

10 July 2025

# US Labour Market Monitor

## Structural weakness in the shadow of solid job gains

**US labour market conditions have remained solid**, with June's jobs report exceeding expectations for the third consecutive month. Nonfarm payrolls rose by 147k (cons: 110k), and May's figures were revised up to 144k. The unemployment rate dropped to 4.1% (cons: 4.3%), partly driven by a decline in the participation rate from 62.4% to 62.2%. However, decomposing figures reveals headwinds, as half of the NFP growth stemmed from the government sector (first chart). This was mirrored in the ADP report, which surprised to the downside with a reduction of -33k private sector jobs.

Wage pressures remained moderate, with monthly growth momentum in average hourly earnings slowing to just 0.2% m/m SA (prior: 0.4%). The average workweek was shorter, which might indicate that businesses were reducing hours amid economic headwinds.

The May JOLTs report was solid, with job openings ticking higher to 7.8m (prior: 7.4m), exceeding expectations. Involuntary layoffs declined modestly, but hiring was also a little slower. The Challenger report also showed a continuing decline in planned layoffs by US firms, returning to the levels prevailing before the surge in public sector layoffs during the first half of the year (second chart). Continuing claims for unemployment insurance have edged somewhat higher over the past weeks, but remain low in historical context.

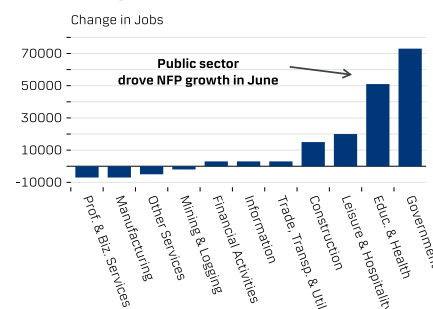
**Leading indicators present a mixed picture.** The Conference Board's consumer confidence index saw a broad-based decline to 93.0 in June. Even if perceptions of current job availability remain in positive territory, consumers are feeling more pessimistic about future business conditions and employment prospects. The NFIB Small Business Optimism Index remained steady in June, highlighting reduced uncertainty among businesses.

**While the US labour market keeps showing resilience amidst headline job gains, underlying structural weaknesses persist.** Firms appear to scale back hiring, and at the same time, slowing immigration is constraining labour supply growth (third chart). As long as the number of layoffs remains low, the Fed can afford to remain in a wait-and-see mode. But as rising tariff costs put pressure on firms' margins, we expect labour markets to generally cool towards the fall.

**Fed Chair Powell emphasised a still-solid labour market in his recent testimony before the senate** while noting the Fed continues to closely monitor unemployment trends for any signs of potential weakening. The latest Jobs Report caused markets to erase nearly all bets for a July rate cut, with markets now anticipating the Fed to ease monetary policy twice instead of three times in 2025. Current pricing is well aligned with our view as well, as we continue to forecast the next Fed cut for the September meeting, followed by quarterly cuts until the policy rate target reaches 3.00-3.25%.

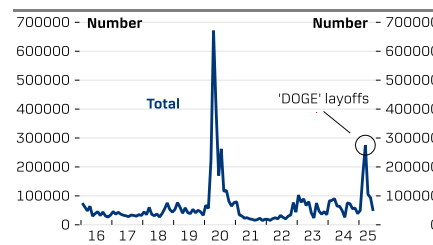
### Public sector driving job gains

US NFP Change in June, m/m



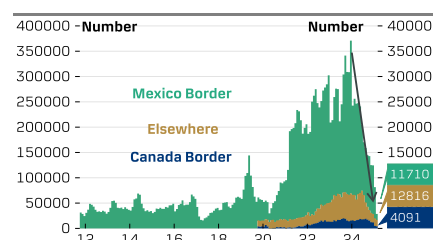
Sources: Macrobond Financial, U.S. BLS, Danske Bank

### Continued decline in announced layoffs



Sources: Macrobond Financial, Challenger, Gray & Christmas, Inc, Danske Bank

### Slowing illegal immigrant inflow into the US



Sources: Macrobond Financial, Dept. of Homeland Security, Danske Bank

#### Senior Analyst

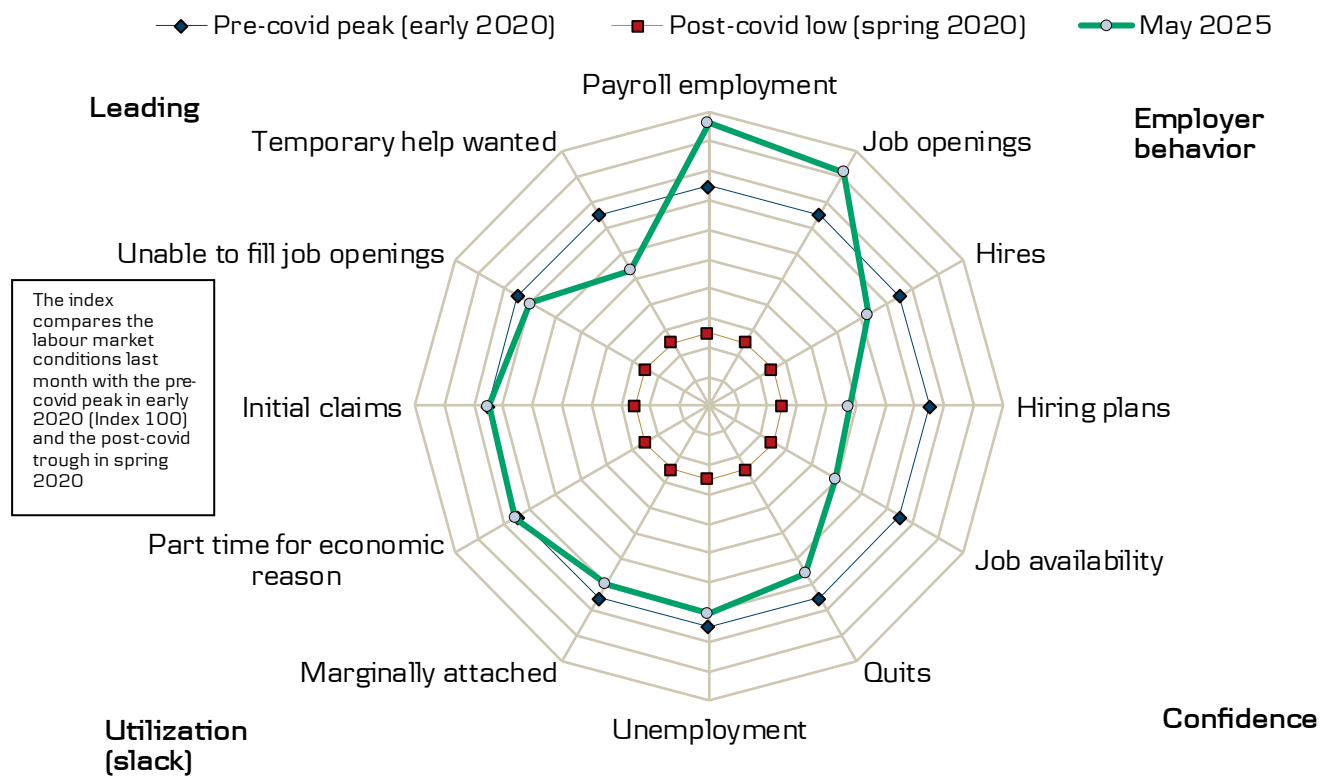
Antti Ilvonen  
+358 445 180 297  
[antti.ilvonen@danskebank.com](mailto:antti.ilvonen@danskebank.com)

#### Assistant Analyst

Emilie Herbo  
[eherb@danskebank.dk](mailto:eherb@danskebank.dk)

## US labour market in one chart

The cooling of the labour market is the most visible in slowing pace of hiring and hiring plans. Overall conditions remain still solid, however.



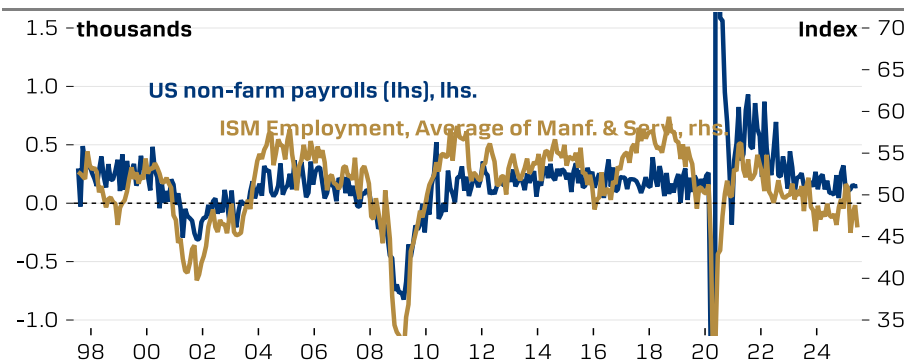
Note: the diagram shows the level of tightness of different US labour market key figures at different times, compared with the level of the same figures in the pre-covid peak in early 2020 (index = 100) and post-covid through in spring (index = 0). Counter-cyclical figures (jobless claims, marginally attached and working part time for economic reasons) are inverted; thus, the higher index (the further from the middle) the better (tighter) is the state of the labour market.

For JOLTS data we have used the average of the past two observations as the newest figures

Source: U. S. Bureau of Labor Statistics (BLS) (JOLTS), Atlanta Fed, Macrobond Financial, Danske Bank

## ISM employment vs nonfarm

ISM employment indices point towards a downtick in nonfarm payrolls growth



Source: Macrobond Financial, ISM, BLS, Danske Bank

## Labour demand

### Job openings ticked higher despite tariff concerns



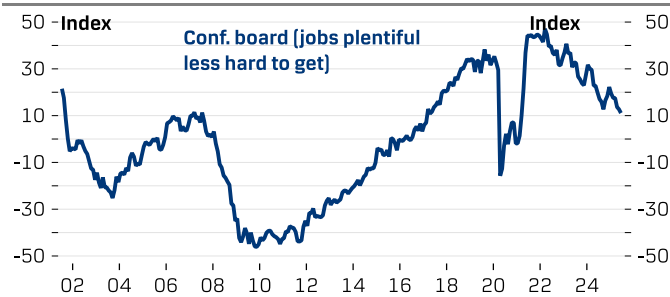
Source: Macrobond Financial, US Department of Labor, BLS, Danske Bank

### Hiring plans below pre-covid levels



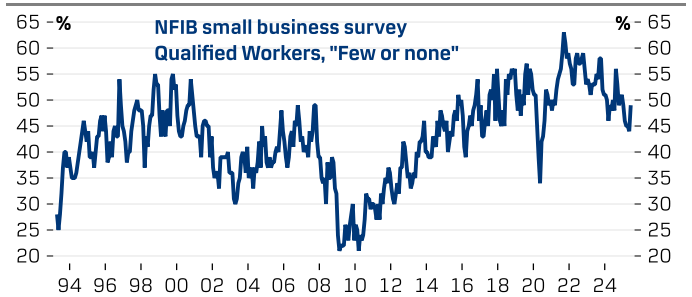
Source: Macrobond Financial, NFIB, Danske Bank

### Americans a little less confident in their job prospects



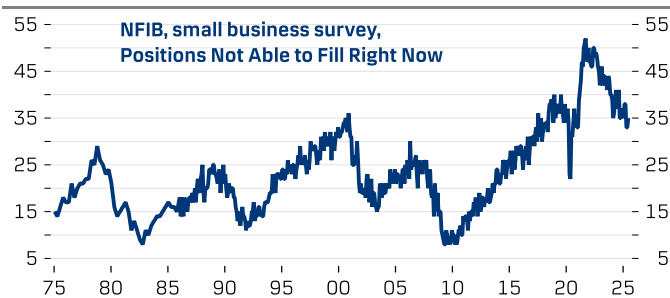
Source: Macrobond Financial, US Department of Labor, BLS, Danske Bank

### Labour shortages have not yet fully dissipated



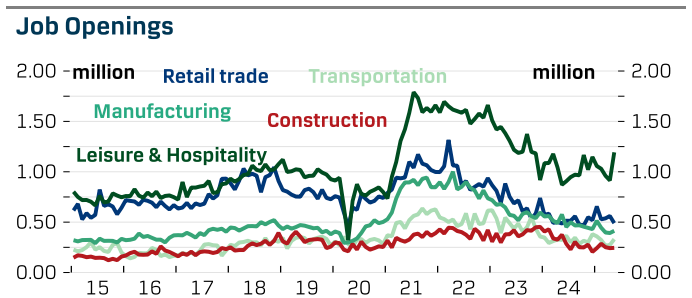
Source: Macrobond Financial, NFIB, Danske Bank

### Labour shortages have eased clearly



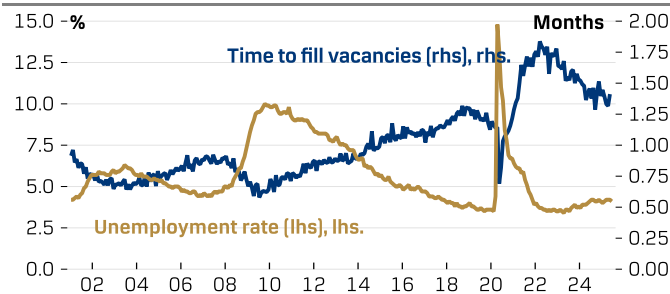
Source: Macrobond Financial, NFIB, Danske Bank

### Among sectors, Leisure and hospitality remains the hardest hit by the labour shortages



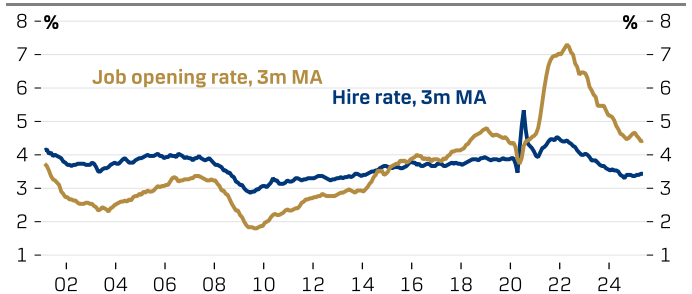
Sources: BLS, Macrobond Financial, Danske Bank

### Unemployment rate ticks down



Source: Macrobond Financial, BLS, Danske Bank

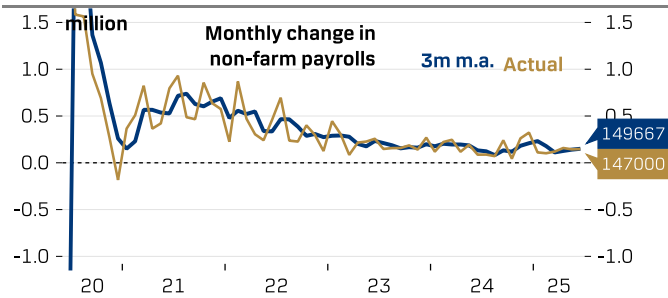
### Job openings decreasing slightly, while hires remain steady



Source: Macrobond Financial, BLS, Danske Bank

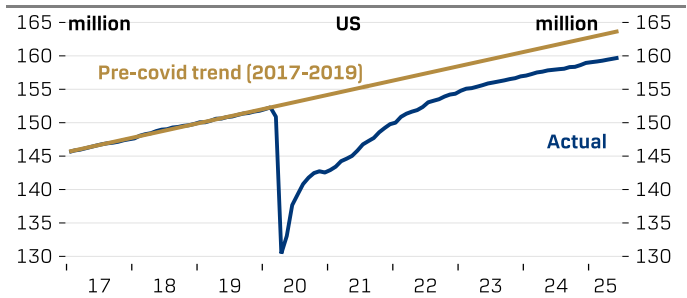
## Employment measures

### Employment growth increasing somewhat



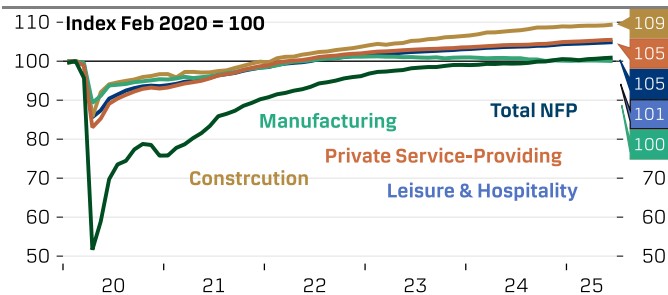
Source: Macrobond Financial, BLS, Danske Bank

### Employment above pre-covid level, but still below trend



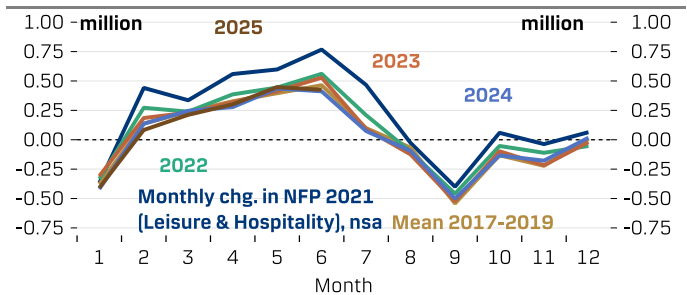
Source: Macrobond Financial, ADP, Danske Bank

### "Manufacturing" sector at the February 2020 employment level



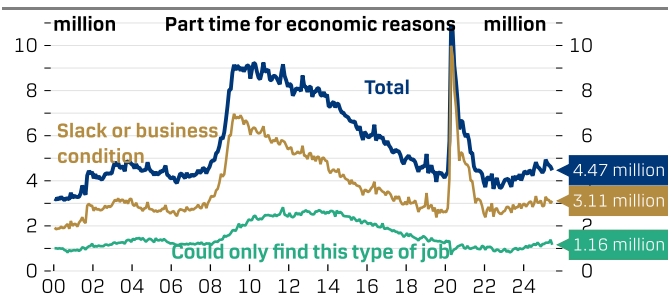
Source: Macrobond Financial, BLS, Danske Bank

### Overview of the monthly change in NFP in leisure & hospitality



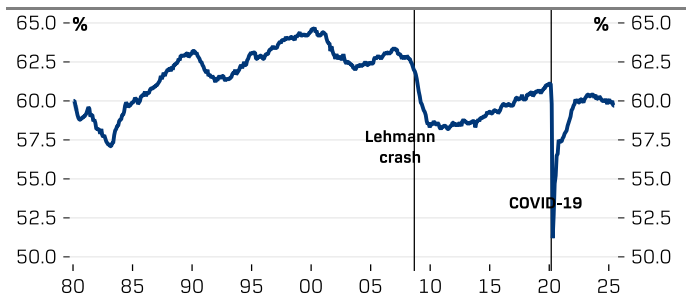
Source: Macrobond Financial, BLS, Danske Bank

### A slight uptick in people working part-time for economic reasons



Source: Macrobond Financial, BLS, Danske Bank

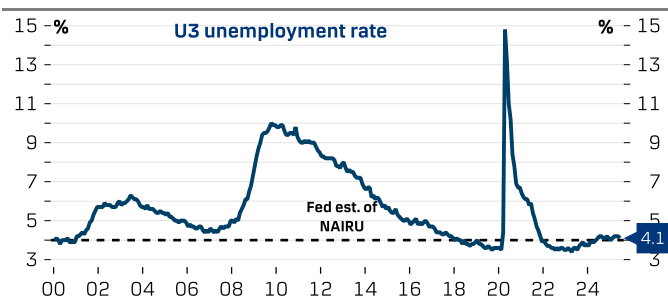
### Employment to population ratio still below previous levels



Source: Macrobond Financial, BLS, Danske Bank

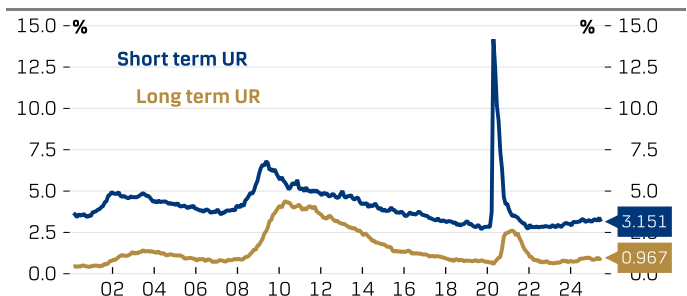
## Unemployment measures

### Unemployment rate hovering around full employment estimate



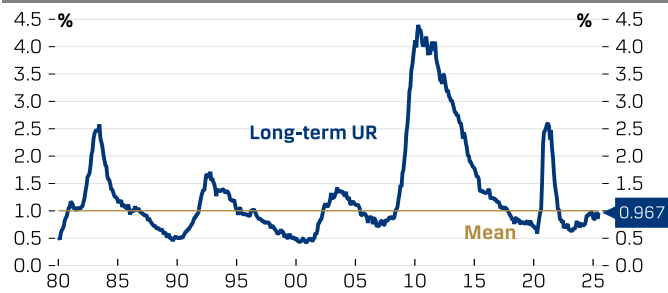
Source: Macrobond Financial, FOMC, BLS, Danske Bank

### Long-term unemployment sees slight uptick



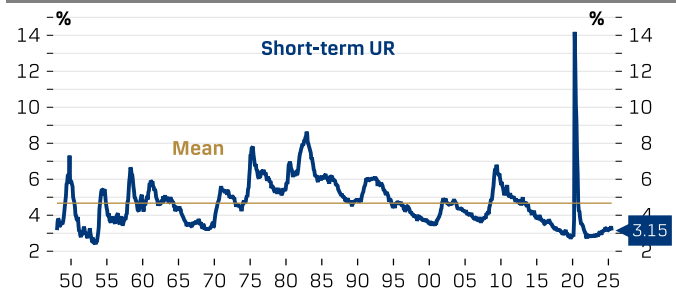
Source: Macrobond Financial, BLS, Danske Bank

### Long-term unemployment rate close to the historical average



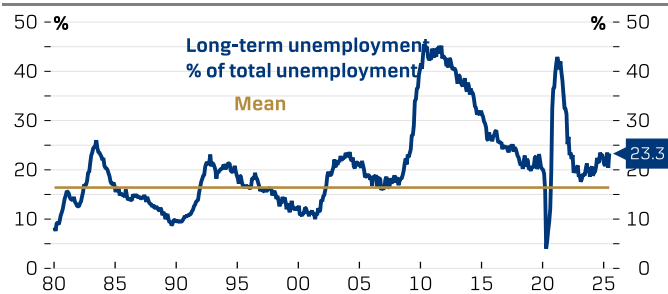
Source: Macrobond Financial, BLS, Danske Bank

### Short-term unemployment rate below the historical average



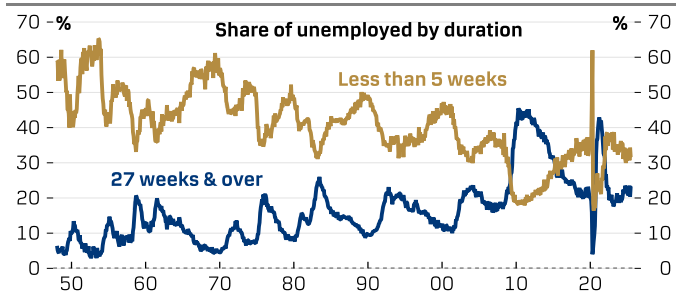
Source: Macrobond Financial, BLS, Danske Bank

### Long-term unemployment in % of total unemployment remains low



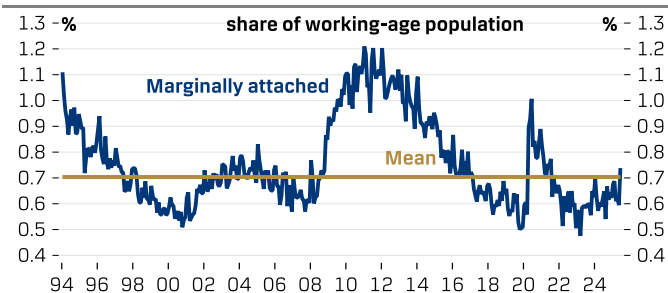
Source: Macrobond Financial, BLS, Danske Bank

### Long-term unemployment still at low levels



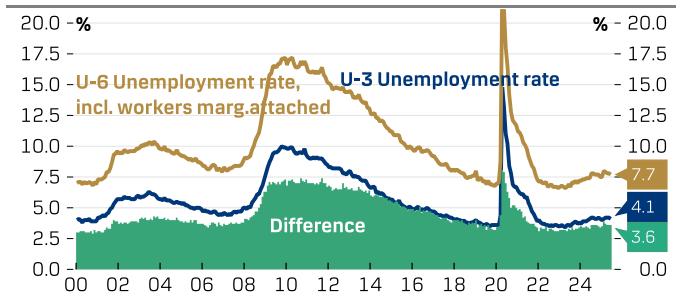
Source: Macrobond Financial, BLS, Danske Bank

### Marginally attached workers above average



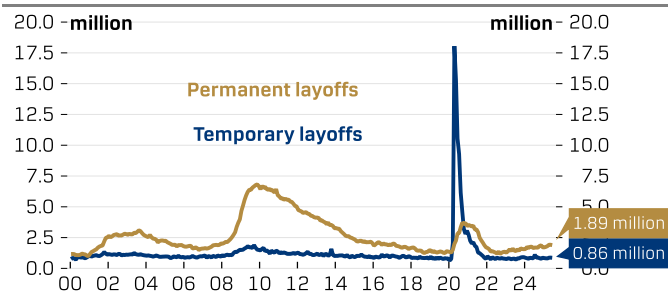
Source: Macrobond Financial, BLS, Danske Bank

### Unemployment ticked slightly down in June



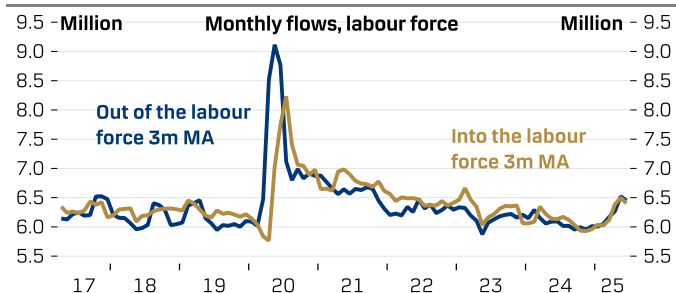
Source: Macrobond Financial, BLS, Danske Bank

### Permanent layoffs remain low



Source: Macrobond Financial, BLS, Danske Bank

### Labour market flows



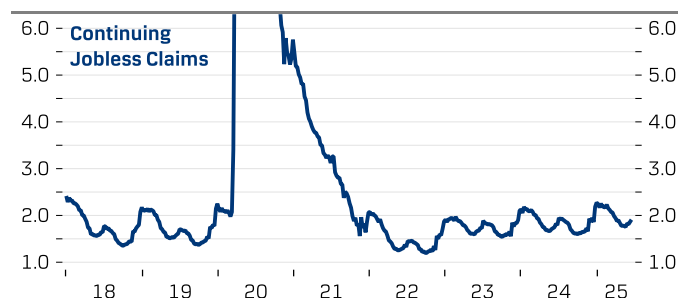
Source: Macrobond Financial, BLS, Danske Bank

### Initial jobless claims have hardly even risen from the lows



Source: Macrobond Financial, Department of Labor, Danske Bank

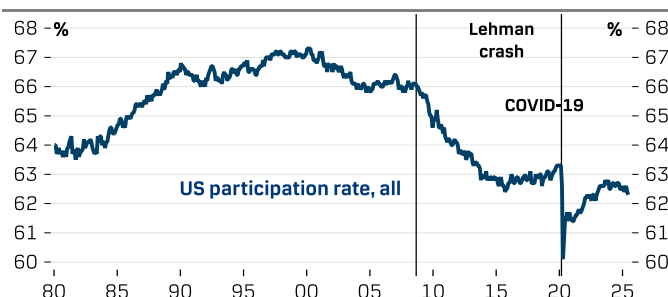
### Total continuing claims remain low



Source: Macrobond Financial, Department of Labor, Danske Bank

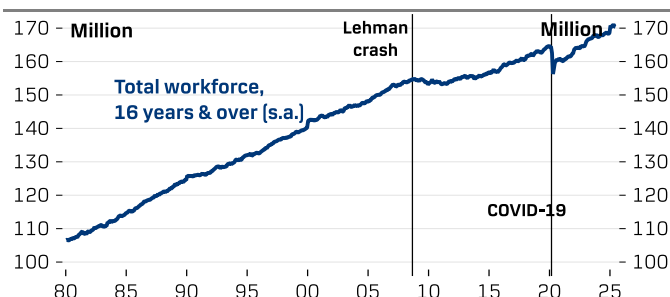
## Participation

### Participation rate has turned lower again



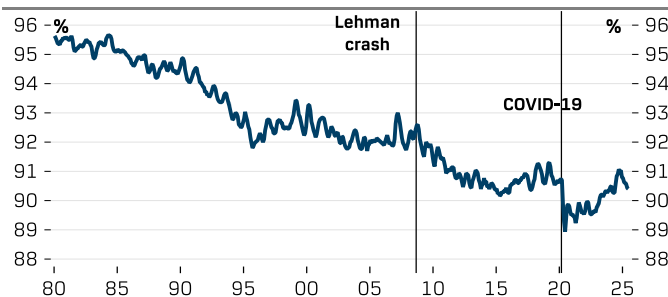
Source: Macrobond Financial, BLS, Danske Bank

### Labour force recovering



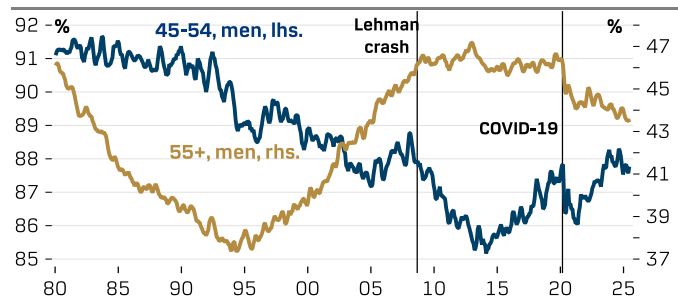
Source: Macrobond Financial, BLS, Danske Bank

### Participation rate, 35-44, men



Source: Macrobond Financial, BLS, Danske Bank

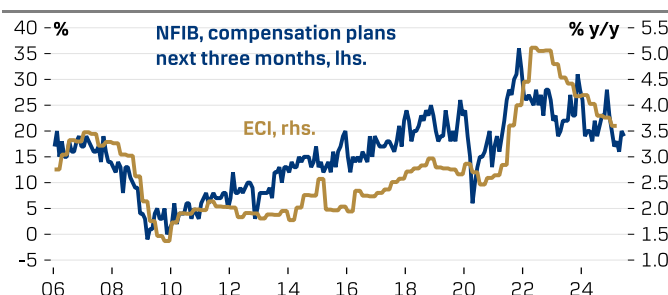
### Early retirements have likely contributed to labour shortages



Source: Macrobond Financial, BLS, Danske Bank

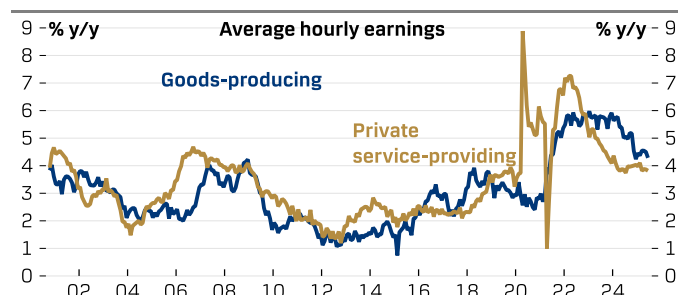
## Wage growth and inflation

### Compensation plans pointing to lower employment costs



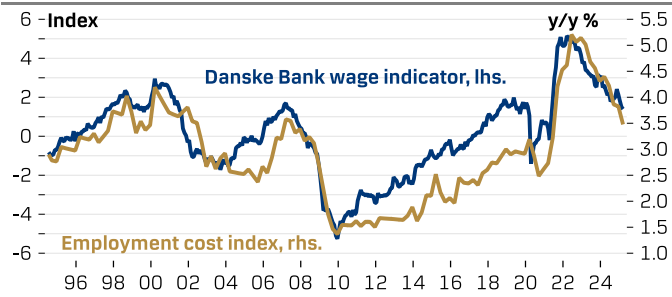
Source: Macrobond Financial, NFIB, Danske Bank

### Clear signs of easing labour shortages in service-sector



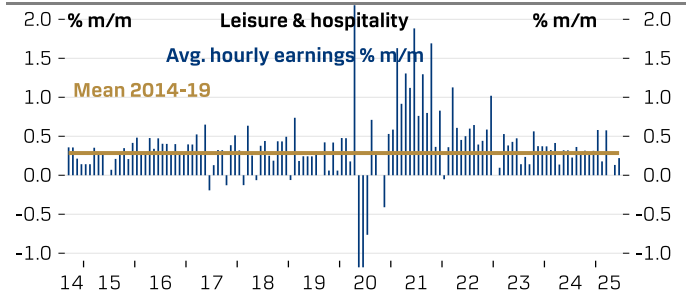
Source: Macrobond Financial, BLS, Danske Bank

### Declining wage pressure



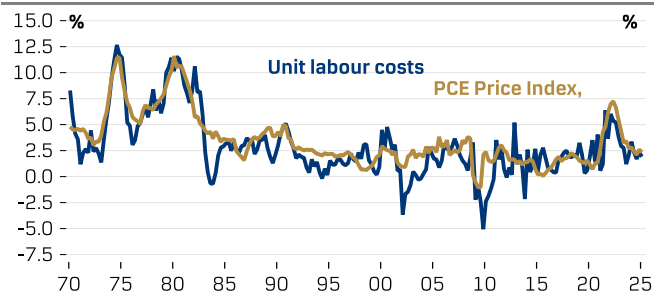
Source: BLS, Danske Bank

### Wage growth within "Leisure & Hospitality"



Source: BLS, Conference Board, Danske Bank

### Unit labour cost growth ticking slightly lower



Source: Macrobond Financial, BLS, Census, BEA, Danske Bank



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