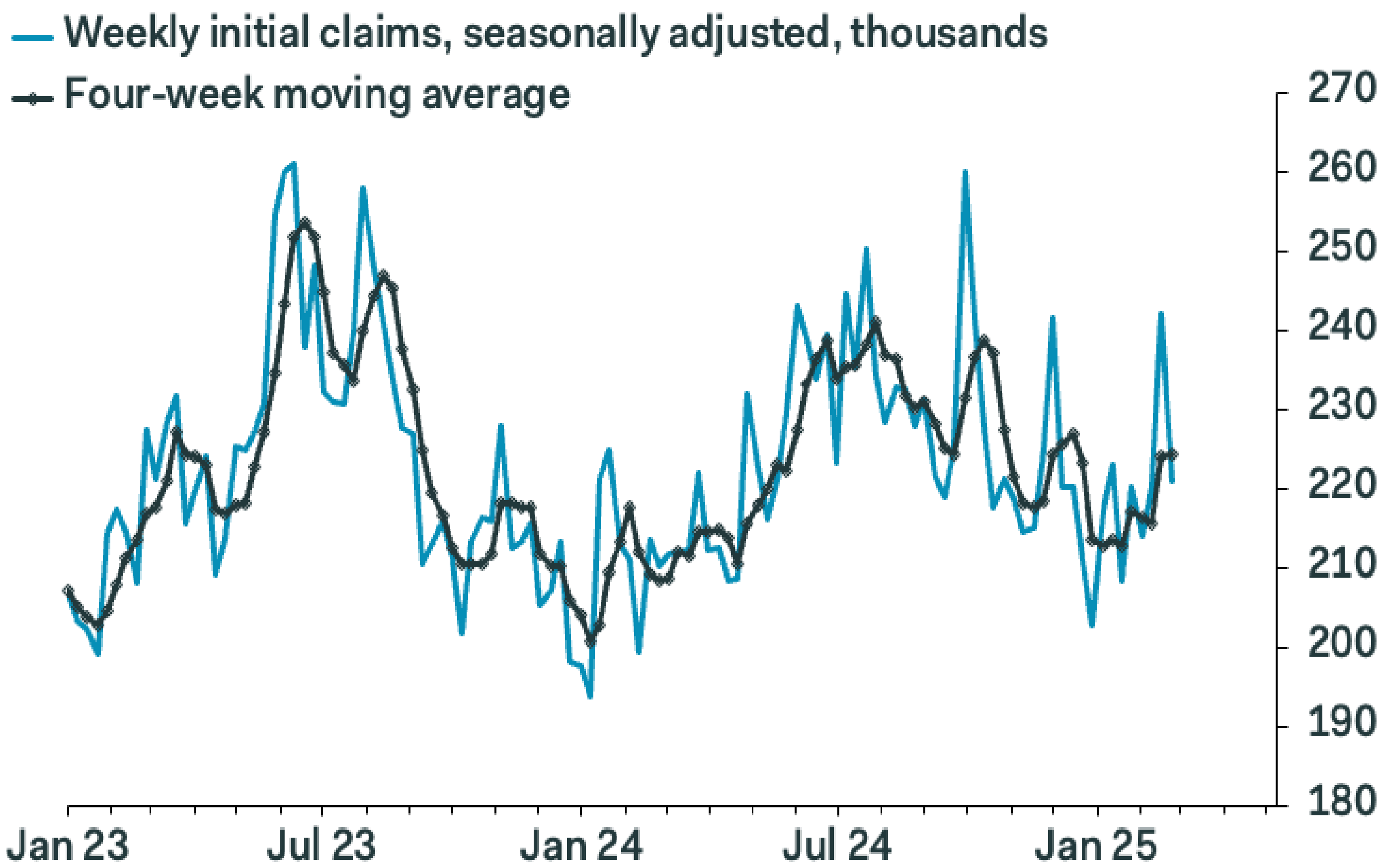
Layoffs are running at a higher rate than the advance initial jobless claims number for the week ending March 1 suggests. Claims filed by former federal workers are not included in the advanced initial claims count, unless they also used to hold a second job in the private sector. Data for claims made by former federal workers are reported separately and with a one-week lag. Unadjusted claims by former federal workers increased to 1.6K in the week ending February 22, up from 0.6K in the previous week. They likely rose further last week, given the faster pace of DOGE job-cutting in recent weeks.

The fall in initial claims by former private-sector workers was mostly due to a return of the weather to seasonal norms, after heavier-than-usual snowfall in the previous week in parts of the country prevented some people from working. Nonetheless, evidence is mounting that elevated uncertainty about the outlook for federal policies and still-tight monetary policy is pushing redundancies higher. Challenger layoff announcements soared to 172K in February—the highest level since July 2020—from 50K in January. Federal job cuts totalled 62K, according to Challenger, but that still implies a private-sector figure of 110K, well above recent norms. In addition, seasonally adjusted WARN layoff announcements were 20% higher in the three months to January than in the previous three months. We have argued in recent months that claims would be trending at 250K by the end of Q1; the risks to that forecast now are skewed to the upside.

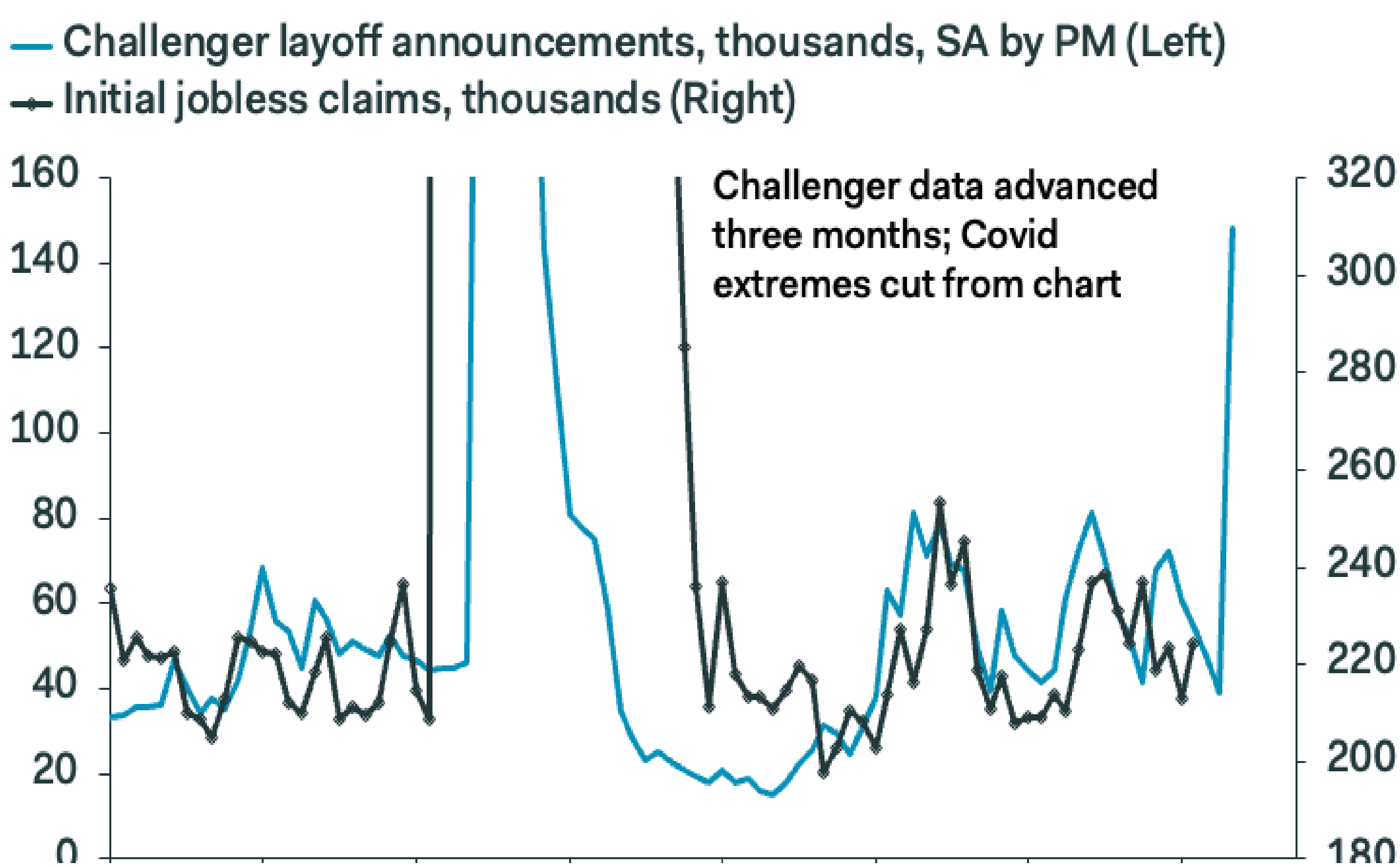
Meanwhile, the 7K downward revision to continuing claims to 1,855K in the week ending February 15 leaves them only 5K higher than in the week ending January 18; these are the reference weeks for the January and February household surveys. Accordingly, a big shift in the unemployment rate in February looks unlikely. Nevertheless, the number of people unemployed for more than six months and therefore ineligible to claim benefits likely has continued to rise, and the deterioration in the job availability index of the Conference Board consumer confidence survey in February points to a pick-up in the unemployment rate too. Accordingly, we are sticking with our forecast that the unemployment rate increased slightly to 4.1%, from 4.0% in January.

Meanwhile, today's full international trade release for January reported a record-high trade deficit of $131.4B, up from $98.1B in December, essentially in line with the picture painted by the advance goods trade report. More notable is what we saw—or rather did not see—in the product breakdown. We think a substantial share of the widening in trade deficit in January was due to a surge in gold imports, as tariff threats are reportedly prompting a mass repatriation of gold holdings to the US from elsewhere, mostly via Switzerland. This matters, because most trade in gold is excluded from the national accounts. Accordingly, the likely drag on headline growth in Q1 from net trade probably will be significantly smaller than modelling based on the headline trade numbers—this includes the Atlanta Fed's GDPNow—would suggest.

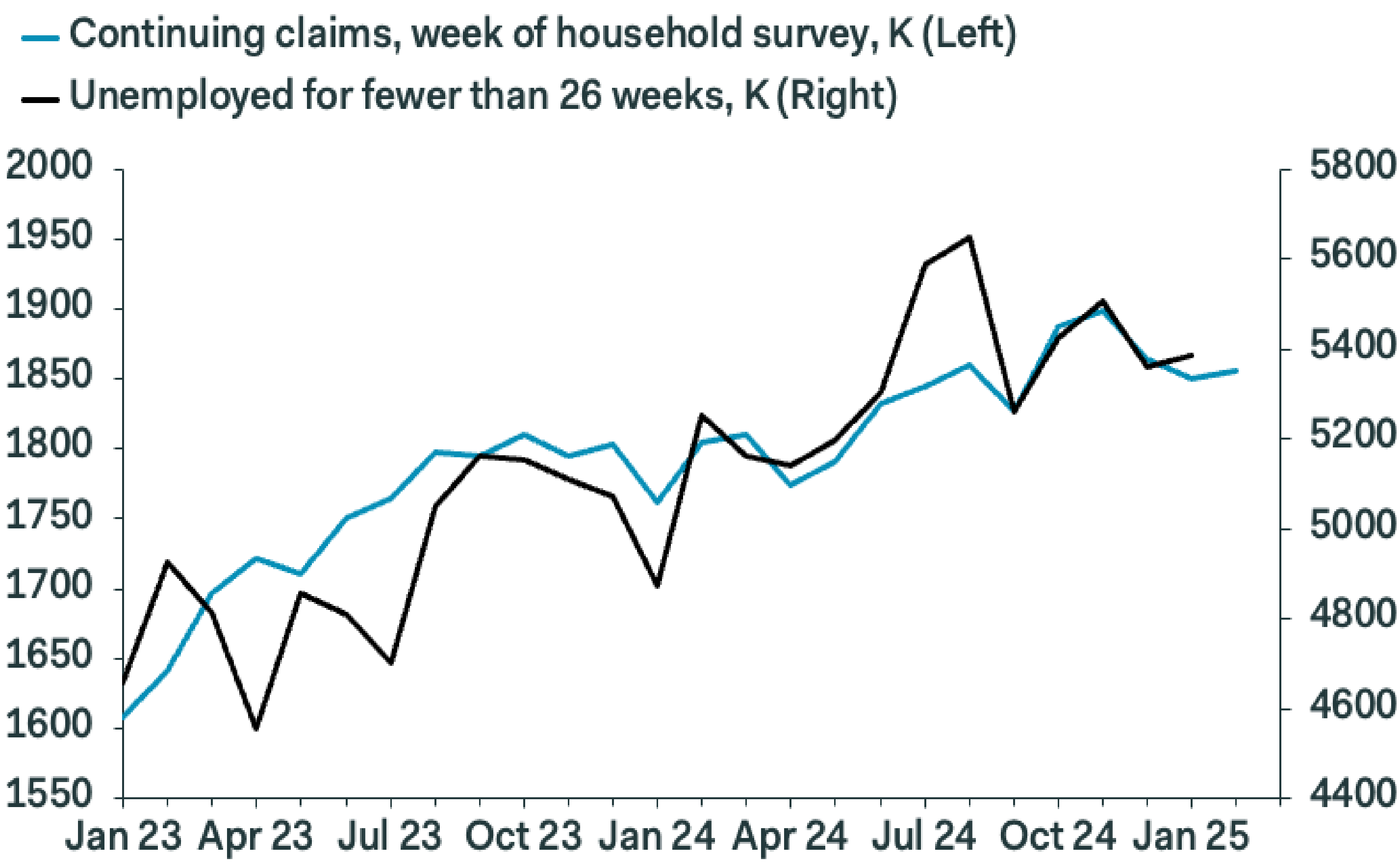
Admittedly, today's numbers show official gold imports rising only modestly, to $3.8B from $3.2B. But a surge in overall imports from Switzerland—no product breakdown provided at this stage—suggests that a sharp increase in gold imports is being misreported in the product-level data. Later revisions to the data presumably will correct for this. Our working assumption for now is that net trade is on course to knock something like two percentage points from headline growth this quarter, reflecting a surge in pre-tariff stockpiling of imported goods, much less than the 3.6pp drag currently projected in the GDPNow model. That said, the February and March numbers might yet change this picture significantly. Moreover, most of any drag from net trade probably will be mostly offset by stronger growth in other components of GDP, most likely private inventories.

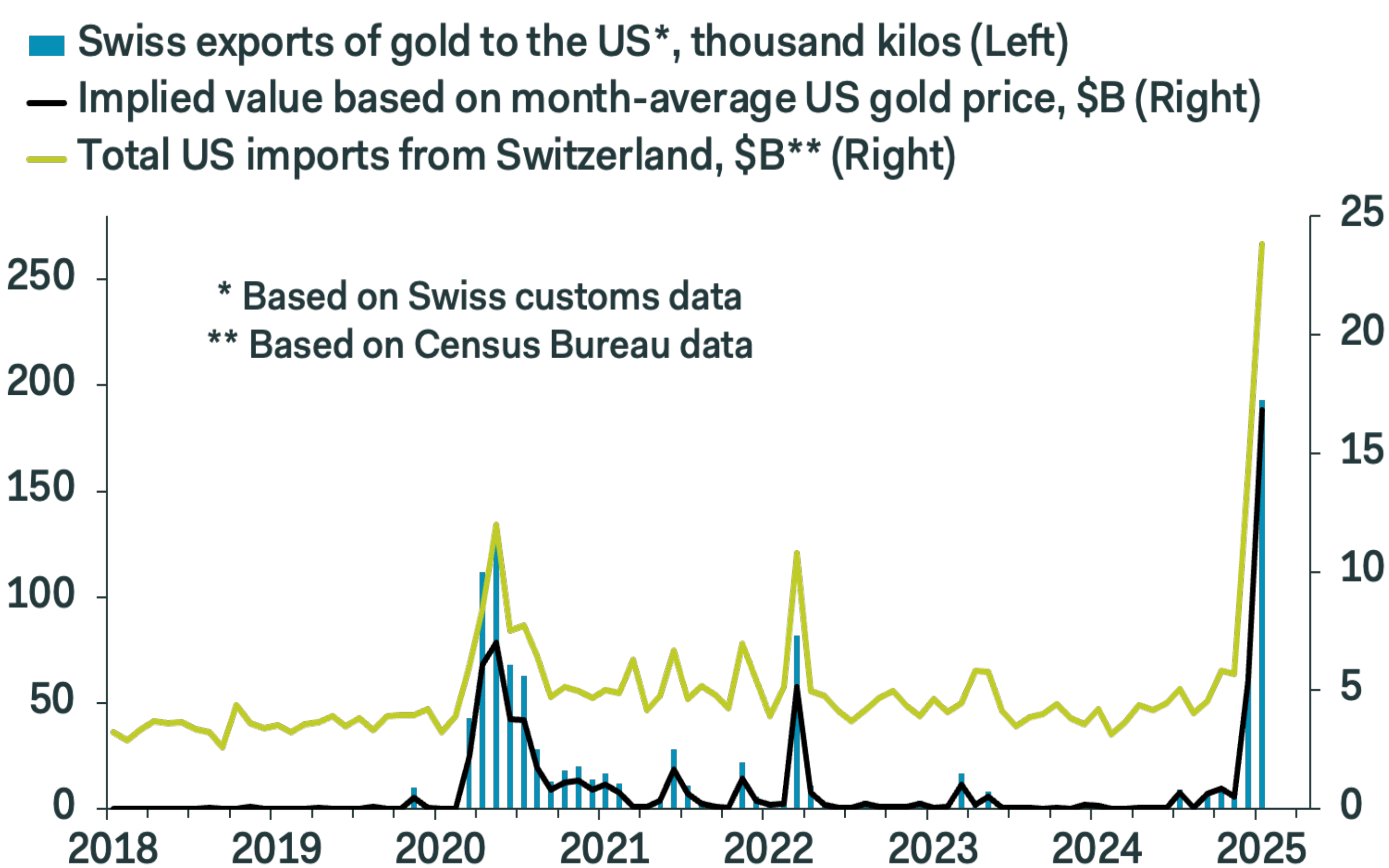


Weekly initial claims, seasonally adjusted, thousands
Four-week moving average
270
260
250
240
230
220
210
200
190
180
Jan 23
Jul 23
Jan 24
Jul 24
Jan 25



Challenger layoff announcements, thousands, SA by PM (Left)
Initial jobless claims, thousands (Right)
Challenger data advanced three months; Covid extremes cut from chart
160
140
120
100
80
60
40
20
0
320
300
280
260
240
220
200
180


Continuing claims, week of household survey, K (Left)
Unemployed for fewer than 26 weeks, K (Right)
2000
1950
1900
1850
1800
1750
1700
1650
1600
1550
5800
5600
5400
5200
5000
4800
4600
4400
Jan 23
Apr 23
Jul 23
Oct 23
Jan 24
Apr 24
Jul 24
Oct 24
Jan 25


Swiss exports of gold to the US*, thousand kilos (Left)
Implied value based on month-average US gold price, $B (Right)
Total US imports from Switzerland, $B** (Right)
* Based on Swiss customs data
** Based on Census Bureau data
250
200
150
100
50
0
25
20
15
10
5
0
2018
2019
2020
2021
2022
2023
2024
2025